

# Comprehensive Annual Financial Report

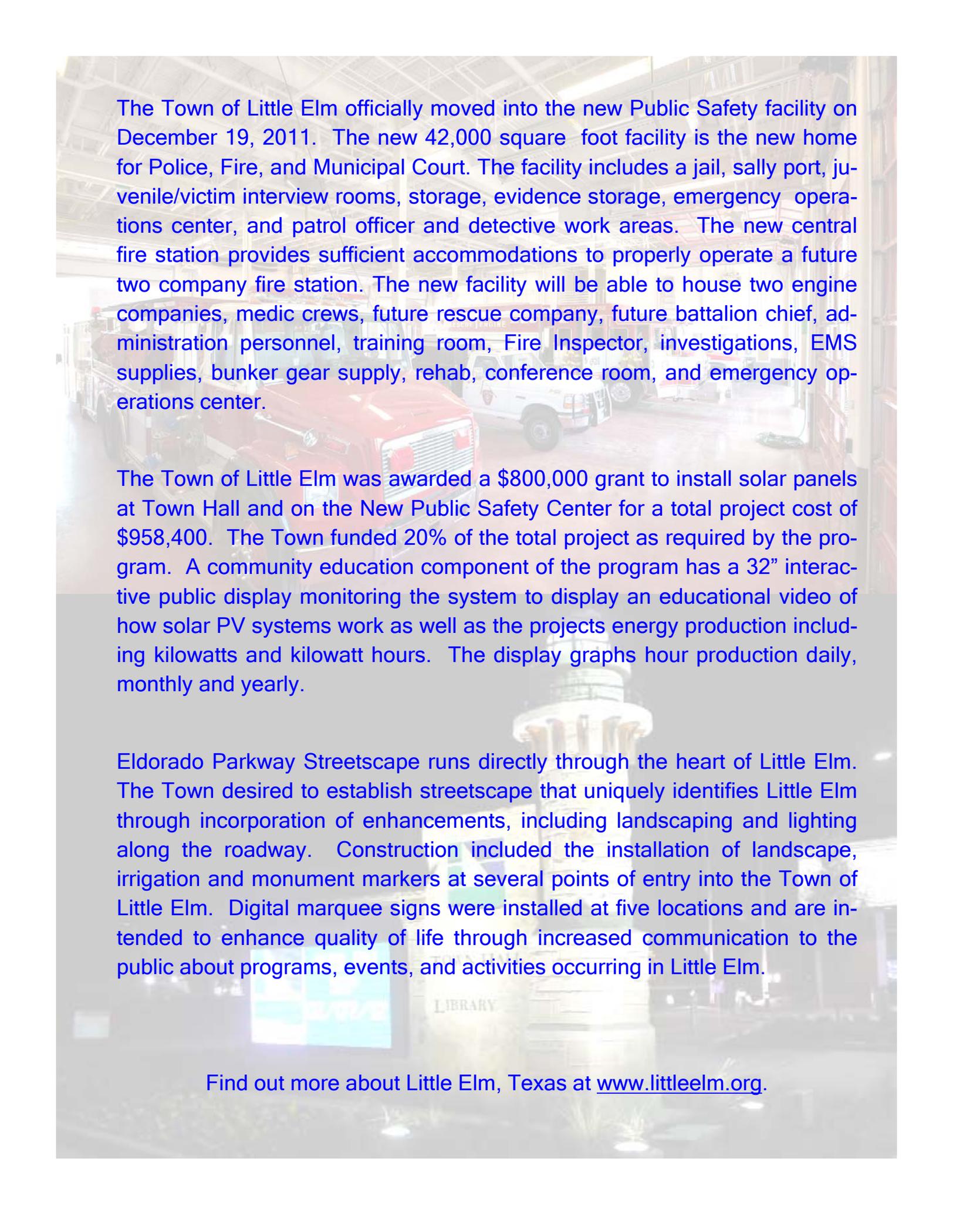


LITTLE ELM



*For the Year Ended  
September 30, 2011*

## Town of Little Elm, Texas

The background image shows the interior of a large fire station. Several fire trucks are parked in bays. The floor is polished and reflects the overhead lights. The ceiling has a grid pattern with recessed lighting. The overall atmosphere is clean and organized.

The Town of Little Elm officially moved into the new Public Safety facility on December 19, 2011. The new 42,000 square foot facility is the new home for Police, Fire, and Municipal Court. The facility includes a jail, sally port, juvenile/victim interview rooms, storage, evidence storage, emergency operations center, and patrol officer and detective work areas. The new central fire station provides sufficient accommodations to properly operate a future two company fire station. The new facility will be able to house two engine companies, medic crews, future rescue company, future battalion chief, administration personnel, training room, Fire Inspector, investigations, EMS supplies, bunker gear supply, rehab, conference room, and emergency operations center.

The Town of Little Elm was awarded a \$800,000 grant to install solar panels at Town Hall and on the New Public Safety Center for a total project cost of \$958,400. The Town funded 20% of the total project as required by the program. A community education component of the program has a 32" interactive public display monitoring the system to display an educational video of how solar PV systems work as well as the projects energy production including kilowatts and kilowatt hours. The display graphs hour production daily, monthly and yearly.

Eldorado Parkway Streetscape runs directly through the heart of Little Elm. The Town desired to establish streetscape that uniquely identifies Little Elm through incorporation of enhancements, including landscaping and lighting along the roadway. Construction included the installation of landscape, irrigation and monument markers at several points of entry into the Town of Little Elm. Digital marquee signs were installed at five locations and are intended to enhance quality of life through increased communication to the public about programs, events, and activities occurring in Little Elm.

Find out more about Little Elm, Texas at [www.littleelm.org](http://www.littleelm.org).

# Town of Little Elm, Texas

## Comprehensive Annual Financial Report



**Fiscal Year Ended  
September 30, 2011**

**AS PREPARED BY THE  
FINANCE DEPARTMENT**

Alan R. Dickerson, CGFO—Director of Finance  
Dianne Lawson, CGFO—Asst. Director of Finance  
Robin N. Bromiley  
Crystal Williamson



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# **INTRODUCTORY SECTION**



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March 2, 2012

To the Honorable Mayor, Members of Town Council and Citizens:

The Town of Little Elm Finance Department is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending September 30, 2011. The Town's Finance Department has prepared the Report and is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. We believe that the Town's current system of internal controls adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions. To the best of our knowledge and belief, the enclosed data is complete and reliable in all material respects. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The Town's financial statements have been audited by Rylander, Clay and Optiz, L.L.C, a firm of certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Little Elm's financial statements for fiscal year ended September 30, 2011 are presented in conformity with generally accepted accounting principles (GAAP).

The CAFR is presented in three sections: introductory, financial, and statistical. The Introductory Section includes this transmittal letter, the Town's organizational chart, and a list of principal officials. The Financial Section includes the independent auditor's report, Management's Discussion and Analysis (MD&A) and basic financial statements. GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A) which follows the independent auditors report. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The CAFR concludes with the Statistical Section, which includes financial and demographic information, usually presented on a multi-year basis to give users a perspective of the Town's performance over a number of years.

## PROFILE OF THE TOWN

Little Elm is a Home Rule Charter Town and operates under the Council/Manager form of government. A mayor and six council members are elected on staggered, three-year terms. The Town provides a full range of services, which include police, fire protection and emergency medical services, construction and maintenance of streets and other infrastructure; recreational activities and cultural events. In addition to general government activities, the Town also provides water, wastewater, and solid waste which are included in the reporting entity. Based upon the criterion set forth in GAAP, the following organizations are includable within the Town's reporting entity:

<u>Entity</u>	<u>Method of Inclusion</u>
Little Elm Economic Development Type 4A Corporation	Discretely Presented
Little Elm Community Development Type 4B Corporation	Discretely Presented
Little Elm Redevelopment Authority	Discretely Presented

## **LOCAL ECONOMY**

Little Elm is a residential community located approximately 10 miles east of the City of Denton and 33 miles north of downtown Dallas on the northeast shore of Lewisville Lake and is the sixth largest municipality in Denton County. Little Elm had its humble beginnings as part of the Peters Colony settlement and was chartered in 1841 as part of the Republic of Texas. At the time of its incorporation in 1966, the population of the Town was 363 and the original town encompassed 1,222 acres. Today, Little Elm has an estimated population of 28,000 and is one of the fastest growing cities in Denton County and in the north Texas region. The build out population is approximately 38,000 and with its extra-territorial jurisdiction (ETJ) the projected population is in excess of 70,000. The Town has approximately 11,876 acres (5,676 acres of land and 6,200 acres of lake) and encompasses approximately 19 square miles and within a 5-mile radius there is an estimated population of 150,000.

Located on two peninsulas of Lewisville Lake, operated by the U.S. Army Corps of Engineers, the Town has more miles of shoreline than any other community adjacent to the lake. This geographic positioning provides exceptional water vistas creating a wide variety of recreational opportunities. Additionally, the Town is close to major transportation networks with accessibility to major employers and other venues which open the door to many growth opportunities for residential and commercial development. Over the past decade, Little Elm has proven well to manage its rapid growth.

## **ECONOMIC CONDITIONS AND OUTLOOK**

While early 2010 continued to show a marked slowdown in residential and commercial activity, the Town fared very well with the assistance of the "National Stimulus" for the housing and building industries. Residential growth in Little Elm has been fueled by low costs for new housing. For the past decade, large scale suburban development has been approaching from the south and east. As land prices in the adjacent cities climbed, development in Little Elm has soared. With its close proximity to major thoroughfares, employers and quality of life venues, Little Elm offers viable economic opportunities for residential and commercial development. Sustainable residential lot inventory and a diverse community of builders has been the benefactor of first time home buyers who have taken advantage of the federal and national stimulus credits in our Town. During the fiscal year, the Town issued 352 single family residential permits with an average square footage of 2400 square feet. The total estimated construction value of these permits was approximately eighty million dollars (\$80,000,000.00). The Town also issued and permitted 9 new commercial building permits totaling approximately 180,000 square feet and adding value of over twenty million dollars (\$20,000,000.00).

The Town is experiencing significant retail/commercial development. The Kroger Market Center that was permitted and started in fiscal year 2010 at the intersection of FM 423 and Little Elm Parkway officially opened for business in 2011. The complex exceeds 125,000 square feet of retail space with an additional 30,000 square feet of space for other retail outlets.

Sales tax revenues in Little Elm increased by 10% over the prior year. Overall sales and sales tax revenue ended the year with positive signs that the Town's local economy was faring better than other entities in North Texas. Although the Town sales tax revenues are conservatively projected, it is reasonably anticipated that sales resulting from a stabilized and growing business environment in Little Elm will only enhance hopes that sales revenues will even be better than estimated in 2012.

**For the future.** In 2011, development plans were submitted by two national/regional branded gasoline/convenience store centers along with a discount grocery store. These new commercial/retail centers are adjacent to the new Little Elm Market Place on FM 423 and FM 720 and will open for

business in fiscal year 2012. These developments show very positive signs of the Little Elm economy strengthening and growing. In addition to retail, in this same location on FM 423 plans have been submitted for a 400 plus gated luxury apartment complex.

**Transportation as an Economic Factor.** In August of 2009, the Lewisville Lake Toll Bridge opened to traffic. The bridge and approaching roadways have provided an east-west connection between Interstate 35E, the North Dallas Tollway, and even further east to State Highway 75. Little Elm has two main arteries that run through the middle of town – FM 720 (Eldorado Parkway) going east towards Frisco and north/northwest to US Highway 380, and FM 423 going north to US 380 and south to SH 121 in The Colony. Due to surging population growth in the region over the last decade, FM 720 (Eldorado Parkway) and FM 423 are under construction with anticipated completion dates between 2012 and 2013. Eldorado Parkway will be under construction in April of 2012. Population growth along with transportation corridor improvements continues to stimulate both residential and commercial development in Little Elm.

## MAJOR INITIATIVES

**Long Range Planning.** In 2008, the Town adopted a comprehensive plan to take the Town to build out. Since 2008, the Town has aggressively and seriously undertaken most of the strategic elements of the plan. Notable projects included in the implementation have included adopting new building and code standards and near completion of major thoroughfare and facility projects. General Obligation voted bonds were authorized and issued in 2009 and 2010 with full implementation of the Town’s five-year capital improvement plan (CIP). At the end of fiscal year 2011 the following major projects in the five-year CIP were completed or in progress:

- |  |                          |
|--|--------------------------|
| • Public Safety Facility (42,000 square feet)        | Substantially completed  |
| • Recreation Center                                  | In construction progress |
| • Animal Control Center                              | In design                |
| • Library/Town Hall Renovation                       | In design                |
| • Lobo Lane Reconstruction                           | Substantially completed  |
| • Witt-Woodlake Connector                            | Completed                |
| • Main Street Reconstruction                         | Completed                |
| • Eldorado Parkway Streetscape and Gateway Monuments | In progress              |
| • Witt Road Bridge                                   | In progress              |

During fiscal year 2011 the Town put in service an expansion of its wastewater treatment plant that will serve current and future capacity. In addition to the sewer treatment plant expansion the Town completed the replacement and relocation of all water and sewer lines along Eldorado Parkway in preparation for the reconstruction of this thoroughfare by the Texas Department of Transportation. Also during the year, the Town completed a Storm Utility Drainage Study for which a storm drainage fee is proposed to support future mitigation of storm drainage systems.

The Town completed a Parks Master Plan revision and update in fiscal year 2011 and the Parks Board and the Town’s Type 4B Community Development Corporation will begin to develop its strategy and plan to make their recommendations for improvements to the Town Council.

## **RELEVANT FINANCIAL POLICIES**

**Accounting System.** The diverse nature of governmental operations and the necessity of complying with legal provisions require an accounting system unlike those used by commercial enterprises. Rather than establishing a single unified set of accounts for recording and summarizing all financial transactions, the accounts of the Town are organized on the basis of funds; each of which constitutes a separate accounting entity.

**Accounting and Budgetary Controls.** The Finance Department assures legal compliance with the budget and provides a check and balance system to maintain a solid assurance that the Town's assets are protected and safeguarded. We believe that the Town's accounting controls provide reasonable assurance that errors or irregularities would be detected within a timely period by employees in the normal course of performing their assigned function.

Individual line items are reviewed and analyzed at the individual fund level for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures are monitored and controlled by project or item. Activities of the general fund, debt service fund, and special revenue fund, capital projects fund and enterprise fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the fund level, however, departmental appropriations are set, monitored and controlled within an individual fund. Unencumbered amounts lapse at the close of the fiscal year.

Budgetary control is accomplished by the adoption of an annual operating budget for most funds. Budgetary controls are further maintained and emphasized by the issuance of periodic financial statements, which reflect current and cumulative fiscal year expenditures in comparison to appropriated budget amounts. Budget statements are generated at least monthly and upon request showing budget and actual expenditures by line item. The Town Council receives quarterly budget and investment reports reflecting variances and highlighting trends.

The Town's accounting records for general governmental operations are maintained on a modified accrual basis with the revenues being recorded when available and measurable, and expenditures being recorded when the goods or services are received and the liabilities are incurred. On the other hand, the Town's Proprietary Fund is maintained on a full accrual basis.

## **AWARDS AND ACKNOWLEDGEMENTS**

**Independent Audit:** The Town Charter requires an annual audit to be made of the books of account, financial records, and transactions of all administrative departments of the Town by independent certified public accountants selected by the Town Council. The report of our auditors is included in the financial section of this report.

**Certificate of Achievement for Financial Reporting:** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2010. This was the first year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a municipality must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The presentation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Special acknowledgment goes to Dianne Lawson, Assistant Finance Director and Robin Bromiley, Senior Accountant. We would like to express our appreciation to all members of the Finance Department who assisted and contributed to its presentation. Our appreciation is extended to these individuals and all other departments who assisted in the preparation of this report. We would also like to thank the Mayor and the members of the Town Council for their leadership, encouragement and support in strengthening and improving the fiscal policies of the Town of Little Elm, Texas.

Respectfully submitted,

  
Director of Finance

  
Assistant Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Little Elm  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

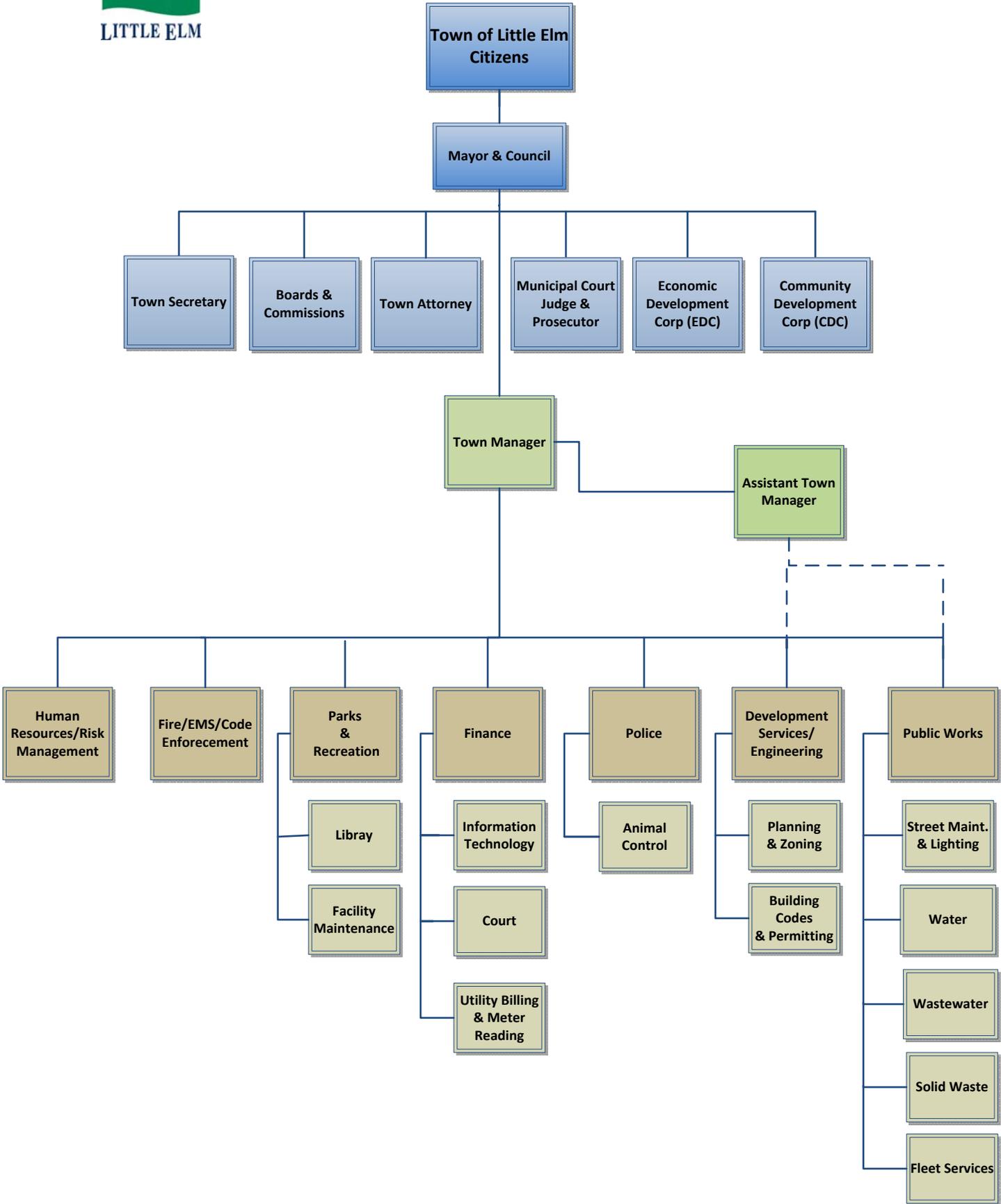
President

*Jeffrey R. Emery*

Executive Director



# TOWN OF LITTLE ELM, TEXAS



# TOWN OF LITTLE ELM, TEXAS

## Town Officials



## Council Members

Charles Platt  
Curtis Cornelious  
Richard C. Stevens  
Stephanie Shoemaker  
Hal Grant  
Brandon Gerard  
Bill Roebken

Mayor  
Mayor Pro Tem  
District 1  
District 2  
District 4  
District 5  
District 6

## Executive Staff

Doug Peach  
Alan Dickerson  
Waylan Rhodes  
Kathy Phillips  
Deidre Hale  
Joe Florentino  
Kevin Mattingly  
Tony Chrisman  
Jason Laumer  
Jennette Killingsworth

Interim Town Manager  
Director of Finance  
Chief of Police  
Town Secretary  
Human Resources Director  
Fire Chief  
Director of Public Works  
Director of Parks and Library Services  
Director of Development Services/Town Engineer  
EDC Executive Director

## **FINANCIAL SECTION**



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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,  
Town Council, and Town Manager  
Town of Little Elm, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Little Elm, Texas (the "Town") as of and for the year ended September 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year summarized comparative information has been derived from the Town's 2010 financial statements and, in our report dated March 8, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Little Elm, Texas as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2012, on our consideration of the Town of Little Elm, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Little Elm, Texas financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Rylander, Clay & Opitz, LLP*

March 2, 2012



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



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## MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2011  
(unaudited)

As management of the Town of Little Elm (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report and the Town's basic financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

#### Entity-Wide

- The Town's total net assets on a government-wide basis totaled \$85,841,638 at September 30, 2011, a 12% increase over September 30, 2010. Of this balance, 81% or \$69,169,843 is invested in capital assets while \$10,498,595 is unrestricted and may be used to meet the Town's ongoing obligations.
- On a government-wide basis, the Town had expenses net of program revenue of \$7,228,244. General revenues and transfers totaled \$16,200,723, resulting in an increase in net assets of \$8,972,479. This increase is attributable to an increase in water and sewer services, capital grants, street impact fees, and other user fees.
- The Town received \$5,240,740 in capital grants and contributions in FY 2011 from a Distributed Renewable Energy Technology Stimulus Grant (SECO) for solar panels, interlocal agreement with Denton County for thoroughfare and bridge improvements and developer contributions.

#### Governmental Activities

- On a government-wide basis for governmental activities, the Town had expenses net of program revenue of \$10,675,132. General revenue and transfers totaled \$16,474,280 resulting in an increase in net assets of \$5,799,148.
- As of September 30, 2011, the Town's governmental activities reported combined ending net asset balances of \$58,716,943. The largest element of this balance, \$50,204,248, is the value of the Town's investment in capital assets, such as streets, parks and facilities, net of related debt.

#### Business-Type Activities

- The net assets of the Town's business-type activities had a current year increase of \$3,173,331. The current year increase is primarily due to impact fees, charges for services and sales. The Town had capital contributions from developers for commercial and residential developments which include impact fees.

#### General Fund

- At the end of this fiscal year fund balance (net assets) for the general fund was \$5,837,943 or approximately 45% of the total general fund expenditures. Of this amount \$3,326,289 is committed by ordinance of the Town Council as spendable fund balance.
- General fund revenues were under expenditures by \$105,284 before transfers. This deficiency was a planned draw down for one-time uses of reserves to purchase various capital outlays. After transfers, the General fund at the end of this fiscal year realized a net change in fund balance of \$831,023.



# MANAGEMENT'S DISCUSSION & ANALYSIS

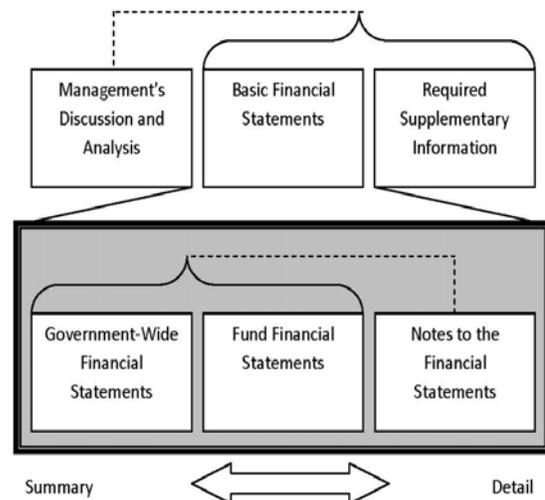
For the year ended September 30, 2011  
(unaudited)

- General fund expenditures decreased by \$85,002 or 1% over fiscal year 2010.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information (see Figure A-1). The basic financial statements include two kinds of statements presenting different views of the Town: The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town’s overall financial status. The remaining statements are fund financial statements that focus on individual parts of the government and report the Town’s operations in a more detailed approach. The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities of the business-type operations. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1. REQUIRED COMPONENTS OF THE CITY'S ANNUAL FINANCIAL REPORT



## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Town’s finances, in a manner similar to a private-sector business whereby using the full accrual basis of accounting. Following the Independent Auditor’s Report there are two statements: Statement of Net Assets and Statement of Activities. The Statement of Net Assets includes all of the government’s assets and liabilities. Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting. The Statement of Activities accounts for all of the current year’s revenues and expenses, regardless of when cash is received or paid.

The two government-wide statements report the Town’s net assets and how they have changed. The difference between the Town’s assets and liabilities is equal to the Town’s net assets. The change in net assets is one way to measure the financial health of the Town. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. To assess the overall health of the Town, other non-financial factors should also be taken into consideration, such as changes in the Town’s property tax base and the condition of the Town’s infrastructure.



## MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2011  
(unaudited)

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These two government-wide financial statements also distinguish between functions of the Town that are principally supported by taxes and from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). In the Statement of Net Assets and the Statement of Activities, the Town is divided into three kinds of activities:

- **Governmental activities** – Most of the Town's basic services are reported here, including the police, fire, library, community development, parks and recreation, municipal court, and general administration. Property and sales taxes, charges for services and franchise fees finance most of these activities.
- **Business-type activities** – The Town's water, sewer, and utility business services are reported here. These are functions intended to recover all or a significant portion of their costs through user fees and charges.
- **Component units** – In addition to the primary government, the Town includes three discretely presented component units. The Town's sales tax corporations are the Little Elm Economic Development Corporation (LEEDC) and Little Elm Community Development Corporation (LE CDC). The Town added a third component unit in 2008. This unit is called the Little Elm Redevelopment Authority (LERA). Although legally separate, these component units operate under the criteria of board appointment and removal by the Town Council. Approval and oversight of capital projects as well as budget appropriations and approval is under the authorization of Town Council.

### FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Town's most significant funds and will be more familiar to traditional users of governmental financial statements. The focus is now on major funds rather than fund types. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has two types of funds:

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on resources available for future spending at fiscal year end. The governmental funds are the General Fund, Capital Project Funds, Special Revenue Funds, and Debt Service Funds which focus on:

- (1) How cash and other financial assets can readily be converted to cash flow (in and out), and
- (2) Year end balances readily available for appropriation or spending.



## MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2011  
(unaudited)

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The governmental fund statements provide a detailed short-term view of the Town's general government operations and helps to determine whether there are greater or fewer financial resources that can be spent in the near future to finance the Town's programs and services. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the governmental fund financial statements that explain the reconciliation between the fund financial statements and the government-wide statements.

The Town maintains three major governmental funds – the General Fund, the Capital Project Fund and the Debt Service Fund. In addition, the Town presents in the Governmental Funds statement Nonmajor governmental funds – the Special Revenue Funds and additional Capital Project Funds.

**Enterprise Fund/Proprietary Fund** - The Town maintains only two proprietary funds – the Water and Sewer Fund and Solid Waste Fund. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town charges customers for the services it provides. Services for which the Town collects fees and rates intended to fully recover the cost of providing the service are reported in proprietary funds. These funds, similar to government-wide statements, provide both long-term and short-term financial information.

The Town's proprietary funds are substantially the same as its business-type activities; however, the fund financial statements provide additional information, such as cash flows. The Town utilizes proprietary funds to account for its water and sewer services and solid waste services.

### **OTHER FINANCIAL RELATED INFORMATION**

**Notes to the Financial Statements** – The notes to the Town's Financial Statements are intended to provide the reader a narrative of significant accounting, budgetary, and financial policies. The notes also provide further detail analysis of the Town's assets and liabilities.

**Required Supplemental Information** – This section of the report provides the reader additional schedules for reporting the Town's General Fund Budgetary information.



**MANAGEMENT'S DISCUSSION & ANALYSIS**  
 For the year ended September 30, 2011  
 (unaudited)

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Analysis of the Town's Financial Position**

As of September 30, 2011, the Town's assets exceeded liabilities by \$85,841,638. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets:

	Net Assets					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 24,533,320	\$ 34,773,714	\$ 13,422,340	\$ 14,456,248	\$ 37,955,660	\$ 49,229,962
Capital assets	76,414,688	61,123,866	45,439,492	42,458,113	121,854,180	103,581,979
Total assets	<u>100,948,008</u>	<u>95,897,580</u>	<u>58,861,832</u>	<u>56,914,361</u>	<u>159,809,840</u>	<u>152,811,941</u>
Long-term liabilities	36,127,122	37,943,511	28,783,496	29,799,335	64,910,618	67,742,846
Other liabilities	6,103,943	5,036,274	2,953,641	3,163,662	9,057,584	8,199,936
Total liabilities	<u>42,231,065</u>	<u>42,979,785</u>	<u>31,737,137</u>	<u>32,962,997</u>	<u>73,968,202</u>	<u>75,942,782</u>
Net assets:						
Invested in capital assets, net of related debt	50,204,248	47,903,977	18,965,595	17,697,671	69,169,843	65,601,648
Restricted	2,752,458	2,111,443	3,420,742	3,020,299	6,173,200	5,131,742
Unrestricted	5,760,237	2,902,375	4,738,358	3,233,394	10,498,595	6,135,769
Total net assets	<u>\$ 58,716,943</u>	<u>\$ 52,917,795</u>	<u>\$ 27,124,695</u>	<u>\$ 23,951,364</u>	<u>\$ 85,841,638</u>	<u>\$ 76,869,159</u>

As stated earlier in the opening highlights of this discussion, the largest portion of the Town's net assets (81% or \$69,169,843) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, improvements, construction in progress, and infrastructure), less any related debt used to acquire capital assets still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The government-wide statement of net assets reports the following restricted net assets:

	Governmental Activities		Business-type Activities		Component Units	
	2011	2010	2011	2010	2011	2010
Restricted by enabling legislation	\$ 343,939	\$ 221,315	\$ 2,530,484	\$ 2,141,445	\$ 2,418,339	\$ 2,028,843
Net assets otherwise restricted for:						
Debt Service	2,024,790	1,834,254	890,258	878,854	-	-
Grant requirements	340,136	155,214	-	-	-	-
Donations	34,300	33,180	-	-	-	-
Forfeitures	9,293	9,477	-	-	-	-
	<u>\$ 2,752,458</u>	<u>\$ 2,253,440</u>	<u>\$ 3,420,742</u>	<u>\$ 3,020,299</u>	<u>\$ 2,418,339</u>	<u>\$ 2,028,843</u>



## MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2011  
(unaudited)

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For fiscal year end 2011, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. As seen in the net assets table, the total change in net assets over fiscal year 2010 was \$8,972,479 or 12%.

- Included in unrestricted net assets (\$10,498,595) are assets that are earmarked for particular purposes, such as park improvements, thoroughfare improvements, water and sewer system maintenance, and operational expenses.
- Net assets increased primarily as a result of additions of new infrastructure. Major projects completed and or in progress during the year included:
  - Main Street improvements
  - Witt/King Road Improvements
  - Wastewater Treatment Plant Expansion
  - Eldorado Parkway Water and Wastewater Improvements
  - Town Hall Generator project
  - Woodlake Parkway improvements
  - Public Safety Facility
  - Recreation Center/Senior Center (construction in progress)
  - Lobo Lane improvements (construction in progress)
  - Lift Station Interceptor Project (construction in progress)
  - Witt Road Bridge (construction in progress)
  - Lakeshore Drive connector (construction in progress)
  - FM 423 North water and sewer lines (construction in progress)
  - Smotherman Road improvements (construction in progress)
  - Eldorado Parkway Gateway and Streetscape project (construction in progress)
  - Library remodel (design)

### **Analysis of the Town's operations**

**Governmental activities** - Governmental activities increased the Town's net assets by \$5,799,148. Significant reasons for this increase are as follows: The Town had a \$15,318,598 increase in capital asset acquisitions, while long-term liabilities decreased by \$1,660,241. See the "Capital Assets and Debt Administration" section of the MD&A for more information. The Town continues to see positive gains in net assets.

**Business-type activities** – Business-type activities increased the Town's net assets by \$3,173,331. The Town's business-type capital assets increased by \$3,018,422 while long-term liabilities decreased by \$669,458.



**MANAGEMENT'S DISCUSSION & ANALYSIS**  
 For the year ended September 30, 2011  
 (unaudited)

The following table provides a summary of the Town's operations for the year ended September 30, 2011:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 2,991,838	\$ 2,465,300	\$ 11,388,925	\$ 10,721,264	\$ 14,380,763	\$ 13,186,564
Operating grants and contributions	220,617	308,121	-	-	220,617	308,121
Capital grants and contributions	4,767,318	4,705,395	473,422	-	5,240,740	4,705,395
General revenues:					-	-
Property taxes	10,195,279	9,668,429	-	-	10,195,279	9,668,429
Sales taxes	2,125,984	1,959,630	-	-	2,125,984	1,959,630
Franchise taxes	1,312,681	1,261,561	56,342	-	1,369,023	1,261,561
Interest	271,988	388,935	150,655	333,428	422,643	722,363
Other	1,329,395	593,077	758,399	566,639	2,087,794	1,159,716
Total revenues	23,215,100	21,350,448	12,827,743	11,621,331	36,042,843	32,971,779
Expenses:						
General government	2,464,445	2,540,722	-	-	2,464,445	2,540,722
Community service	1,364,740	1,530,292	-	-	1,364,740	1,530,292
Public safety	7,190,910	8,839,262	-	-	7,190,910	8,839,262
Public works	4,435,870	2,853,899	-	-	4,435,870	2,853,899
Culture and recreation	1,483,761	1,346,593	-	-	1,483,761	1,346,593
Interest expense	1,715,179	1,385,300	-	-	1,715,179	1,385,300
Water and sewer services	-	-	6,950,429	6,763,043	6,950,429	6,763,043
Solid waste services	-	-	1,465,030	1,641,111	1,465,030	1,641,111
Total expenses:	18,654,905	18,496,068	8,415,459	8,404,154	27,070,364	26,900,222
Increase in net assets before transfers	4,560,195	2,854,380	4,412,284	3,217,177	8,972,479	6,071,557
Transfers	1,238,953	1,329,648	(1,238,953)	(1,070,443)	-	259,205
Change in net assets	5,799,148	4,184,028	3,173,331	2,146,734	8,972,479	6,330,762
Net assets, beginning of year	52,917,795	48,733,767	23,951,364	21,804,630	76,869,159	70,538,397
Net assets, end of year	\$ 58,716,943	\$ 52,917,795	\$ 27,124,695	\$ 23,951,364	\$ 85,841,638	\$ 76,869,159

The primary government's expenses exceeded program revenues by \$7,228,244. Program revenues of \$19,842,120 are specific to the functions(s) of the primary government such as fees and charges for services, grants, and capital contributions. The expenses of the primary government were \$27,070,364 with water and sewer operations' comprising 31% or \$8,415,459. Public safety activities comprised 27% or \$7,190,910 which includes fire, police and animal control. The Town's general revenue sources from property tax, sales taxes, franchise taxes, interest, and miscellaneous revenues provides 45% of total revenue sources to support the primary government's activities.

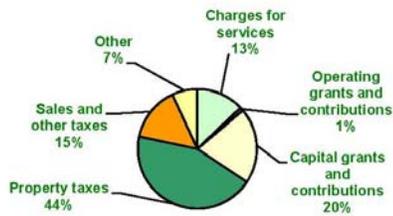


## MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2011  
(unaudited)

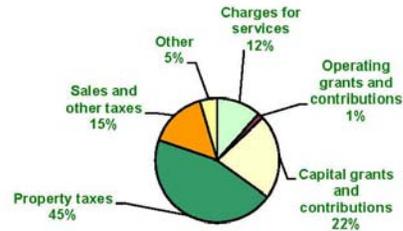
The Town's total governmental and business type activity revenues (less transfers) increased by \$3,071,064 or 9% over prior year. The Town received capital contributions for thoroughfare improvements and a solar grant in an amount of \$5,240,740. The total cost of all governmental programs and services have increased by \$170,142 or 1% over prior year. The following graphs are presented to reflect the ratio of revenues that support the primary government's activities for 2011 and 2010:

Revenues by Source - Government Activities  
9/30/2011



2011 Total: \$23,215,100

Revenues by Source - Government Activities  
9/30/2010

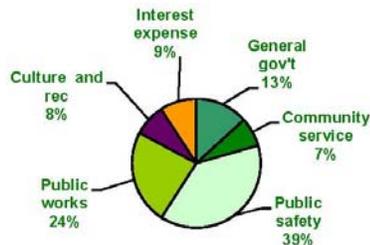


2010 Total: \$21,350,448

Total revenues (program and general) of governmental activities were \$23,215,100 before transfers for fiscal year 2011. A significant portion (44%) of the Town's revenues came from property taxes with 15% attributable to sales and other taxes. Sales and other taxes remained consistent with the prior year reflecting growth of approximately \$217,474. This increase is from new business.

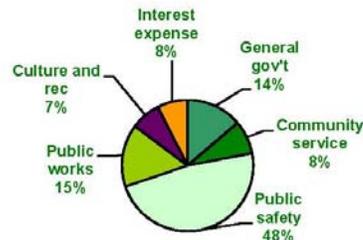
The total cost of all governmental programs was \$18,654,905 for fiscal year 2011. Of these costs, \$7,190,910 or 39% was for public safety activities. The following graphs present the ratio of each major expense by government activity:

Governmental Activity Expenses  
9/30/2011



Total Expenses: \$18,654,905

Governmental Activity Expenses  
9/30/2010



Total Expenses: \$18,496,068

The primary government's expenses total \$27,070,364 for which 53% or \$14,380,763 is supported by charges for services. The other 47% of the primary government's expense is supported by property taxes and other general revenues of \$12,689,601 before transfers.



## MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2011  
(unaudited)

### Expenses and Program Revenues - Business-type activities highlights

- Business-type activities net assets increased by \$3,173,331 (after transfers) for the year which primarily means that the rates and charges of the system covered operational and debt related costs.
- Total business-type expenses for the year were \$8,415,459.
- Business-type revenues increased by 11% or \$1,141,083 primarily for charges for services and impact fees.
- Business-type expenses increased by 1% or \$11,305.

The following graphs are presented to reflect the self-supporting charges for services to the customers of the Town's utility and solid waste services:



### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

**Governmental Funds** – At the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$20,753,343, a decrease of \$11,080,247 compared with the prior year due to the draw down of capital project funds. The breakdown of the total fund balances at fiscal year end is as follows:

- 28% or \$5,867,943 for General fund operating and maintenance purposes
- 63% or \$13,164,031 for General capital project commitments
- 9% or \$1,751,369 for Debt service commitments, special revenues, and street maintenance

**Proprietary Funds** – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the proprietary funds have already been addressed in the discussion of the Town's business-type activities. The Proprietary Fund had net cash from operating activities at September 30, 2011 of \$4,736,700.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The Town adopts its budget by ordinance at the fund level. The General Fund had a positive variance of expenditures at fiscal year end of \$153,260. There was a positive variance of General Fund revenues to



**MANAGEMENT'S DISCUSSION & ANALYSIS**  
 For the year ended September 30, 2011  
 (unaudited)

the budget by \$1,048,458. Of this amount, 40% was for construction related permits while taxes were 42% or \$431,013.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** -The The Town's investment in capital assets for its governmental and business type activities amounts to \$120,757,775 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and system, improvements, machinery, and equipment, park facilities, roads, highways, and bridges. This amount represents a net increase of \$18,337,020. Note 5 in the Financial Statement Section provide additional detail regarding the Town's capital assets. A summary of the Town's capital assets is as follows:

	Capital Assets (net of depreciation)					
	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,479,696	\$ 2,479,696	\$ 1,089,743	\$ 1,089,743	\$ 3,569,439	\$ 3,569,439
Construction in progress	19,077,689	10,101,825	11,315,745	15,648,250	30,393,434	25,750,075
Buildings	5,397,479	5,560,438	54,266	57,281	5,451,745	5,617,719
Infrastructure	42,642,688	36,322,591	11,968,752	24,233,368	54,611,440	60,555,959
Other improvements	3,292,397	3,455,396	19,618,035	-	22,910,432	3,455,396
Machinery and equipment	3,012,727	2,664,132	808,558	808,035	3,821,285	3,472,167
	<u>\$ 75,902,676</u>	<u>\$ 60,584,078</u>	<u>\$ 44,855,099</u>	<u>\$ 41,836,677</u>	<u>\$ 120,757,775</u>	<u>\$ 102,420,755</u>

**Long-term Debt** - At year end, the Town had \$68,272,477 of long-term debt and other liabilities. Of this amount, \$56,120,000 is backed by the full faith and credit of the Town and \$10,755,000 represents bonds secured solely by specific revenue sources from the Proprietary Fund. Currently the Town has no unissued general obligation debt.

Standard & Poor's Ratings Services assigned its "A+" rating, with a stable outlook, to the Town. Moody's Investors Service (Moody's) assigned an "A2" rating. The Town is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. For more detailed information see Note 6 in the financial statements.



## MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2011  
(unaudited)

The following is a summary of the Town's outstanding debt and other long-term obligations at fiscal year-end September 30, 2011:

	Outstanding Debt					
	Outstanding Debt and Long-Term Liabilities					
	Governmental activities		Business-type activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
<b>Gross bonded debt:</b>						
General obligation	\$ 30,679,400	\$ 31,684,000	\$ 1,950,600	\$ 2,106,000	\$ 32,630,000	\$ 33,790,000
Certificates of obligation	6,630,000	6,980,000	16,500,000	16,500,000	23,130,000	23,480,000
Revenue bonds	-	-	10,755,000	11,225,000	10,755,000	11,225,000
<b>Total bonded debt</b>	<b>37,309,400</b>	<b>38,664,000</b>	<b>29,205,600</b>	<b>29,831,000</b>	<b>66,515,000</b>	<b>68,495,000</b>
<b>Other long-term debt:</b>						
Capital leases	-	98,586	-	-	-	98,586
Tax notes	90,000	175,000	-	-	90,000	175,000
Unamortized premiums	405,567	427,889	257,228	270,914	662,795	698,803
Compensated absences	589,490	689,223	145,192	175,564	734,682	864,787
Capital appreciation	-	-	270,000	270,000	270,000	270,000
<b>Total other long-term debt</b>	<b>1,085,057</b>	<b>1,390,698</b>	<b>672,420</b>	<b>716,478</b>	<b>1,757,477</b>	<b>2,107,176</b>
<b>Total</b>	<b>\$ 38,394,457</b>	<b>\$ 40,054,698</b>	<b>\$ 29,878,020</b>	<b>\$ 30,547,478</b>	<b>\$ 68,272,477</b>	<b>\$ 70,602,176</b>

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

The Town continues to experience steady construction in both residential and commercial development. This is evident by the Town's issuance of 356 residential permits in fiscal year 2011. The Town has projected 300 new housing starts for residential and 12 new starts for commercial/retail business. Commercial retailers and businesses continue to be attracted to Little Elm because of location, growth in roof-tops, and thoroughfare improvements, current and near term.

The most recent commercial development has been the development of a 22 acre retail site at the corner of FM 423 and FM 720 in Little Elm. In late 2011 a 123,000 square foot Kroger Signature store opened for business. The commercial site contains 40,000 square feet of additional retail shop space that is currently 50% occupied. In the same corridor of FM 423 and FM 720 adjacent to the Kroger Marketplace, site development has progressed for two national and regional gas/convenience retail centers and a discount grocery store. All will be opening in fiscal year 2012. The entire corridor development is expected to generate approximately \$65 million dollars in annual sales and create more than 650 new permanent jobs for Little Elm.

The fiscal year 2011-2012 budget was developed and adopted based on the addition of new facilities for Public Safety and Parks and Recreation. The expansion of services with the opening of the new facilities increased funding levels for personnel and programming. The total budget increase for all operating funds was \$4 million or 14%. The source of funding for the above increase is from property taxes and sales tax related to the Town's expanding economy.



## **MANAGEMENT'S DISCUSSION & ANALYSIS**

For the year ended September 30, 2011  
(unaudited)

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### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the public monies it receives. If you have any questions about this report or need additional financial information contact Alan Dickerson, Director of Finance at 100 West Eldorado Parkway, Little Elm, Texas or phone at (214) 975-0415.

# **BASIC FINANCIAL STATEMENTS**



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**TOWN OF LITTLE ELM, TEXAS**

**STATEMENT OF NET ASSETS**

**September 30, 2011**

**with comparative totals as of September 30, 2010**

	Primary Government				Component Units	
	Governmental	Business-type				
	Activities	Activities	2011	2010	2011	2010
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 20,092,417	\$ 9,554,070	\$ 29,646,487	\$ 23,555,021	\$ 2,541,663	\$ 2,173,774
Cash restricted for revenue bond reserve	-	890,258	890,258	878,854	-	-
Investments	-	-	-	19,772,662	-	-
Net receivables	4,391,959	2,920,974	7,312,933	3,875,946	264,353	246,805
Inventories	33,745	57,038	90,783	55,291	-	-
Prepays and deposit	15,199	-	15,199	1,092,188	9,854	-
Land available for sale	-	-	-	-	7,322,952	7,322,952
<b>Total current assets</b>	<b>24,533,320</b>	<b>13,422,340</b>	<b>37,955,660</b>	<b>49,229,962</b>	<b>10,138,822</b>	<b>9,743,531</b>
Noncurrent assets:						
Land	2,479,696	1,089,743	3,569,439	3,569,439	-	-
Depreciable assets, net	54,345,291	32,449,611	86,794,902	73,101,241	-	-
Construction in progress	19,077,689	11,315,745	30,393,434	25,750,075	-	-
<b>Total capital assets</b>	<b>75,902,676</b>	<b>44,855,099</b>	<b>120,757,775</b>	<b>102,420,755</b>	<b>-</b>	<b>-</b>
Debt issuance costs	512,012	584,393	1,096,405	1,161,224	-	-
<b>Total noncurrent assets</b>	<b>76,414,688</b>	<b>45,439,492</b>	<b>121,854,180</b>	<b>103,581,979</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 100,948,008</b>	<b>\$ 58,861,832</b>	<b>\$ 159,809,840</b>	<b>\$ 152,811,941</b>	<b>\$ 10,138,822</b>	<b>\$ 9,743,531</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other current liabilities	\$ 2,485,612	\$ 779,102	\$ 3,264,714	\$ 2,956,240	\$ 26,542	\$ 23,671
Accrued interest payable	261,110	210,166	471,276	483,953	12,309	49,216
Retainage payable	748,012	31,667	779,679	997,301	-	-
Deposits and unearned revenue	341,874	838,182	1,180,056	903,112	-	-
Current portion of long-term debt	2,267,335	1,094,524	3,361,859	2,859,330	7,364,105	49,639
<b>Total current liabilities</b>	<b>6,103,943</b>	<b>2,953,641</b>	<b>9,057,584</b>	<b>8,199,936</b>	<b>7,402,956</b>	<b>122,526</b>
Bonds and other long-term debt	36,127,122	28,783,496	64,910,618	67,742,846	249,548	7,607,250
<b>Total liabilities</b>	<b>42,231,065</b>	<b>31,737,137</b>	<b>73,968,202</b>	<b>75,942,782</b>	<b>7,652,504</b>	<b>7,729,776</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	50,204,248	18,965,595	69,169,843	65,601,648	-	-
Restricted	2,752,458	3,420,742	6,173,200	5,273,739	2,418,339	2,028,843
Unrestricted	5,760,237	4,738,358	10,498,595	5,993,772	67,979	(15,088)
<b>Total net assets</b>	<b>58,716,943</b>	<b>27,124,695</b>	<b>85,841,638</b>	<b>76,869,159</b>	<b>2,486,318</b>	<b>2,013,755</b>
<b>Total liabilities and net assets</b>	<b>\$ 100,948,008</b>	<b>\$ 58,861,832</b>	<b>\$ 159,809,840</b>	<b>\$ 152,811,941</b>	<b>\$ 10,138,822</b>	<b>\$ 9,743,531</b>

See notes to basic financial statements.

**TOWN OF LITTLE ELM, TEXAS**

**STATEMENT OF ACTIVITIES**

**Year Ended September 30, 2011**

**with comparative totals for the year ended September 30, 2010**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Functions/Programs:				
Governmental activities:				
General government	\$ 2,464,445	\$ 168,475	\$ -	\$ -
Community service	1,364,740	1,620,331	-	-
Public safety	7,190,910	1,049,754	177,973	-
Public works	4,435,870	37,297	-	4,767,318
Culture and recreation	1,483,761	115,981	42,644	-
Interest expense	1,715,179	-	-	-
<b>Total governmental activities</b>	<b>18,654,905</b>	<b>2,991,838</b>	<b>220,617</b>	<b>4,767,318</b>
Business-type activities:				
Water and sewer services	6,950,429	9,743,392	-	473,422
Solid waste services	1,465,030	1,645,533	-	-
<b>Total business-type activities</b>	<b>8,415,459</b>	<b>11,388,925</b>	<b>-</b>	<b>473,422</b>
<b>Total primary government</b>	<b>\$ 27,070,364</b>	<b>\$ 14,380,763</b>	<b>\$ 220,617</b>	<b>\$ 5,240,740</b>
<b>Component Units:</b>				
Component Units	\$ 1,037,364	\$ -	\$ -	\$ -

General revenues:

Property taxes, penalty, and interest

Sales taxes

Franchise taxes

Interest

Miscellaneous

Gain on sale of capital assets

Transfers

Total general revenues

**Change in net assets**

Net assets at beginning of year

**Net assets, end of year**

See notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	2011	2010	Component Units	
				2011	2010
\$ (2,295,970)	\$ -	\$ (2,295,970)	\$ (2,401,409)		
255,591	-	255,591	(143,646)		
(5,963,183)	-	(5,963,183)	(7,816,654)		
368,745	-	368,745	1,977,218		
(1,325,136)	-	(1,325,136)	(1,247,461)		
(1,715,179)	-	(1,715,179)	(1,385,300)		
(10,675,132)	-	(10,675,132)	(11,017,252)		
-	3,266,385	3,266,385	1,992,610		
-	180,503	180,503	324,500		
-	3,446,888	3,446,888	2,317,110		
(10,675,132)	3,446,888	(7,228,244)	(8,700,142)		
				\$ (1,037,364)	\$ (833,527)
10,195,279	-	10,195,279	9,668,429	-	-
2,125,984	-	2,125,984	1,959,630	1,281,057	1,178,634
1,312,681	56,342	1,369,023	1,261,561	-	-
271,988	150,655	422,643	722,363	26,786	31,431
1,329,395	758,399	2,087,794	1,128,558	202,084	117,403
-	-	-	31,158	-	-
1,238,953	(1,238,953)	-	259,205	-	-
16,474,280	(273,557)	16,200,723	15,030,904	1,509,927	1,327,468
5,799,148	3,173,331	8,972,479	6,330,762	472,563	493,941
52,917,795	23,951,364	76,869,159	70,538,397	2,013,755	1,519,814
\$ 58,716,943	\$ 27,124,695	\$ 85,841,638	\$ 76,869,159	\$ 2,486,318	\$ 2,013,755

**TOWN OF LITTLE ELM, TEXAS**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

**September 30, 2011**

**with comparative totals as of September 30, 2010**

	2011				2010	
	General Fund	Debt Service	Capital Project	Nonmajor	Total	Total
			2009 GO & CO Bonds	Governmental Funds		
<b>ASSETS</b>						
Cash and cash equivalents	\$5,393,903	\$444,199	\$12,854,551	\$1,399,764	\$20,092,417	\$15,296,563
Investments	-	-	-	-	-	17,230,198
Receivables, net of allowance for doubtful accounts						
Taxes	411,560	46,398	-	78,895	536,853	585,867
Other	686,154	-	2,977,664	191,288	3,855,106	1,625,676
Prepays	15,199	-	-	-	15,199	9,151
Inventories	33,745	-	-	-	33,745	26,259
<b>Total assets</b>	<b>\$6,540,561</b>	<b>\$490,597</b>	<b>\$15,832,215</b>	<b>\$1,669,947</b>	<b>\$24,533,320</b>	<b>\$34,773,714</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and other current liabilities	\$613,007	\$64	\$1,654,600	\$216,826	\$2,484,497	\$2,178,409
Due to (from) other funds	(94,033)	-	-	94,033	-	-
Accrued interest payable	-	2,813	-	-	2,813	2,813
Retainage payable	-	-	699,241	48,771	748,012	345,094
Escrow deposits and deferred revenue	183,644	36,528	314,343	10,140	544,655	413,808
<b>Total liabilities</b>	<b>702,618</b>	<b>39,405</b>	<b>2,668,184</b>	<b>369,770</b>	<b>3,779,977</b>	<b>2,940,124</b>
Fund balances:						
Nonspendable						
Inventory	33,745	-	-	-	33,745	26,259
Prepays	15,199	-	-	-	15,199	9,151
Spendable						
Restricted	-	451,192	13,164,031	640,174	14,255,397	26,668,624
Committed	3,326,289	-	-	702,364	4,028,653	1,820,332
Assigned	1,519,500	-	-	-	1,519,500	36,000
Unassigned	943,210	-	-	(42,361)	900,849	3,273,224
<b>Total fund balances</b>	<b>5,837,943</b>	<b>451,192</b>	<b>13,164,031</b>	<b>1,300,177</b>	<b>20,753,343</b>	<b>31,833,590</b>
<b>Total liabilities and fund balances</b>	<b>\$6,540,561</b>	<b>\$490,597</b>	<b>\$15,832,215</b>	<b>\$1,669,947</b>	<b>\$24,533,320</b>	<b>\$34,773,714</b>

See notes to basic financial statements.

**TOWN OF LITTLE ELM, TEXAS**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

**September 30, 2011**

Total governmental fund balances	\$ 20,753,343
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	75,902,676
Accrued interest on governmental activities debt is not reported in the funds until paid.	(258,297)
The ambulance receivable is not reported in the funds because it is not available for current period expenditures.	40,989
Deferred property taxes are not reported in the funds because they are not available for current period expenditures.	114,382
Municipal fines receivable are not reported in the funds because they are not available for current period expenditures.	47,410
Bond issuance costs on governmental activity debt are included in expenditures in the funds when paid.	512,012
Premiums on bond issuance for governmental activity debt are included in other financing sources in the funds when paid.	(405,567)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(589,490)
Bonds and notes payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(37,400,515)</u>
Net assets of governmental activities	<u>\$ 58,716,943</u>

See notes to basic financial statements.

**TOWN OF LITTLE ELM, TEXAS**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES**

**Year Ended September 30, 2011  
with comparative totals for the year ended September 30, 2010**

	2011					2010
	General Fund	Debt Service	Capital Project - 2009 GO & CO Bonds	Nonmajor Governmental Funds	Total	Total
<b>Revenues:</b>						
Taxes:						
Property taxes, penalty, and interest	\$ 6,991,197	\$ 3,255,375	\$ -	\$ -	\$ 10,246,572	\$ 9,613,969
General sales and use taxes	1,698,965	-	-	427,019	2,125,984	1,959,630
Other taxes and franchise fees	1,250,674	-	-	62,007	1,312,681	1,261,561
Licenses and permits	1,629,588	-	-	-	1,629,588	1,419,336
Support from other governmental entities	197,566	184,000	3,123,150	714,843	4,219,559	4,887,144
Charges for services	662,181	-	-	-	662,181	598,873
Fines	280,223	-	-	418,066	698,289	526,084
Interest	76,228	17,870	136,080	41,810	271,988	388,935
Other revenues	259,989	-	40,590	852,524	1,153,103	852,250
<b>Total revenues</b>	<b>13,046,611</b>	<b>3,457,245</b>	<b>3,299,820</b>	<b>2,516,269</b>	<b>22,319,945</b>	<b>21,507,782</b>
<b>Expenditures:</b>						
Current:						
General government	2,304,694	-	-	13,217	2,317,911	2,321,233
Community services	1,364,740	-	-	-	1,364,740	1,278,090
Public safety	6,561,785	-	-	303,286	6,865,071	6,455,094
Public works	1,402,007	-	-	1,256,515	2,658,522	2,123,823
Culture and recreation	1,294,018	-	-	13,669	1,307,687	1,322,676
Debt service:						
Principal retirement	-	1,537,070	-	-	1,537,070	1,489,211
Interest and fiscal agent fees	-	1,770,846	-	-	1,770,846	1,514,543
Capital outlay	224,651	-	16,257,498	335,149	16,817,298	8,041,519
<b>Total expenditures</b>	<b>13,151,895</b>	<b>3,307,916</b>	<b>16,257,498</b>	<b>1,921,836</b>	<b>34,639,145</b>	<b>24,546,189</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(105,284)</b>	<b>149,329</b>	<b>(12,957,678)</b>	<b>594,433</b>	<b>(12,319,200)</b>	<b>(3,038,407)</b>
Other financing sources (uses):						
Transfers in	1,296,042	-	2,704,798	159,735	4,160,575	1,494,882
Issuance of refunding bond:	-	-	-	-	-	9,549,000
Premium on bond issuance	-	-	-	-	-	218,007
Refunded bonds redeemed	-	-	-	-	-	(414,000)
Transfers out	(359,735)	-	-	(2,561,887)	(2,921,622)	(424,439)
<b>Total other financing sources (uses)</b>	<b>936,307</b>	<b>-</b>	<b>2,704,798</b>	<b>(2,402,152)</b>	<b>1,238,953</b>	<b>10,423,450</b>
<b>Net change in fund balances</b>	<b>831,023</b>	<b>149,329</b>	<b>(10,252,880)</b>	<b>(1,807,719)</b>	<b>(11,080,247)</b>	<b>7,385,043</b>
Fund balance at beginning of year	5,006,920	301,863	23,416,911	3,107,896	31,833,590	24,448,547
<b>Fund balance, end of year</b>	<b>\$ 5,837,943</b>	<b>\$ 451,192</b>	<b>\$ 13,164,031</b>	<b>\$ 1,300,177</b>	<b>\$ 20,753,343</b>	<b>\$ 31,833,590</b>

See notes to basic financial statements.

**TOWN OF LITTLE ELM, TEXAS**

**RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE CHANGE IN NET ASSETS IN THE STATEMENT OF ACTIVITIES  
Year Ended September 30, 2011**

Net change in fund balances - total governmental funds	\$ (11,080,247)
Amounts reported for governmental funds in the statement of activities are different because:	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(103,897)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	(3,100,556)
Governmental funds report premiums and issuance costs related to bonds as proceeds and expenditures in the year received. However, in the statement of activities, those proceeds and costs are allocated over the lives of their associated debt.	(5,453)
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is capitalized.	17,420,102
Donation of property from developers is not reported in the governmental funds.	999,052
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,537,070
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	33,344
Some expenses reported in the statements of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	<u>99,733</u>
Change in net assets of governmental activities	<u><u>\$ 5,799,148</u></u>

See notes to basic financial statements.

**TOWN OF LITTLE ELM, TEXAS**

**PROPRIETARY FUNDS**

**STATEMENT OF NET ASSETS**

**September 30, 2011**

**with comparative totals as of September 30, 2010**

	2011		2010	
	Water and Sewer	Solid Waste	Total	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 9,361,984	\$ 192,086	\$ 9,554,070	\$ 8,258,458
Cash restricted for revenue bond reserve	890,258	-	890,258	878,854
Investments	-	-	-	2,542,464
Receivables (net of allowance for doubtful accounts of \$217,441 in 2011 and \$187,605 in 2010)	2,740,059	180,915	2,920,974	1,664,403
Inventories	57,038	-	57,038	29,032
Prepays	-	-	-	1,083,037
<b>Total current assets</b>	<b>13,049,339</b>	<b>373,001</b>	<b>13,422,340</b>	<b>14,456,248</b>
Noncurrent assets:				
Debt issuance costs	584,393	-	584,393	621,436
Land	1,089,743	-	1,089,743	1,089,743
Depreciable assets, net	32,449,611	-	32,449,611	25,098,684
Construction in progress	11,315,745	-	11,315,745	15,648,250
<b>Total property and equipment</b>	<b>44,855,099</b>	<b>-</b>	<b>44,855,099</b>	<b>41,836,677</b>
<b>Total noncurrent assets</b>	<b>45,439,492</b>	<b>-</b>	<b>45,439,492</b>	<b>42,458,113</b>
<b>Total assets</b>	<b>\$ 58,488,831</b>	<b>\$ 373,001</b>	<b>\$ 58,861,832</b>	<b>\$ 56,914,361</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable and other accrued expenses	\$ 766,917	\$ 12,185	\$ 779,102	\$ 777,831
Accrued interest payable	210,166	-	210,166	189,499
Retainage payable	31,667	-	31,667	652,207
Customer deposits	838,182	-	838,182	795,982
Current portion of long-term debt	1,094,524	-	1,094,524	748,143
<b>Total current liabilities</b>	<b>2,941,456</b>	<b>12,185</b>	<b>2,953,641</b>	<b>3,163,662</b>
Long-term debt, net of current portion	28,783,496	-	28,783,496	29,799,335
<b>Total liabilities</b>	<b>31,724,952</b>	<b>12,185</b>	<b>31,737,137</b>	<b>32,962,997</b>
Net assets:				
Invested in capital assets, net of related debt	18,965,595	-	18,965,595	17,045,464
Restricted for:				
Debt service	890,258	-	890,258	878,854
Impact fees	2,530,484	-	2,530,484	2,141,445
Unrestricted	4,377,542	360,816	4,738,358	3,885,601
<b>Total net assets</b>	<b>26,763,879</b>	<b>360,816</b>	<b>27,124,695</b>	<b>23,951,364</b>
<b>Total liabilities and net assets</b>	<b>\$ 58,488,831</b>	<b>\$ 373,001</b>	<b>\$ 58,861,832</b>	<b>\$ 56,914,361</b>

See notes to basic financial statements

**TOWN OF LITTLE ELM, TEXAS**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET ASSETS**

**Year Ended September 30, 2011  
with comparative totals for the year ended September 30, 2010**

	2011			2010
	Water and Sewer	Solid Waste	Total	Total
<b>Operating revenues:</b>				
Water sales	\$ 5,452,480	\$ -	\$ 5,452,480	\$ 4,430,753
Charges for sewer services	3,793,120	-	3,793,120	3,663,629
Tap, connections, and other fees	479,850	-	479,850	423,733
Charges for solid waste	-	1,645,533	1,645,533	1,965,611
Taxes	-	56,342	56,342	-
Other revenue	17,942	-	17,942	123,742
<b>Total operating revenues</b>	<b>9,743,392</b>	<b>1,701,875</b>	<b>11,445,267</b>	<b>10,607,468</b>
<b>Operating expenses:</b>				
Personnel services	1,397,317	7,512	1,404,829	1,436,126
Contractual services	427,805	1,370,354	1,798,159	1,806,950
Repairs and maintenance	177,471	87,164	264,635	259,811
Supplies	2,322,506	-	2,322,506	2,332,801
Depreciation and amortization	970,907	-	970,907	989,229
Other operating expenses	720,489	-	720,489	583,865
<b>Total operating expenses</b>	<b>6,016,495</b>	<b>1,465,030</b>	<b>7,481,525</b>	<b>7,408,782</b>
<b>Operating income</b>	<b>3,726,897</b>	<b>236,845</b>	<b>3,963,742</b>	<b>3,198,686</b>
<b>Non-operating revenues (expenses):</b>				
Developer reimbursement	(394,632)	-	(394,632)	(309,096)
Impact fees	758,399	-	758,399	566,639
Interest income	148,506	2,149	150,655	333,428
Interest expense	(539,302)	-	(539,302)	(686,276)
<b>Total non-operating revenue (expenses)</b>	<b>(27,029)</b>	<b>2,149</b>	<b>(24,880)</b>	<b>(95,305)</b>
<b>Income before transfers and capital contributions</b>	<b>3,699,868</b>	<b>238,994</b>	<b>3,938,862</b>	<b>3,103,381</b>
Capital contributions	473,422	-	473,422	113,796
Transfers out	(1,042,953)	(196,000)	(1,238,953)	(1,070,443)
<b>Change in net assets</b>	<b>3,130,337</b>	<b>42,994</b>	<b>3,173,331</b>	<b>2,146,734</b>
Net assets at beginning of year	23,633,542	317,822	23,951,364	21,804,630
<b>Net assets, end of year</b>	<b>\$ 26,763,879</b>	<b>\$ 360,816</b>	<b>\$ 27,124,695</b>	<b>\$ 23,951,364</b>

See notes to basic financial statements.

**TOWN OF LITTLE ELM, TEXAS**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

**Year Ended September 30, 2011**

**with comparative totals for the year ended September 30, 2010**

	2011			2010
	Water and Sewer	Solid Waste	Total	Total
<b>Cash flow from operating activities:</b>				
Receipts from customers and users	\$ 9,522,605	\$ 1,781,820	\$ 11,304,425	\$ 10,540,079
Payments to suppliers	(3,618,485)	(1,522,881)	(5,141,366)	(5,068,768)
Payments to employees	(1,418,847)	(7,512)	(1,426,359)	(1,409,668)
<b>Net cash provided by operating activities</b>	4,485,273	251,427	4,736,700	4,061,643
<b>Cash flow from noncapital financing activities:</b>				
Transfers out	(1,042,953)	(196,000)	(1,238,953)	(1,070,443)
Received from other funds	-	-	-	5,811
<b>Net cash used for noncapital financing activities</b>	(1,042,953)	(196,000)	(1,238,953)	(1,064,632)
<b>Cash flow from capital financing activities:</b>				
Proceeds from long-term debt	-	-	-	2,060,759
Acquisition of capital assets	(4,113,090)	-	(4,113,090)	(13,697,606)
Deposit on future construction	-	-	-	(1,083,037)
Impact fees	758,399	-	758,399	566,639
Principal paid on capital debt	(625,400)	-	(625,400)	(2,705,700)
Developer reimbursement	(394,632)	-	(394,632)	(309,096)
Interest paid on capital debt	(518,635)	-	(518,635)	(1,363,011)
<b>Net cash used by capital financing activities</b>	(4,893,358)	-	(4,893,358)	(16,531,052)
<b>Cash flow from investing activities:</b>				
Purchase of investments	2,542,464	-	2,542,464	7,457,536
Interest and dividends on investments	158,014	2,149	160,163	323,920
<b>Net cash provided by investing activities</b>	2,700,478	2,149	2,702,627	7,781,456
Net increase (decrease) in cash and cash equivalents	1,249,440	57,576	1,307,016	(5,752,585)
Cash and cash equivalents, beginning of year	9,002,802	134,510	9,137,312	14,889,897
Cash and cash equivalents, end of the year	<u>\$ 10,252,242</u>	<u>\$ 192,086</u>	<u>\$ 10,444,328</u>	<u>\$ 9,137,312</u>
Reconciliation to Statement of Net Assets				
Cash and cash equivalents	\$ 9,361,984	\$ 192,086	\$ 9,554,070	\$ 8,258,458
Cash restricted to revenue bond reserve	890,258	-	890,258	878,854
	<u>\$ 10,252,242</u>	<u>\$ 192,086</u>	<u>\$ 10,444,328</u>	<u>\$ 9,137,312</u>
Noncash transactions:				
Capital contributions	\$ 473,422	\$ -	\$ 473,422	\$ 113,796

(Continued)

	2011			2010
	Water and Sewer	Solid Waste	Total	Total
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 3,726,897	\$ 236,845	\$ 3,963,742	\$ 3,198,686
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	970,907	-	970,907	989,229
(Increase) decrease in:				
Receivables	(262,987)	79,945	(183,042)	(179,007)
Inventories	(28,006)	-	(28,006)	47,577
Increase (decrease) in:				
Accounts payable and accrued expenses	36,262	(65,363)	(29,101)	(32,977)
Customer deposits	42,200	-	42,200	38,135
<b>Net cash provided by operating activities</b>	<u>\$ 4,485,273</u>	<u>\$ 251,427</u>	<u>\$ 4,736,700</u>	<u>\$ 4,061,643</u>

See notes to basic financial statements.

**TOWN OF LITTLE ELM, TEXAS**

**COMPONENT UNITS  
COMBINING BALANCE SHEET**

**September 30, 2011**

**with comparative total as of September 30, 2010**

	Economic Development Corporation	Nonmajor Component Units	2011	2010
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,505,630	\$ 1,036,033	\$ 2,541,663	\$ 2,173,774
Receivables	159,794	104,559	264,353	246,805
Prepays	9,854	-	9,854	-
Land available for sale	7,322,952	-	7,322,952	7,322,952
<b>Total assets</b>	<b>\$ 8,998,230</b>	<b>\$ 1,140,592</b>	<b>\$ 10,138,822</b>	<b>\$ 9,743,531</b>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	\$ 26,418	\$ 124	\$ 26,542	\$ 23,671
Due to (from) other funds	(74,275)	74,275	-	-
<b>Total liabilities</b>	<b>(47,857)</b>	<b>74,399</b>	<b>26,542</b>	<b>23,671</b>
<b>FUND BALANCES</b>				
Unspendable				
Land held for sale	7,322,952	-	7,322,952	7,322,952
Prepays	9,854	-	9,854	-
Spendable				
Restricted	1,613,281	1,098,214	2,711,495	2,417,255
Unassigned	100,000	(32,021)	67,979	(20,347)
<b>Total fund balances</b>	<b>9,046,087</b>	<b>1,066,193</b>	<b>10,112,280</b>	<b>9,719,860</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,998,230</b>	<b>\$ 1,140,592</b>	<b>\$ 10,138,822</b>	<b>\$ 9,743,531</b>

**RECONCILIATION OF TOTAL COMPONENT UNIT FUND BALANCES  
TO NET ASSETS OF COMPONENT UNITS**

**September 30, 2011**

Total component unit fund balances	\$ 10,112,280
Accrued interest on governmental activities debt is not reported in the funds until paid.	(12,309)
Notes payable are not due and payable in the current period and therefore are not reported in the funds.	(7,611,472)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(2,181)
Net assets of component units	<u>\$ 2,486,318</u>

See notes to basic financial statements.

**TOWN OF LITTLE ELM, TEXAS**

**COMPONENT UNITS  
COMBINING STATEMENTS OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE**

**Year Ended September 30, 2011  
with comparative actual totals for the year ended September 30, 2010**

	Economic Development Corporation	Nonmajor Component Units	2011	2010
<b>Revenues:</b>				
Taxes				
Property taxes				
General sales and use taxes	\$ 854,038	\$ 427,019	\$ 1,281,057	\$ 1,178,634
Support from other governmental entities	-	16,556	16,556	-
Interest	15,412	11,374	26,786	31,431
Other revenues	83,775	101,753	185,528	117,403
<b>Total revenues</b>	<u>953,225</u>	<u>556,702</u>	<u>1,509,927</u>	<u>1,327,468</u>
<b>Expenditures:</b>				
Current:				
General government	127,753	12,000	139,753	38,000
Economic and physical development	400,096	2,000	402,096	260,074
General debt service	45,417	184,000	229,417	228,164
Debt interest	296,241	-	296,241	298,870
Capital outlay	-	50,000	50,000	40,250
<b>Total expenditures</b>	<u>869,507</u>	<u>248,000</u>	<u>1,117,507</u>	<u>865,358</u>
<b>Revenues over expenditures</b>	83,718	308,702	392,420	462,110
Fund balance, beginning of year	8,962,369	757,491	9,719,860	9,257,750
<b>Fund balance, end of year</b>	<u>\$ 9,046,087</u>	<u>\$ 1,066,193</u>	<u>\$ 10,112,280</u>	<u>\$ 9,719,860</u>

**RECONCILIATION OF CHANGES IN FUND BALANCES OF  
COMPONENT UNITS TO THE CHANGE IN NET ASSETS IN THE  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2011**

Net change in fund balances - total component units	\$ 392,420
Amounts reported for component unit funds in the statement of activities are different because:	
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	45,417
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	36,907
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(2,181)
Change in net assets of component unit activities	<u>\$ 472,563</u>

See notes to basic financial statements.

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **General Statement**

The Town of Little Elm, Texas (the “Town”) is a municipal corporation governed by an elected mayor and six-member Town Council and provides the following services by its charter: public safety, public works, health, culture, recreation, community development, water and sewer utilities, and solid waste utilities.

The accounting and reporting policies of the Town conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to state and local governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenditures, and expenses. Actual results could vary from the estimates that are used. The more significant accounting policies of the Town are described below.

#### **Financial Reporting Entity**

As required by accounting principles generally accepted in the United States of America, the financial statements of the Town include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Town is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government.

The discretely presented component units have been combined and reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Town. Combining statements for the three discretely presented component units have also been presented in the basic financial statements following the fund information.

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Financial Reporting Entity (continued)**

The Little Elm Economic Development Corporation (EDC) is a duly established municipal corporation created under the provisions of Section 4A of the Development Corporation Act of 1976 as revised, with approval of the governing body of the Town of Little Elm. The EDC, a separate non-profit corporation, was formed in 1993 for the public purposes of the promotion and development of new and expanded business enterprises to provide and encourage employment in the furtherance of the public welfare and is operated primarily within the geographic boundaries of the Town. The affairs of the EDC shall be managed by a Board of Directors consisting of five members who shall be appointed by the Town council: one director from the Town council and four directors at-large. The EDC is supported by a half-cent sales tax voted by referendum in 1993. An Executive Director is appointed by the EDC Board to carry out the Board's administrative and policy initiatives. The EDC is considered part of the Town's reporting entity and presented in the accompanying basis financial statements as a discretely presented component unit.

The Little Elm Community Development Corporation (CDC) is a separate entity formed in February 2007 to improve and expand park and recreation facilities from revenue generated through the Type 4B sales tax. The CDC operates under the authority of Section 2(11)-(A)-(E) and Section 4B of Article 5190.6 of Revised Civil Statutes, as amended. The CDC is considered part of the Town's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The CDC is a discretely presented component unit under the criteria of of board appointment and removal by the Town Council, approval and oversight of capital projects as well as budget authorization and approval.

Little Elm Reinvestment Authority (LERA) was created in February 2009 for the purpose of aiding, assisting, and acting on behalf of the Town in the performance of its governmental functions to promote the common good and general welfare of the area including the Reinvestment Zone Numbers One and Two and neighboring areas in the Town; to promote, develop, encourage, and maintain housing, educational facilities, employment, commerce, and economic development in the Town. The LERA is a discretely presented component unit under the criteria of board appointment and removal by the Town Council, budget authorization and approval, and approval and executive of all economic development agreements within the reinvestment zones.

The discretely presented component units' financial statements are included with the financial statements of the Town; therefore, no separate audited financial statements are available. Complete financial statements for the individual component units may be obtained from the Town's Finance Director at 100 West Eldorado Pkwy., Little Elm, Texas or by phone at (214) 975-0400.

#### **Government-Wide and Fund Financial Statements**

The statement of net assets and the statement of activities are government-wide financial statements. Governmental activities include programs supported primarily by property taxes. Business-type activities include operations that rely to a significant extent on fees and charges for support.

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates how other people or entities that participate in programs the Town operates have shared in the payment of direct costs. The “charges for services” column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the Town. If revenue is not program revenue, it is general revenue used to support all of the Town’s functions. Taxes are always general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due from on the governmental fund balance sheet and proprietary fund statement of net assets and as other resources and other uses on the governmental fund and proprietary fund statements of revenues, expenditures, and change in fund balances. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide statements of net assets as internal balances and on the statements of activities as interfund transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government’s water and sewer and solid waste functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than program revenues.

#### **Fund Financial Statements**

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The following funds are used by the Town:

#### Governmental Funds

All Governmental funds are used to account for the Town’s general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e. when they are “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 pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liabilities are incurred, except for unmatured interest on general 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.

Property taxes, franchise taxes, certain fees, interest, and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the Town are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Governmental Funds (continued)

Entitlements and shared revenues are recorded at the time of receipt or earlier if susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The major governmental funds are:

General Fund: The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs from taxes levied by the Town.

Capital Project Fund – 2009 GO & CO Bonds: To account for proceeds of general obligation bonds and certificates of obligation sold in June 2009 for street improvements, public safety facilities, and a recreation and senior citizen facility.

Beginning with fiscal year ending September 30, 2011, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The Statement more clearly defines fund balance categories to make the nature and extent of the constraints placed on government's fund balances more transparent. Fund balances for the fiscal year ending September 30, 2010 have been restated to conform to this presentation. Fund balances of the Governmental funds are classified as follows:

Nonspendable: includes amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted: includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed: includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority, which is the Town Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an ordinance adopted by the Town Council. The ordinance must either adopt or rescind the commitment, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned: includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used by the Town for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The Town Council has authorized the Town Manager or his or her designee as the official authorized person to assign fund balance to a specific purpose as approved by the fund balance policy.

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Governmental Funds (continued)

Unassigned: includes all other spendable amounts.

Order of expenditure of funds: When multiple categories of fund balance are available for expenditure, the Town will use the most restricted funds first. Normally, this would result in the use of restricted, then committed, then assigned, and lastly, unassigned fund balance.

Economic stabilization: It is the goal of the Town to achieve and maintain 25% of the budgeted expenditures in the General Fund for unanticipated expenditures, unforeseen revenue fluctuations, or other adverse circumstances. The Town Council has passed an ordinance setting aside these funds; therefore, fund balance reflects these amounts as committed funds. The fund balance level may be reduced to the equivalent of 15% of budgeted expenditures in unusual financial circumstances. If such a situation should occur, the Town will implement necessary corrective action with a three-year plan to restore the committed fund balance to the equivalent of 25% of budgeted expenditures.

#### Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility service receivables are recorded at each year-end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City's policy is to apply all Financial Accounting Standards Board ("FASB") standards issued before November 30, 1989 to its proprietary funds unless they conflict with GASB guidance. The City has elected not to follow subsequent FASB guidance.

The major propriety funds are:

Water and Sewer Fund: accounts for providing water and sewer to residential and commercial users.

Solid Waste Fund: accounts for the collection of trash and recyclables from residential users.

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Cash and Cash Equivalents**

Cash of all funds, excluding the Town's payroll clearing account, medical card account, and certain escrow accounts, is pooled into a common interest-earning bank account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash has equity therein, and interest earned on these monies is allocated based upon relative equity at each month end.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Town. Because the Town at its option can withdraw funds within a twenty-four hour period, deposits with the Texas Local Government Investment Pool (TexPool) are considered to be cash equivalents.

#### **Restricted Assets**

Certain resources set aside for the repayment of bonds are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants

#### **Accounts Receivable**

Accounts receivable consist primarily of amounts due from citizens for various services provided by the Town as well as property taxes and sales taxes receivable. Management evaluates the adequacy of the allowance for doubtful accounts based on a review of the aging of accounts and other specific information known by management.

#### **Investments**

The Town may invest in certificates of deposit, authorized investment pools and funds, U.S. Government Securities, commercial paper, and repurchase agreements. Investments purchased with pooled cash, as well as separate investments, are recorded at fair value. The fair value is based on the market price. The fair value of the local government investment pools are the same as the fair value of the pool shares.

#### **Inventories**

Inventories in the general and proprietary fund types are carried at cost. General fund inventories are recognized as expenditures when consumed.

Prepaid balances are for payments made by the Town for which benefits extend beyond September 30, 2011, and the amount of prepaid items has been segregated to signify that a portion of fund balance is not available for other subsequent expenditures.

#### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure such as roads, bridges, drainage systems, and lighting systems are reported at historical cost except for contributed assets which are recorded at their estimated fair value at the date received. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset lives are not capitalized. Renewals and betterments are capitalized. Intangible assets with definite lives are recorded at cost and amortized over the useful lives. Intangible assets with indefinite lives are recorded at cost and no amortization is taken. Intangible assets of the Town consist of right of ways and easements.

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Capital Assets (continued)

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 - 40 years
Infrastructure	10 - 25 years
Water and sewer system	40 years
Improvements other than buildings	7 - 40 years
Machinery and equipment	3 - 20 years

Interest is capitalized during the construction period of proprietary fund assets acquired with tax-exempt debt. The minimum capitalization threshold is any item with a cost greater than \$5,000.

#### Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

#### Interfund Transactions

During the course of normal operations, the Town has transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. There is no interest charged between funds for these advances.

#### Long-term Debt

Long-term debt has been included in the government-wide and proprietary fund financial statements. Long-term debt is recognized as a liability of a governmental fund financial statements when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

#### Net Assets

Net assets represent 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 debt proceeds.

#### Reclassifications

Certain amounts in 2010 have been reclassified to conform with 2011 presentation.

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### NOTE 2. CASH AND INVESTMENTS

The Town has adopted an investment policy pursuant to Chapter 2256 of the Texas Government Code, which authorizes the Town's investments in United States government obligations and its agencies, obligations of Texas and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers' acceptances, government pools, and money market funds. The Town selects its investments based on safety, liquidity, yield, and public trust.

The EDC can invest in obligations of the United States Treasury, the State of Texas, certain United States Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds, and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2011 and 2010, the Town's carrying amounts of deposits in financial institutions are \$30,534,245 and \$24,431,375, respectively; the bank balances of deposits are \$32,594,220 and \$26,324,351, respectively. The bank balances are completely covered by federal depository insurance or by collateral held by the pledging financial institution in the Town's name.

The carrying amounts of deposits for the EDC at September 30, 2011 and 2010, which is reported as a discretely presented component unit, are \$1,505,630 and \$1,281,975, respectively. The bank balances at September 30, 2011 and 2010 are \$1,515,499 and \$1,283,050. The bank balances are covered by federal depository insurance or by collateral held by the pledging financial institution in the EDC's name.

The carrying amount and bank balance for the CDC at September 30, 2011 and 2010, which is reported as a discretely presented component unit, are \$1,019,443 and \$797,714, respectively, and are covered by FDIC insurance or fully collateralized.

The carrying amount and bank balance for the LERA at September 30, 2011, which is reported as a discretely presented component unit, is \$16,590, and is covered by FDIC insurance or fully collateralized. There were no carrying amounts or bank balances for the LERA at September 30, 2010.

A reconciliation of cash and cash equivalents as shown on the statement of net assets for the primary government follows:

	2011	2010
Cash on hand	\$ 2,500	\$ 2,500
Deposits with financial institutions	30,534,245	24,431,375
Total	<u>\$ 30,536,745</u>	<u>\$ 24,433,875</u>
	2011	2010
Cash and cash equivalents	\$ 29,646,487	\$ 23,555,021
Cash and cash equivalents - restricted	890,258	878,854
Total	<u>\$ 30,536,745</u>	<u>\$ 24,433,875</u>

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 2. CASH AND INVESTMENTS (Continued)

During the year ending September 30, 2011, the Town liquidated all of its investments and the funds were transferred to cash equivalents, most of which are held in interest bearing accounts. The investments of the Town at September 30, 2010 consist of the following:

Types of Investments	Fair Value/ Carrying Amount	Cost	Weighted Average Years to Maturity
Primary Government:			
Certificates of Deposit			
Point Bank	\$ 2,542,464	\$ 2,542,464	.19
Sterling Bank	12,135,229	12,135,229	.28
Independent Bank	5,094,969	5,094,969	.36
Total primary government investments	<u>\$ 19,772,662</u>	<u>\$ 19,772,662</u>	<u>.28</u>

The Investments Topic and the Cash Deposits with Financial Institutions Topic of the GASB Codification of Government Accounting and Financial Reporting Standards (GAFRS) requires a determination as to whether the Town was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This type of risk is typically expressed in terms of the credit ratings issued by a nationally recognized statistical rating organization. The Town's policy is to maintain a list of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Texas. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

b. Custodial Credit Risk

State statutes require that all deposits be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The Town's deposits with financial institutions are fully insured or are collateralized with securities held by the pledging financial institution in the Town's name.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the Town was not exposed to concentration of credit risk because the cash balances are fully collateralized.

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 2. CASH AND INVESTMENTS (Continued)

#### d. Interest Rate Risk

This is the risk that changes in the interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Town manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to nine months.

### NOTE 3. PROPERTY TAXES

Taxes are levied on October 1 and are payable until January 31 without penalty. Property taxes attach as an enforceable lien on property as of January 1.

The total assessed value upon which the fiscal 2010 and 2009 levies were based were approximately \$1,674,000,000 and \$1,666,000,000, respectively. Such assessed value was computed based on 100% appraised values.

General property taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation and by the Town's Home Rule Charter to \$1.50 per \$100 of assessed valuation. The combined tax rate to finance general governmental service and debt service for the years ended September 30, 2011 and 2010 were \$0.665229 and \$0.63449, respectively, per \$100 of assessed valuation. Current tax collections for the years ended September 30, 2011 and 2010 were approximately 99% of the tax levy.

### NOTE 4. RECEIVABLES

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts as of September 30, 2011 and 2010 are as follows:

	Governmental Funds					
	2011					2010
	General	Debt Service	2009 GO & CO Bonds	Nonmajor Funds	Total	Total
Ad valorem taxes	\$ 109,648	\$ 51,445	\$ -	\$ -	\$ 161,093	\$ 243,348
Sales tax	315,581	-	-	78,895	394,476	371,494
Interest	-	-	-	-	-	6,055
Court	796,079	-	-	197,295	993,374	838,881
Ambulance	401,468	-	-	-	401,468	483,906
Other	470,661	-	2,977,664	124,523	3,572,848	1,350,150
Gross receivables	2,093,437	51,445	2,977,664	400,713	5,523,259	3,293,834
Less: allowances	(995,723)	(5,047)	-	(130,530)	(1,131,300)	(1,082,291)
Net total receivables	<u>\$ 1,097,714</u>	<u>\$ 46,398</u>	<u>\$ 2,977,664</u>	<u>\$ 270,183</u>	<u>\$ 4,391,959</u>	<u>\$ 2,211,543</u>

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 4. RECEIVABLES (Continued)

	Proprietary Funds			
	2011			2010
	Water and Sewer	Solid Waste	Total	Total
Customer accounts	\$ 1,793,394	\$ 200,904	\$ 1,994,298	\$ 1,794,362
Interest	-	-	-	9,508
Other	1,144,208	-	1,144,208	48,138
Gross receivables	2,937,602	200,904	3,138,506	1,852,008
Less: allowances	(197,543)	(19,989)	(217,532)	(187,605)
Net total receivables	<u>\$ 2,740,059</u>	<u>\$ 180,915</u>	<u>\$ 2,920,974</u>	<u>\$ 1,664,403</u>

	Component Units				
	2011				2010
	EDC	CDC	LERA	Total	Total
Sales tax	\$ 157,790	\$ 78,895	\$ -	\$ 236,685	\$ 221,141
Other	2,004	-	25,664	27,668	25,664
Total receivables	<u>\$ 159,794</u>	<u>\$ 78,895</u>	<u>\$ 25,664</u>	<u>\$ 264,353</u>	<u>\$ 246,805</u>

### NOTE 5. CAPITAL ASSETS

A summary of changes in governmental activities capital assets at September 30, 2011 follows:

	Balance October 1, 2010	Additions	Retirements and Transfers	Balance September 30, 2011
Capital assets not being depreciated:				
Land	\$ 2,479,696	\$ -	\$ -	\$ 2,479,696
Construction in progress	10,101,825	15,070,361	(6,094,497)	19,077,689
Total non-depreciable assets	<u>12,581,521</u>	<u>15,070,361</u>	<u>(6,094,497)</u>	<u>21,557,385</u>
Capital assets being depreciated:				
Infrastructure	56,047,422	2,563,445	5,973,302	64,584,169
Buildings	6,418,960	-	-	6,418,960
Improvements other than buildings	4,157,905	-	-	4,157,905
Machinery and equipment	6,009,375	744,691	161,852	6,915,918
Total depreciable assets	<u>72,633,662</u>	<u>3,308,136</u>	<u>6,135,154</u>	<u>82,076,952</u>

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS (Continued)

	Balance October 1, 2010	Additions	Retirements and Transfers	Balance September 30, 2011
Less accumulated depreciation:				
Infrastructure	19,724,831	2,216,650	-	21,941,481
Buildings	858,522	162,959	-	1,021,481
Improvements other than buildings	702,509	162,999	-	865,508
Machinery and equipment	3,345,243	557,948	-	3,903,191
Total accumulated depreciation	<u>24,631,105</u>	<u>3,100,556</u>	<u>-</u>	<u>27,731,661</u>
Total depreciable assets, net	<u>48,002,557</u>	<u>207,580</u>	<u>6,135,154</u>	<u>54,345,291</u>
 Total	 <u>\$ 60,584,078</u>	 <u>\$ 15,277,941</u>	 <u>\$ 40,657</u>	 <u>\$ 75,902,676</u>

Depreciation is charged to functions at September 30, 2011 as follows:

Governmental activities:

General government	\$ 138,705
Public safety	415,521
Public works	2,360,284
Culture and recreation	186,046
	<u>\$ 3,100,556</u>

A summary of changes in governmental activities capital assets at September 30, 2010 follows:

	Balance October 1, 2009	Additions	Retirements and Transfers	Balance September 30, 2010
Capital assets not being depreciated:				
Land	\$ 2,479,696	\$ -	\$ -	\$ 2,479,696
Construction in progress	6,124,174	6,346,762	(2,369,111)	10,101,825
Total non-depreciable assets	<u>8,603,870</u>	<u>6,346,762</u>	<u>(2,369,111)</u>	<u>12,581,521</u>
Capital assets being depreciated:				
Infrastructure	53,464,000	214,311	2,369,111	56,047,422
Buildings	6,400,190	18,770	-	6,418,960
Improvements other than buildings	4,082,049	75,856	-	4,157,905
Machinery and equipment	4,995,897	1,218,787	(205,309)	6,009,375
Total depreciable assets	<u>68,942,136</u>	<u>1,527,724</u>	<u>2,163,802</u>	<u>72,633,662</u>

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS (Continued)

	Balance October 1, 2009	Additions	Retirements and Transfers	Balance September 30, 2010
Less accumulated depreciation:				
Infrastructure	17,552,657	2,172,174	-	19,724,831
Buildings	695,602	162,920	-	858,522
Improvements other than buildings	537,496	165,013	-	702,509
Machinery and equipment	3,009,035	541,517	(205,309)	3,345,243
Total accumulated depreciation	<u>21,794,790</u>	<u>3,041,624</u>	<u>(205,309)</u>	<u>24,631,105</u>
Total depreciable assets, net	<u>47,147,346</u>	<u>(1,513,900)</u>	<u>2,369,111</u>	<u>48,002,557</u>
 Total	 \$ 55,751,216	 \$ 4,832,862	 \$ -	 \$ 60,584,078

Depreciation was charged to functions at September 30, 2010 as follows:

Governmental activities:

General government	\$ 137,374
Community service	10,587
Public safety	402,202
Public works	2,317,516
Culture and recreation	173,945
	<u>\$ 3,041,624</u>

The following is a summary of changes in proprietary fund-type capital assets during the fiscal year ended September 30, 2011.

	Balance October 1, 2010	Additions	Retirements and Transfers	Balance September 30, 2011
Capital assets not being depreciated:				
Land	\$ 1,089,743	\$ -	\$ -	\$ 1,089,743
Construction in progress	15,648,250	3,473,371	(7,805,876)	11,315,745
Total non-depreciable assets	<u>16,737,993</u>	<u>3,473,371</u>	<u>(7,805,876)</u>	<u>12,405,488</u>
Capital assets being depreciated:				
Buildings	173,679	-	-	173,679
Water system improvements	14,715,869	275,071	(40,657)	14,950,283
Sewer system improvements	15,791,054	198,311	7,725,769	23,715,134
Machinery and equipment	1,464,043	139,383	-	1,603,426
Total depreciable assets	<u>32,144,645</u>	<u>612,765</u>	<u>7,685,112</u>	<u>40,442,522</u>

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS (Continued)

	Balance October 1, 2010	Additions	Retirements and Transfers	Balance September 30, 2011
Less accumulated depreciation:				
Buildings	116,398	3,015	-	119,413
Water system improvements	2,580,267	401,264	-	2,981,531
Sewer system improvements	3,693,288	403,811	-	4,097,099
Machinery and equipment	656,008	138,860	-	794,868
Total accumulated depreciation	<u>7,045,961</u>	<u>946,950</u>	<u>-</u>	<u>7,992,911</u>
Total depreciable assets, net	<u>25,098,684</u>	<u>(334,185)</u>	<u>7,685,112</u>	<u>32,449,611</u>
 Total capital assets	 <u>\$ 41,836,677</u>	 <u>\$ 3,139,186</u>	 <u>\$ (120,764)</u>	 <u>\$ 44,855,099</u>

The following is a summary of changes in proprietary fund-type capital assets during the fiscal year ended September 30, 2010.

	Balance October 1, 2009	Additions	Retirements and Transfers	Balance September 30, 2010
Capital assets not being depreciated:				
Land	\$ 923,892	\$ 165,851	\$ -	\$ 1,089,743
Construction in progress	2,605,262	13,092,263	(49,275)	15,648,250
Total non-depreciable assets	<u>3,529,154</u>	<u>13,258,114</u>	<u>(49,275)</u>	<u>16,737,993</u>
Capital assets being depreciated:				
Buildings	173,679	-	-	173,679
Water system improvements	13,162,832	1,553,037	-	14,715,869
Sewer system improvements	15,685,596	56,183	49,275	15,791,054
Machinery and equipment	1,363,114	114,328	(13,399)	1,464,043
Total depreciable assets	<u>30,385,221</u>	<u>1,723,548</u>	<u>35,876</u>	<u>32,144,645</u>
Less accumulated depreciation:				
Buildings	95,402	20,996	-	116,398
Water system improvements	2,211,611	368,656	-	2,580,267
Sewer system improvements	3,289,462	403,826	-	3,693,288
Machinery and equipment	529,329	140,078	(13,399)	656,008
Total accumulated depreciation	<u>6,125,804</u>	<u>933,556</u>	<u>(13,399)</u>	<u>7,045,961</u>
Total depreciable assets, net	<u>24,259,417</u>	<u>789,992</u>	<u>49,275</u>	<u>25,098,684</u>
 Total capital assets	 <u>\$ 27,788,571</u>	 <u>\$ 14,048,106</u>	 <u>\$ -</u>	 <u>\$ 41,836,677</u>

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the Town for the year ended September 30, 2011:

	September 30, 2010	Additions	Retirements	September 30, 2011
<b>Governmental activities:</b>				
General obligation bonds	\$ 31,684,000	\$ -	\$ (1,004,600)	\$ 30,679,400
Unamortized premium of bond issuance	427,889	-	(22,322)	405,567
Certificates of obligation	6,980,000	-	(350,000)	6,630,000
Capital leases	98,586	-	(98,586)	-
Tax notes	175,000	-	(85,000)	90,000
Compensated absences	689,223	625,732	(725,465)	589,490
	<u>40,054,698</u>	<u>625,732</u>	<u>(2,285,973)</u>	<u>38,394,457</u>
<b>Business-type activities:</b>				
Certificates of obligation	16,500,000	-	-	16,500,000
General obligation bonds	2,106,000	-	(155,400)	1,950,600
Revenue and refunding bonds	11,225,000	-	(470,000)	10,755,000
Unamortized premium of bond issuance	270,914	-	(13,686)	257,228
Capital appreciation notes	270,000	-	-	270,000
Compensated absences	175,564	99,609	(129,981)	145,192
	<u>30,547,478</u>	<u>99,609</u>	<u>(769,067)</u>	<u>29,878,020</u>
<b>Total primary government</b>	<u>\$ 70,602,176</u>	<u>\$ 725,341</u>	<u>\$ (3,055,040)</u>	<u>\$ 68,272,477</u>
<b>Component Units:</b>				
Notes payable	\$ 7,656,889	\$ -	\$ (45,417)	\$ 7,611,472
Compensated absences	-	2,181	-	2,181
<b>Total Component Units</b>	<u>\$ 7,656,889</u>	<u>\$ 2,181</u>	<u>\$ (45,417)</u>	<u>\$ 7,613,653</u>

The following is a summary of changes in long-term debt of the Town for the year ended September 30, 2010:

	September 30, 2009	Additions	Retirements	September 30, 2010
<b>Governmental activities:</b>				
General obligation bonds	\$ 22,885,000	\$ 9,549,000	\$ (750,000)	\$ 31,684,000
Unamortized premium of bond issuance	228,213	218,007	(18,331)	427,889
Certificates of obligation	7,749,300	-	(769,300)	6,980,000
Capital leases	247,496	-	(148,910)	98,586
Tax notes	410,000	-	(235,000)	175,000
Compensated absences	555,920	885,686	(752,383)	689,223
	<u>32,075,929</u>	<u>10,652,693</u>	<u>(2,673,924)</u>	<u>40,054,698</u>

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (Continued)

	September 30, 2009	Additions	Retirements	September 30, 2010
<b>Business-type activities:</b>				
Certificates of obligation	18,760,700	-	(2,260,700)	16,500,000
General obligation bonds	-	2,106,000	-	2,106,000
Revenue and refunding bonds	11,670,000	-	(445,000)	11,225,000
Unamortized premium of bond issuance	234,135	49,049	(12,270)	270,914
Capital appreciation notes	270,000	-	-	270,000
Compensated absences	155,208	163,827	(143,471)	175,564
	<u>31,090,043</u>	<u>2,318,876</u>	<u>(2,861,441)</u>	<u>30,547,478</u>
<b>Total primary government</b>	<u>\$ 63,165,972</u>	<u>\$ 12,971,567</u>	<u>\$ (5,535,363)</u>	<u>\$ 70,602,176</u>
<b>Component Units:</b>				
Notes payable	<u>\$ 7,704,098</u>	<u>\$ -</u>	<u>\$ (47,209)</u>	<u>\$ 7,656,889</u>

Substantially all vacation and sick leave is paid by the General Fund. Accrued vacation and sick pay are reported in governmental funds only if termination has occurred and the balance is due.

Primary government long-term debt at September 30, 2011 is comprised of the following individual issues:

	Outstanding		Outstanding	
	Govern- mental Activities	Due in one year	Business- type Activities	Due in one year
<b>Certificates of Obligation:</b>				
\$3,700,000 Series 2001 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$155,000 to \$295,000 through August 2022, plus interest at 4.50% to 6.00%	\$ 2,505,000	\$ 170,000	\$ -	\$ -
\$2,500,000 Series 2002 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$100,000 to \$190,000 through August 2023, plus interest at 4.00% to 4.80%	1,780,000	110,000	-	-
\$2,500,000 Series 2009A Combination Tax and Revenue Certificates of Obligation due in annual installments of \$75,000 to \$190,000 through August 2029, plus interest at 3.00% to 5.00%	2,345,000	85,000	-	-
\$6,500,000 Series 2008 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$160,000 to \$455,000 through August 2034, plus interest at 4.15% to 5.20%	-	-	6,500,000	160,000

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (Continued)

	Outstanding		Outstanding	
	Governmental Activities	Due in one year	Business-type Activities	Due in one year
<b>Certificates of Obligation: (continued)</b>				
\$10,000,000 Series 2009 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$145,000 to \$735,000 through August 2034, plus interest at 2.75% to 5.25%	-	-	10,000,000	-
	<u>6,630,000</u>	<u>365,000</u>	<u>16,500,000</u>	<u>160,000</u>
<b>General Obligation Bonds:</b>				
\$3,380,000 Series 2005 General Obligation Bond due in annual installments of \$90,000 to \$200,000 through August 2029, plus interest at 2.25% to 5.25%	2,490,000	95,000	-	-
\$4,750,000 Series 2005 General Obligation Bond due in annual installments of \$145,000 to \$360,000 through August 2026, plus interest at 3.50% to 5.00%	4,055,000	165,000	-	-
\$6,250,000 Series 2006 Combination Tax and Revenue General Obligation due in annual installments of \$210,000 to \$475,000 through August 2027, plus interest at 4.00% to 4.50%	5,430,000	230,000	-	-
\$10,000,000 Series 2009 Combination Tax and Revenue General Obligation due in annual installments of \$305,000 to \$765,000 through August 2029, plus interest at 3.00% to 5.00%	9,380,000	335,000	-	-
\$9,135,000 Series 2010 Refunding and Improvement General Obligation due in annual installments of \$195,000 to \$655,000 through August 2030, plus interest at 2.00% to 5.00%	8,940,000	355,000	-	-
\$2,520,000 Series 2010 Combination Tax and Revenue Refunding General Obligation due in annual installments of \$185,000 to \$280,000 through August 2030, plus interest at 2.00% to 5.00%	<u>384,400</u>	<u>35,200</u>	<u>1,950,600</u>	<u>184,800</u>
	<u>30,679,400</u>	<u>1,215,200</u>	<u>1,950,600</u>	<u>184,800</u>

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (Continued)

	Outstanding		Outstanding	
	Governmental Activities	Due in one year	Business-type Activities	Due in one year
<b>Revenue Bonds:</b>				
\$4,900,000 Series 2002 Revenue Refunding and Improvement Bond due in annual installments of \$185,000 to \$380,000 through September 2024, plus interest at 4.40% to 5.50%	-	-	3,720,000	205,000
\$4,600,000 Series 2003 Revenue Bond due in annual installments of \$155,000 to \$720,000 through September 2025, plus interest at 4.35% to 5.63%	-	-	3,735,000	175,000
\$3,800,000 Series 2004 Revenue Bond due in annual installments of \$105,000 to \$270,000 through September 2029, plus interest at 3.90% to 5.00%	-	-	3,300,000	120,000
	-	-	10,755,000	500,000
<b>Capital Appreciation Certificate:</b>				
\$270,000 Series 2009 Capital Appreciation Certificates due in two annual installments of \$315,000, including interest, on August 2012 and 2013	-	-	270,000	145,000
	-	-	270,000	145,000
<b>Tax Notes:</b>				
\$560,000 Series 2005 Tax Anticipation Notes due in annual installments of \$70,000 to \$90,000 through August 2012, plus interest at 4.05%	90,000	90,000	-	-
	90,000	90,000	-	-
Total debt	37,399,400	1,670,200	29,475,600	989,800
Net bond premium	405,567	22,323	257,228	13,686
Compensated absences	589,490	574,812	145,192	91,038
<b>Total Long-term Debt</b>	<b>\$ 38,394,457</b>	<b>\$ 2,267,335</b>	<b>\$ 29,878,020</b>	<b>\$ 1,094,524</b>

Total interest incurred for the years ended September 30, 2011 and 2010 is \$1,426,502 and \$1,363,011 respectively, in the Proprietary Funds; of this amount, \$887,200 and \$676,735 was capitalized as a component of the cost of capital assets constructed during 2011 and 2010, respectively.

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (Continued)

Component unit long-term debt at September 30, 2011 is comprised of the following individual issues:

	<u>Outstanding</u>	<u>Due next year</u>
<b>Notes Payable</b>		
\$517,553 promissory note due in monthly installments of \$5,738 through October 2016, which includes interest at 5.85% and secured by sales tax revenue	\$ 301,883	\$ 52,335
\$3,400,000 promissory note due at maturity on December 2011, with interest payments due monthly at 4.65% and secured with sales tax revenue and real property	3,400,000	3,400,000
\$1,000,000 promissory note with principal and interest due December 2011, which may be extended for a three-year period, interest rate of 4.00% and secured by real property	1,000,000	1,000,000
\$2,909,589 promissory note due at maturity on November 2011, with interest payments due monthly at 4.06% and secured by real property	<u>2,909,589</u>	<u>2,909,589</u>
Total debt	7,611,472	7,361,924
Compensated absences	<u>2,181</u>	<u>2,181</u>
<b>Total Long-term Debt</b>	<b><u>\$ 7,613,653</u></b>	<b><u>\$ 7,364,105</u></b>

The annual requirements including interest to amortize all outstanding debt at September 30, 2011, follow:

### Governmental Activities

Due Fiscal Year Ending	General Obligation Bonds	Unamortized Premium on Issuance	Certificate Of Obligation	Revenue and Refunding	Tax Notes			Interest	Total
					Tax Notes and Notes Payable	Compensated Absences	Capital Appreciation		
2012	\$ 1,215,200	\$ 22,323	\$ 365,000	\$ -	\$ 90,000	\$ 574,812	\$ -	\$ 1,549,782	\$3,817,117
2013	1,286,000	22,323	390,000	-	-	14,678	-	1,493,257	3,206,258
2014	1,346,800	22,323	405,000	-	-	-	-	1,434,257	3,208,380
2015	1,393,400	22,323	425,000	-	-	-	-	1,370,879	3,211,602
2016	1,459,200	22,323	450,000	-	-	-	-	1,300,686	3,232,209
2017-2021	8,258,800	111,615	2,635,000	-	-	-	-	5,238,575	16,243,990
2022-2026	10,040,000	111,615	1,415,000	-	-	-	-	2,843,349	14,409,964
2027-2031	5,680,000	70,722	545,000	-	-	-	-	628,101	6,923,823
Total	<u>\$30,679,400</u>	<u>\$ 405,567</u>	<u>\$ 6,630,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 589,490</u>	<u>\$ -</u>	<u>\$15,858,886</u>	<u>\$54,253,343</u>

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (Continued)

#### Business-type Activities

Due Fiscal Year Ending	General Obligation Bonds	Unamortized Premium on Issuance	Certificate Of Obligation	Revenue and Refunding	Tax Notes and Notes Payable	Compensated Absences	Capital Appreciation	Interest	Total
2012	\$ 184,800	\$ 13,686	\$ 160,000	\$ 500,000	\$ -	\$ 91,038	\$ 145,000	\$ 1,747,499	\$2,842,023
2013	189,000	13,686	170,000	525,000	-	54,154	125,000	1,746,520	2,823,360
2014	193,200	13,686	495,000	550,000	-	-	-	1,325,980	2,577,866
2015	201,600	13,686	505,000	575,000	-	-	-	1,274,508	2,569,794
2016	205,800	13,686	525,000	605,000	-	-	-	1,220,977	2,570,463
2017-2021	976,200	68,430	2,965,000	3,505,000	-	-	-	5,126,892	12,641,522
2022-2026	-	68,430	3,660,000	3,725,000	-	-	-	3,298,490	10,751,920
2027-2031	-	51,938	4,635,000	770,000	-	-	-	1,688,909	7,145,847
2032-2036	-	-	3,385,000	-	-	-	-	359,588	3,744,588
Total	\$ 1,950,600	\$ 257,228	\$16,500,000	\$10,755,000	\$ -	\$ 145,192	\$ 270,000	\$17,789,363	\$47,667,383

#### Component Units

Due Fiscal Year Ending	General Obligation Bonds	Unamortized Premium on Issuance	Certificate Of Obligation	Revenue and Refunding	Tax Notes and Notes Payable	Compensated Absences	Capital Appreciation	Interest	Total
2012	\$ -	\$ -	\$ -	\$ -	\$ 7,361,924	\$ 2,181	\$ -	\$ 175,909	\$ 7,540,014
2013	-	-	-	-	55,572	-	-	12,799	68,371
2014	-	-	-	-	58,959	-	-	9,446	68,405
2015	-	-	-	-	62,553	-	-	5,892	68,445
2016	-	-	-	-	66,358	-	-	2,124	68,482
2017	-	-	-	-	6,106	-	-	-	6,106
Total	\$ -	\$ -	\$ -	\$ -	\$ 7,611,472	\$ 2,181	\$ -	\$ 206,170	\$ 7,819,823

#### Refundings

In 2010, the Town issued \$11,655,000 in General Obligation Refunding and Improvement Bonds. Of this amount, \$414,000 was used to refund 2000 Series Combination Tax and Revenue Certificates of Obligation for governmental purposes, and \$2,106,000 was used to refund 1999 Series and 2000 Series Combination Tax and Revenue Certificates of Obligation in water and sewer obligations. As a result, the liability of the refunded bonds has been removed from the statement of net assets. This refunding was undertaken to reduce total future debt service payments by approximately \$361,000 and resulted in an economic gain of approximately \$290,000.

Subsequent to year end, all of the notes payable of the EDC were refinanced for \$7,780,815, at an annual interest rate of the lesser of 3.5% or the maximum interest rate allowed under Chapter 1204 of the State of Texas Government Code. The interest rate and payments may be adjusted by the lender on the fifth, tenth and fifteenth annual payment dates. The first interest and principal payment of \$272,111 is due on March 15, 2012 and the note matures on September 15, 2031. The note is secured by a pledge of the EDC's sales and use tax.

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### NOTE 7. EMPLOYEE RETIREMENT SYSTEM

#### Plan Description

The Town provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS.

TMRS issues a publically available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods, and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS. Plan provisions for the Town follow:

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee Deposit Rate:	7.00%	7.00%
Matching Ratio (Town to Employee):	2 to 1	2 to 1
A member is vested after:	5 years	5 years
Service retirement eligibility (expressed as age/years of service):	60/5, 0/20	60/5, 0/20
Updated Service Credit:	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees):	70% of CPI Repeating	70% of CPI Repeating

#### Contributions

Under the state law governing TMRS, the Town's contribution rate is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the town. Both the normal cost and the prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The Town contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the Town make contributions monthly. Since the Town needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The Town contributes at the full retirement rate each year.

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 7. EMPLOYEE RETIREMENT SYSTEM (Continued)

#### Three-Year Trend Information

Calendar Year Ended	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/(Asset)
2008	\$ 627,619	\$ 627,619	100%	\$ -
2009	\$ 640,176	\$ 640,176	100%	\$ -
2010	\$ 723,469	\$ 723,469	100%	\$ -

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

#### Actuarial Assumptions

Valuation Date	December 31, 2008	December 31, 2009	December 31, 2010 prior to restructuring	December 31, 2010
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	24 Years; Closed Period	23.4 Years; Closed Period	22.4 Years; Closed Period	22.3 Years; Closed Period
Amortization Period for New Gains/Losses	25 years	25 years	25 years	25 years
Asset Valuation Method	Amortized Cost	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Actuarial Assumptions:				
Investment Rate of Return	7.5%	7.5%	7.5%	7%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at Cost-of-Living Adjustments	3.0%	3.0%	3.0%	3.0%
	2.1%	2.1%	2.1%	2.1%

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 7. EMPLOYEE RETIREMENT SYSTEM (Continued)

#### Funded Status and Funding Progress

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009.) For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2010 <sup>1</sup>	\$ 7,615,015	\$10,289,644	74.0 %	\$ 2,674,629	\$ 7,908,759	33.8 %
12/31/2010 <sup>2</sup>	\$ 8,183,361	\$11,343,566	72.1 %	\$ 3,160,205	\$ 7,908,759	40.0 %

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuations, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 8. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Town is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of 1,115 individual governmental units located within Texas. The Town pays an annual premium to the funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$1,000,000 per occurrence with a \$2,000,000 annual aggregate. There is a deductible of \$5,000 due from the Town per claim for personnel liability claims and a \$2,500 deductible for general liability.

There were no reductions in insurance coverage and the Town had not been declined coverage for any exposures or limits of liability and/or scheduled covered amounts from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

### NOTE 9. INTERFUND BALANCES

Interfund balances are primarily used as resources, are loaned between funds, and are repaid in subsequent periods. Interfund receivables and payables are considered short-term and consist of the following at September 30, 2011 and 2010:

		2011				
		General Fund	Nonmajor Funds	Primary Government	Component Units	Total Reporting Entity
Due from other funds	\$	94,033	-	\$ 94,033	\$ 74,275	\$ 168,308
Due to other funds		-	94,033	94,033	74,275	168,308
	\$	94,033	\$ 94,033	-	\$ -	\$ -

		2010	
		Component Units	
Due from other funds	\$	176,028	
Due to other funds		176,028	
	\$	-	

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 9. INTERFUND BALANCES (Continued)

Transfers to and from other funds during the years ended September 30, 2011 and 2010 are as follows:

	2011		2010	
	Transfers In	Transfers Out	Transfers In	Transfers Out
<b><u>Primary Government</u></b>				
General Fund	\$ 1,296,042	\$ 359,735	\$ 1,220,443	\$ 38,844
2009 GO & CO Bonds	2,704,798	-	235,595	150,000
Nonmajor governmental funds	159,735	2,561,887	38,844	235,595
Water and Sewer Fund	-	1,042,953	-	974,443
Solid Waste Fund	-	196,000	-	96,000
	<u>\$ 4,160,575</u>	<u>\$ 4,160,575</u>	<u>\$ 1,494,882</u>	<u>\$ 1,494,882</u>

Transfers are primarily used to move funds from:

- The Water and Sewer Fund for a payment in lieu of taxes (PILOT) to the General Fund
- The General Fund to nonmajor governmental funds for restricted streetscape funds to be utilized for lighting and landscape features.
- The Solid Waste Fund to the General Fund for a chargeback for general and administrative support.
- The General Fund to the Capital Project Fund (2009 GO & CO Bonds) for Town Hall renovation and technology improvements and solar energy project.
- The nonmajor governmental funds to the General Fund for reimbursement of costs for red light camera review, court baliff hours and park improvements.
- The nonmajor governmental funds to Capital Project Fund (2009 GO & CO Bonds) to complete Community Center and Senior Center

### NOTE 10. RESTRICTED NET ASSETS

The government-wide statement of net assets reports the following restricted net assets:

	2011			
	Governmental Activities	Business-type Activities	Total Primary Governmental	Component Units
Restricted by enabling legislation	\$ 343,939	\$ 2,530,484	\$ 2,874,423	\$ 2,418,339
Net assets otherwise restricted for:				
Debt Service	2,024,790	890,258	2,915,048	-
Grant requirements	340,136	-	340,136	-
Donations	34,300	-	34,300	-
Forfeitures	9,293	-	9,293	-
	<u>\$ 2,752,458</u>	<u>\$ 3,420,742</u>	<u>\$ 6,173,200</u>	<u>\$ 2,418,339</u>

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 10. RESTRICTED NET ASSETS (Continued)

	2010			
	Governmental Activities	Business- type Activities	Total Primary Governmental	Component Units
Restricted by enabling legislation	\$ 221,315	\$ 2,141,445	\$ 2,362,760	\$ 2,028,843
Net assets otherwise restricted for:				
Debt Service	1,834,254	878,854	2,713,108	-
Grant requirements	155,214	-	155,214	-
Donations	33,180	-	33,180	-
Forfeitures	9,477	-	9,477	-
	<u>\$ 2,253,440</u>	<u>\$ 3,020,299</u>	<u>\$ 5,273,739</u>	<u>\$ 2,028,843</u>

### NOTE 11. FUND BALANCES

The composition of the governmental fund balances as of September 30, 2011 are:

	Governmental Funds				Total Governmental Funds
	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	
Fund Balances					
Nonspendable:					
Inventory	\$ 33,745	\$ -	\$ -	\$ -	\$ 33,745
Prepays	15,199	-	-	-	15,199
	<u>48,944</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,944</u>
Restricted for:					
Debt service	-	451,192	-	-	451,192
Street maintenance	-	-	-	162,846	162,846
Police LEOSE training	-	-	-	12,631	12,631
Fire LEOSE training	-	-	-	2,828	2,828
Fire – trauma	-	-	-	2,051	2,051
FEMA fire suppression	-	-	-	169	169
Cornerstone Science Library	-	-	-	3,667	3,667
McGruff Neighborhood Team	-	-	-	1,404	1,404
Teen Court	-	-	-	11,067	11,067
Child safety	-	-	-	42,253	42,253
Court technology	-	-	-	13,897	13,897
Court security	-	-	-	33,491	33,491
Streetscape	-	-	-	202,302	202,302
Red light camera	-	-	-	107,975	107,975
Library	-	-	-	23,085	23,085
Police	-	-	-	5,001	5,001
Animal control	-	-	-	1,703	1,703
Fire	-	-	-	4,511	4,511
Forfeiture	-	-	-	9,293	9,293
Capital projects	-	-	13,020,711	-	13,020,711
Sidewalk escrow	-	-	143,320	-	143,320
	<u>-</u>	<u>451,192</u>	<u>13,164,031</u>	<u>640,174</u>	<u>14,255,397</u>

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 11. FUND BALANCES (Continued)

	Governmental Funds				Total Governmental Funds
	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	
Committed to:					
Economic stabilization	3,326,289	-	-	-	3,326,289
Park development	-	-	-	95,492	95,492
Street development	-	-	-	606,872	606,872
	<u>3,326,289</u>	<u>-</u>	<u>-</u>	<u>702,364</u>	<u>4,028,653</u>
Assigned to:					
Animal control center	800,000	-	-	-	800,000
Insurance risk pool	50,000	-	-	-	50,000
Capital outlay/projects	544,500	-	-	-	544,500
Library renovation	125,000	-	-	-	125,000
	<u>1,519,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,519,500</u>
Unassigned	943,210	-	-	(42,361)	900,849
Total Fund Balances	<u>\$ 5,837,943</u>	<u>\$ 451,192</u>	<u>\$ 13,164,031</u>	<u>\$ 1,300,177</u>	<u>\$ 20,753,343</u>

	Component Units		
	EDC	Nonmajor Component Units	Total Governmental Funds
Fund Balances			
Nonspendable:			
Prepays	\$ 9,854	\$ -	\$ 9,854
Land held for sale	7,322,952	-	7,322,952
	<u>7,332,806</u>	<u>-</u>	<u>7,332,806</u>
Restricted for:			
Economic development	1,613,281	-	1,613,281
Community development	-	1,098,214	1,098,214
	<u>1,613,281</u>	<u>1,098,214</u>	<u>2,711,495</u>
Unassigned	100,000	(32,021)	67,979
Total Fund Balances	<u>\$ 9,046,087</u>	<u>\$ 1,066,193</u>	<u>\$ 10,112,280</u>

### NOTE 12. FUND DEFICITS

The Town has accumulated fund deficits in the following individual funds:

	2011	2010
<b>Primary Government</b>		
SECO Grant Special Revenue Fund	<u>\$ 42,361</u>	<u>\$ -</u>
<b>Component Units</b>		
Little Elm Redevelopment Authority	<u>\$ 32,021</u>	<u>\$ 150,364</u>

# **TOWN OF LITTLE ELM, TEXAS**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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### **NOTE 13. COMMITMENTS AND CONTINGENCIES**

In March 2003, the Town entered into a thirty-year contract with the North Texas Municipal Water District (NTMWD) for the purchase of treated water. Under the terms of this contract, the Town is obligated to make a minimum annual payment (adjusted annually) in return for a minimum volume of gallons of water per year. During the year ended September 30, 2011, the cost of water purchased under this contract was \$1,534,554.

The Town also entered into a water transmission facilities contract in March 2003 with the NTMWD. Under the terms of this contract, the NTMWD is to own, operate and maintain water transmission facilities located near the eastern border of the Town. NTMWD issued its Water Transmission Facilities Revenue Contract Bonds, Series 2003 (Town of Little Elm Project), in the amount of \$5,390,000 for the purpose of acquiring and constructing the transmission facility. The obligation of the Town is to make payments to NTMWD under contract terms until all of the bonds are paid and retired and is no longer outstanding. During the year ended September 30, 2011, the payments made under this contract were \$403,100.

At September 30, 2011 and subsequent to year end, the Town is committed to numerous contracts for capital improvements totaling approximately \$17,000,000.



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## **REQUIRED SUPPLEMENTAL INFORMATION**



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# TOWN OF LITTLE ELM, TEXAS

## REQUIRED SUPPLEMENTAL INFORMATION

### Texas Municipal Retirement System Schedule of Funding Progress (unaudited)

The following table discloses certain three-year historical trend information presenting the Town's progress in accumulating sufficient assets to pay benefits when due:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL As a Percentage of Covered Payroll (b)-(a) / (c)
12/31/08	\$ 4,848,286	\$ 6,986,469	\$ 2,138,183	69.4%	\$ 7,106,339	30.1%
12/31/09	\$ 6,204,659	\$ 8,875,308	\$ 2,670,649	69.9%	\$ 7,835,628	34.1%
12/31/10 <sup>1</sup>	\$ 7,615,015	\$ 10,289,644	\$ 2,674,629	74.0%	\$ 7,908,759	33.8%
12/31/10 <sup>2</sup>	\$ 8,183,361	\$ 11,343,566	\$ 3,160,205	72.1%	\$ 7,908,759	40.0%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

**TOWN OF LITTLE ELM, TEXAS**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET  
AND ACTUAL - GAAP BASIS**

**Year Ended September 30, 2011  
with comparative actual totals for the year ended September 30, 2010**

	2011			Variance with Budget	2010
	Original Budget	Final Budget	Actual		Actual
<b>Revenues:</b>					
Taxes:					
Property taxes, penalty, and interest	\$ 6,784,902	\$ 6,784,902	\$ 6,991,197	\$ 206,295	\$ 7,008,668
General sales and use taxes	1,535,046	1,535,046	1,698,965	163,919	1,566,752
Other taxes and franchise fees	1,189,875	1,189,875	1,250,674	60,799	1,208,188
Licenses and permits	1,210,950	1,210,950	1,629,588	418,638	1,419,336
Support from other governmental entities	165,900	165,900	197,566	31,666	173,320
Charges for services	554,000	554,000	662,181	108,181	598,873
Fines	340,000	340,000	280,223	(59,777)	329,146
Interest	83,500	83,500	76,228	(7,272)	85,401
Miscellaneous	133,980	133,980	259,989	126,009	406,945
<b>Total revenues</b>	<b>11,998,153</b>	<b>11,998,153</b>	<b>13,046,611</b>	<b>1,048,458</b>	<b>12,796,629</b>
<b>Expenditures:</b>					
General government:					
Town council	28,879	27,741	25,330	2,411	26,151
Town manager	226,275	223,193	220,905	2,288	219,356
Town secretary	143,613	129,287	129,830	(543)	131,329
Tax	-	-	-	-	-
Municipal court	251,704	248,392	245,153	3,239	220,270
Finance	726,031	671,216	675,694	(4,478)	758,645
Information technology	417,011	440,747	439,611	1,136	457,931
Human resources	333,949	341,376	330,754	10,622	354,088
Town attorney	210,000	239,000	237,417	1,583	149,231
<b>Total general government</b>	<b>2,337,462</b>	<b>2,320,952</b>	<b>2,304,694</b>	<b>16,258</b>	<b>2,317,001</b>
Community services:					
Inspections	906,311	982,210	972,168	10,042	798,672
Planning and zoning	434,972	413,080	392,572	20,508	479,418
<b>Total community services</b>	<b>1,341,283</b>	<b>1,395,290</b>	<b>1,364,740</b>	<b>30,550</b>	<b>1,278,090</b>
Public safety:					
Police	3,134,259	3,086,647	3,098,798	(12,151)	2,995,453
Fire	3,319,267	3,383,074	3,334,505	48,569	3,213,778
Animal control	139,351	138,417	128,482	9,935	124,172
<b>Total public safety</b>	<b>6,592,877</b>	<b>6,608,138</b>	<b>6,561,785</b>	<b>46,353</b>	<b>6,333,403</b>
Public works:					
Streets	884,531	847,471	831,703	15,768	807,817
Fleet maintenance	194,222	191,203	189,172	2,031	183,854
Facility maintenance	355,618	394,104	381,132	12,972	374,133
<b>Total public works</b>	<b>1,434,371</b>	<b>1,432,778</b>	<b>1,402,007</b>	<b>30,771</b>	<b>1,365,804</b>

**TOWN OF LITTLE ELM, TEXAS**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET  
AND ACTUAL - GAAP BASIS - Continued**

**Year Ended September 30, 2011**

**with comparative actual totals for the year ended September 30, 2010**

	2011			Variance with Budget	2010
	Original Budget	Final Budget	Actual		Actual
Culture and recreation:					
Library	286,933	238,059	235,379	2,680	230,519
Parks and recreation	1,025,477	1,084,638	1,058,639	25,999	1,082,795
<b>Total culture and recreation</b>	<b>1,312,410</b>	<b>1,322,697</b>	<b>1,294,018</b>	<b>28,679</b>	<b>1,313,314</b>
Capital outlay	246,752	225,300	224,651	649	569,161
Debt service:					
Principal retirement	-	-	-	-	57,901
Interest and fiscal agent fees	-	-	-	-	2,223
<b>Total debt service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,124</b>
<b>Total expenditures</b>	<b>13,265,155</b>	<b>13,305,155</b>	<b>13,151,895</b>	<b>153,260</b>	<b>13,236,897</b>
<b>Deficiency of revenues under expenditures</b>	<b>(1,267,002)</b>	<b>(1,307,002)</b>	<b>(105,284)</b>	<b>(1,201,718)</b>	<b>(440,268)</b>
Other financing sources (uses):					
Transfers in	1,267,002	1,267,002	1,296,042	(29,040)	1,220,443
Transfers out	-	(359,736)	(359,735)	(1)	(38,844)
<b>Total other financing sources (uses)</b>	<b>1,267,002</b>	<b>907,266</b>	<b>936,307</b>	<b>(29,041)</b>	<b>1,181,599</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>-</b>	<b>(399,736)</b>	<b>831,023</b>	<b>(1,230,759)</b>	<b>741,331</b>
Net assets at beginning of year	5,006,920	5,006,920	5,006,920	-	4,265,589
<b>Net assets, end of year</b>	<b>\$ 5,006,920</b>	<b>\$ 4,607,184</b>	<b>\$ 5,837,943</b>	<b>\$ (1,230,759)</b>	<b>\$ 5,006,920</b>

# TOWN OF LITTLE ELM, TEXAS

## NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

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### NOTE 1. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund, debt service fund, and water and sewer fund. All annual appropriations lapse at fiscal year end.

The Town follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- (1) Prior to September 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes the proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- (4) The Town Manager is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the Town Council.

### NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the period ended September 30, 2011, current expenditures exceed appropriations in the following fund. This excess is funded by available fund balance.

<u>Fund</u>	<u>Expenditures in Excess of Appropriations</u>
Debt service	\$ 49,612

**COMBINING STATEMENTS AND INDIVIDUAL  
FUND SCHEDULES**



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**TOWN OF LITTLE ELM  
FUND DESCRIPTIONS**

**NONMAJOR SPECIAL REVENUE FUNDS**

**Donations:** to account for donations made by civic organizations, businesses, and citizens for specific uses which include the Library, animal control center, police, and fire departments. Donations are generally donated for the purchase of equipment.

**Grants:** to account for grants distributed to the Town by the Texas State Comptroller of Public Accounts, the Department of Homeland Security, and other organizations such as the Texas Library Archives, and the Law Enforcement Officer Safety Education Program.

**Forfeitures:** to account for fines and forfeiture of property resulting from criminal cases within the boundaries of the Town that have been adjudicated by the State of Texas in District Court.

**Street maintenance:** to account for the Town's ¼ cent sales tax, which was approved by the citizens of Little Elm in May of 2009 and is restricted for the purpose of street maintenance.

**Park development:** to account for fees from developers to construct, purchase playground equipment, purchase land, and repair and restore community parks in the Town. The fees are often paid at the time that a subdivision is accepted by the Town unless park land is dedicated in lieu of fees.

**Red-light camera fund:** to account for proceeds and expenses related to red-light cameras.

**NONMAJOR CAPITAL PROJECTS FUNDS**

**Street drainage improvements:** to account for developer fees to pay for the design and construction of new streets or drainage improvements associated with new growth within the Town.

**2005 GO Bonds:** To account for proceeds of general obligation bonds sold for the purpose of constructing park improvements, street improvements, and a community center facility.

**DEBT SERVICE FUND**

**Debt Service:** to account for property taxes assessed against all properties on the tax roll for the purposes of paying annual principal and interest payments on tax-backed pledged debt which is a general obligation or certificates of obligation.

**NON MAJOR COMPONENT UNITS**

**Community Development Corporation:** to account for ¼ cent sales tax on behalf of the Town Community Development 4B Corporation, whose primary purpose is to make quality of life improvements through parks and recreation projects.

**Little Elm Reinvestment Authority:** created in February 2009 for the purpose of aiding, assisting, and acting on behalf of the Town in the performance of its governmental functions to promote the common good and general welfare of the area included in the Reinvestment Zone Numbers One and Two and neighboring areas in Little Elm; to promote, develop, encourage, and maintain housing, educational facilities, employment, commerce, and economic development in the Town.

**TOWN OF LITTLE ELM, TEXAS**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

**September 30, 2011**

**with comparative totals as of September 30, 2010**

	2011		2010	
	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 720,716	\$ 679,048	\$ 1,399,764	\$ 1,870,080
Investments	-	-	-	1,500,000
Receivables (net of allowance for uncollectibles)				
Taxes	78,895	-	78,895	73,714
Other	191,288	-	191,288	43,729
<b>Total assets</b>	<u>\$ 990,899</u>	<u>\$ 679,048</u>	<u>\$ 1,669,947</u>	<u>\$ 3,487,523</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other current liabilities	\$ 144,650	\$ 72,176	\$ 216,826	\$ 356,368
Due to other funds	94,033	-	94,033	-
Retainage payable	48,771	-	48,771	21,360
Escrow deposits and deferred revenue	10,140	-	10,140	1,899
<b>Total liabilities</b>	<u>297,594</u>	<u>72,176</u>	<u>369,770</u>	<u>379,627</u>
Fund balances:				
Spendable				
Restricted	640,174	-	640,174	2,949,850
Committed	95,492	606,872	702,364	158,046
Unassigned	(42,361)	-	(42,361)	-
<b>Total fund balances</b>	<u>693,305</u>	<u>606,872</u>	<u>1,300,177</u>	<u>3,107,896</u>
<b>Total liabilities and fund balances</b>	<u>\$ 990,899</u>	<u>\$ 679,048</u>	<u>\$ 1,669,947</u>	<u>\$ 3,487,523</u>

## TOWN OF LITTLE ELM, TEXAS

### NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2011

with comparative totals for the year ended September 30, 2010

	2011		2010	
	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Taxes				
General sales and use taxes	\$ 427,019	\$ -	\$ 427,019	\$ 392,878
Other taxes and franchise fees	62,007	-	62,007	53,373
Support from other governmental entities	714,843	-	714,843	41,786
Fines	418,066	-	418,066	196,938
Interest	9,449	32,361	41,810	40,720
Other revenues	10,015	842,509	852,524	301,628
<b>Total revenues</b>	<u>1,641,399</u>	<u>874,870</u>	<u>2,516,269</u>	<u>1,027,323</u>
<b>Expenditures:</b>				
Current:				
General government	13,217	-	13,217	4,232
Public safety	303,286	-	303,286	121,691
Public works	1,256,515	-	1,256,515	758,019
Culture and recreation	13,669	-	13,669	9,362
Capital outlay	8,452	326,697	335,149	1,057,965
<b>Total expenditures</b>	<u>1,595,139</u>	<u>326,697</u>	<u>1,921,836</u>	<u>1,951,269</u>
<b>Excess (deficiency) of revenues     over (under) expenditures</b>	46,260	548,173	594,433	(923,946)
Other financing sources (uses):				
Transfers in	159,735	-	159,735	38,844
Transfers out	(57,089)	(2,504,798)	(2,561,887)	(235,595)
<b>Total other financing sources (uses)</b>	<u>102,646</u>	<u>(2,504,798)</u>	<u>(2,402,152)</u>	<u>(196,751)</u>
<b>Net change in fund balances</b>	148,906	(1,956,625)	(1,807,719)	(1,120,697)
Fund balances at beginning of year	544,399	2,563,497	3,107,896	4,228,593
<b>Fund balances, end of year</b>	<u>\$ 693,305</u>	<u>\$ 606,872</u>	<u>\$ 1,300,177</u>	<u>\$ 3,107,896</u>

**TOWN OF LITTLE ELM, TEXAS**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET**

**September 30, 2011**

**with comparative totals as of September 30, 2010**

	2011							2010	
	Grants	Donations	Forfeitures	Street Maintenance	Park Development	Red Light Camera	SECO Grant	Total Nonmajor Special Revenue Funds	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>									
Cash and cash equivalents	\$ 300,656	\$ 30,479	\$ 9,293	\$ 90,389	\$ 95,492	\$ 194,407	\$ -	\$ 720,716	\$ 755,243
Receivables (net of allowance for uncollectibles)									
Taxes	-	-	-	78,895	-	-	-	78,895	73,714
Other	26,640	3,850	-	-	-	66,765	94,033	191,288	37,170
<b>Total assets</b>	<b>\$ 327,296</b>	<b>\$ 34,329</b>	<b>\$ 9,293</b>	<b>\$ 169,284</b>	<b>\$ 95,492</b>	<b>\$ 261,172</b>	<b>\$ 94,033</b>	<b>\$ 990,899</b>	<b>\$ 866,127</b>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable and other current liabilities	\$ 1,536	\$ 29	\$ -	\$ 28	\$ -	\$ 143,057	\$ -	\$ 144,650	\$ 298,469
Due to (from) other funds	-	-	-	-	-	-	94,033	94,033	-
Retainage payable	-	-	-	6,410	-	-	42,361	48,771	21,360
Deferred revenue	-	-	-	-	-	10,140	-	10,140	1,899
<b>Total liabilities</b>	<b>1,536</b>	<b>29</b>	<b>-</b>	<b>6,438</b>	<b>-</b>	<b>153,197</b>	<b>136,394</b>	<b>297,594</b>	<b>321,728</b>
Fund balances									
Spendable									
Restricted	325,760	34,300	9,293	162,846	-	107,975	-	640,174	430,694
Committed	-	-	-	-	95,492	-	-	95,492	113,705
Unassigned	-	-	-	-	-	-	(42,361)	(42,361)	-
<b>Total fund balances</b>	<b>325,760</b>	<b>34,300</b>	<b>9,293</b>	<b>162,846</b>	<b>95,492</b>	<b>107,975</b>	<b>(42,361)</b>	<b>693,305</b>	<b>544,399</b>
<b>Total liabilities and fund balances</b>	<b>\$ 327,296</b>	<b>\$ 34,329</b>	<b>\$ 9,293</b>	<b>\$ 169,284</b>	<b>\$ 95,492</b>	<b>\$ 261,172</b>	<b>\$ 94,033</b>	<b>\$ 990,899</b>	<b>\$ 866,127</b>

**TOWN OF LITTLE ELM, TEXAS**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES**

**Year Ended September 30, 2011  
with comparative totals for the year ended September 30, 2010**

	2011							2010	2010
	Grants	Donations	Forfeitures	Street Maintenance	Park Development	Red Light Camera	SECO Grant	Total Nonmajor Special Revenue Funds	Total Nonmajor Special Revenue Funds
<b>Revenues:</b>									
Taxes									
General sales and use taxes	\$ -	\$ -	\$ -	\$ 427,019	\$ -	\$ -	\$ -	\$ 427,019	\$ 392,878
Other taxes and franchise fees	62,007	-	-	-	-	-	-	62,007	53,373
Support from other governmental entities	63,036	6,691	-	-	-	-	645,116	714,843	41,786
Fines	66,181	-	-	-	-	351,885	-	418,066	196,938
Interest	2,438	429	116	2,904	1,337	2,225	-	9,449	12,563
Other revenues	10,015	-	-	-	-	-	-	10,015	36,961
<b>Total revenues</b>	<b>203,677</b>	<b>7,120</b>	<b>116</b>	<b>429,923</b>	<b>1,337</b>	<b>354,110</b>	<b>645,116</b>	<b>1,641,399</b>	<b>734,499</b>
<b>Expenditures:</b>									
Current:									
General government	12,917	-	300	-	-	-	-	13,217	4,232
Public safety	3,124	-	-	-	-	300,162	-	303,286	121,691
Public works	-	-	-	409,303	-	-	847,212	1,256,515	758,019
Culture and recreation	7,669	6,000	-	-	-	-	-	13,669	9,362
Capital outlay	8,452	-	-	-	-	-	-	8,452	95,390
<b>Total expenditures</b>	<b>32,162</b>	<b>6,000</b>	<b>300</b>	<b>409,303</b>	<b>-</b>	<b>300,162</b>	<b>847,212</b>	<b>1,595,139</b>	<b>988,694</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>171,515</b>	<b>1,120</b>	<b>(184)</b>	<b>20,620</b>	<b>1,337</b>	<b>53,948</b>	<b>(202,096)</b>	<b>46,260</b>	<b>(254,195)</b>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	159,735	159,735	38,844
Transfers out	(14,376)	-	-	-	(19,550)	(23,163)	-	(57,089)	-
<b>Total other financing sources (uses)</b>	<b>(14,376)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,550)</b>	<b>(23,163)</b>	<b>159,735</b>	<b>102,646</b>	<b>38,844</b>
<b>Net changes in fund balance</b>	<b>157,139</b>	<b>1,120</b>	<b>(184)</b>	<b>20,620</b>	<b>(18,213)</b>	<b>30,785</b>	<b>(42,361)</b>	<b>148,906</b>	<b>(215,351)</b>
Fund balance at beginning of year	168,621	33,180	9,477	142,226	113,705	77,190	-	544,399	759,750
<b>Fund balance, end of year</b>	<b>\$ 325,760</b>	<b>\$ 34,300</b>	<b>\$ 9,293</b>	<b>\$ 162,846</b>	<b>\$ 95,492</b>	<b>\$ 107,975</b>	<b>\$ (42,361)</b>	<b>\$ 693,305</b>	<b>\$ 544,399</b>

**TOWN OF LITTLE ELM, TEXAS**

**NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET**

**September 30, 2011**

**with comparative total as of September 30, 2010**

	2011		2010	
	Street/ Drainage Improvements	2005 GO Bonds	Total Nonmajor Capital Projects Funds	Total Nonmajor Capital Projects Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 679,048	\$ -	\$ 679,048	\$ 1,114,837
Investments	-	-	-	1,500,000
Receivables	-	-	-	6,559
<b>Total assets</b>	<u>\$ 679,048</u>	<u>\$ -</u>	<u>\$ 679,048</u>	<u>\$ 2,621,396</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other current liabilities	\$ 72,176	\$ -	\$ 72,176	\$ 57,899
<b>Total liabilities</b>	<u>72,176</u>	<u>-</u>	<u>72,176</u>	<u>57,899</u>
<b>FUND BALANCES</b>				
Spendable				
Restricted	-	-	-	2,519,156
Committed	606,872	-	606,872	44,341
<b>Total fund balances</b>	<u>606,872</u>	<u>-</u>	<u>606,872</u>	<u>2,563,497</u>
<b>Total liabilities and fund balances</b>	<u>\$ 679,048</u>	<u>\$ -</u>	<u>\$ 679,048</u>	<u>\$ 2,621,396</u>

**TOWN OF LITTLE ELM, TEXAS**

**NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENTS OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE**

**Year Ended September 30, 2011**

**with comparative totals for the year ended September 30, 2010**

	2011		2010	
	Street/ Drainage Improvements	2005 GO Bonds	Total Nonmajor Capital Projects Funds	Total Nonmajor Capital Projects Funds
<b>Revenues:</b>				
Interest	\$ 1,786	\$ 30,575	\$ 32,361	\$ 28,157
Other revenues	842,509	-	842,509	264,667
<b>Total revenues</b>	<u>844,295</u>	<u>30,575</u>	<u>874,870</u>	<u>292,824</u>
<b>Expenditures:</b>				
Capital outlay	281,764	44,933	326,697	962,575
<b>Total expenditures</b>	<u>281,764</u>	<u>44,933</u>	<u>326,697</u>	<u>962,575</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	562,531	(14,358)	548,173	(669,751)
Other financing uses:				
Transfers out	-	(2,504,798)	(2,504,798)	(235,595)
<b>Total other financing uses</b>	<u>-</u>	<u>(2,504,798)</u>	<u>(2,504,798)</u>	<u>(235,595)</u>
<b>Net change in fund balances</b>	562,531	(2,519,156)	(1,956,625)	(905,346)
Net assets at beginning of year	44,341	2,519,156	2,563,497	3,468,843
<b>Net assets, end of year</b>	<u>\$ 606,872</u>	<u>\$ -</u>	<u>\$ 606,872</u>	<u>\$ 2,563,497</u>

**TOWN OF LITTLE ELM, TEXAS**

**DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**Year Ended September 30, 2011**

**with comparative actual total for the year ended September 30, 2010**

	2011		2010	
	Original and Final Budget	Actual	Variance from Budget	Actual
<b>Revenues:</b>				
Property taxes	\$ 3,092,887	\$ 3,255,375	\$ 162,488	\$ 2,605,301
Support from other governmental entities	184,000	184,000	-	180,955
Interest	10,000	17,870	7,870	19,848
<b>Total revenues</b>	<u>3,286,887</u>	<u>3,457,245</u>	<u>170,358</u>	<u>2,806,104</u>
<b>Expenditures:</b>				
Principal retirement	1,507,470	1,537,070	(29,600)	1,431,310
Interest and fiscal charges	1,750,834	1,770,846	(20,012)	1,299,157
<b>Total expenditures</b>	<u>3,258,304</u>	<u>3,307,916</u>	<u>(49,612)</u>	<u>2,730,467</u>
<b>Revenues over expenditures</b>	28,583	149,329	219,970	75,637
Fund balances, beginning	301,863	301,863	-	226,226
<b>Fund balances, ending</b>	<u>\$ 330,446</u>	<u>\$ 451,192</u>	<u>\$ 120,746</u>	<u>\$ 301,863</u>

**TOWN OF LITTLE ELM, TEXAS**

**NONMAJOR COMPONENT UNITS  
COMBINING BALANCE SHEET**

**September 30, 2011**

**with comparative total as of September 30, 2010**

	Community Development Corporation	Little Elm Redevelopment Authority	2011	2010
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,019,443	\$ 16,590	\$ 1,036,033	\$ 834,141
Receivables	78,895	25,664	104,559	99,378
<b>Total assets</b>	<u>\$ 1,098,338</u>	<u>\$ 42,254</u>	<u>\$ 1,140,592</u>	<u>\$ 933,519</u>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	\$ 124	\$ -	\$ 124	\$ -
Due to other funds	-	74,275	74,275	176,028
<b>Total liabilities</b>	<u>124</u>	<u>74,275</u>	<u>74,399</u>	<u>176,028</u>
<b>FUND BALANCES</b>				
Spendable				
Restricted	1,098,214	-	1,098,214	907,855
Unassigned	-	(32,021)	(32,021)	(150,364)
<b>Total fund balances</b>	<u>1,098,214</u>	<u>(32,021)</u>	<u>1,066,193</u>	<u>757,491</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,098,338</u>	<u>\$ 42,254</u>	<u>\$ 1,140,592</u>	<u>\$ 933,519</u>

**TOWN OF LITTLE ELM, TEXAS**

**NONMAJOR COMPONENT UNITS  
COMBINING STATEMENTS OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE**

**Year Ended September 30, 2011**

**with comparative actual totals for the year ended September 30, 2010**

	Community Development Corporation	Little Elm Redevelopment Authority	2011	2010
<b>Revenues:</b>				
Taxes				
General sales and use taxes	\$ 427,019	\$ -	\$ 427,019	\$ 392,878
Support from other governmental entities	-	16,556	16,556	-
Interest	11,340	34	11,374	13,558
Other revenues	-	101,753	101,753	-
<b>Total revenues</b>	<u>438,359</u>	<u>118,343</u>	<u>556,702</u>	<u>406,436</u>
<b>Expenditures:</b>				
Current:				
General government	12,000	-	12,000	12,000
Economic and physical development	2,000	-	2,000	27,703
Debt service:				
General debt service	184,000	-	184,000	180,955
Capital outlay	50,000	-	50,000	-
<b>Total expenditures</b>	<u>248,000</u>	<u>-</u>	<u>248,000</u>	<u>220,658</u>
<b>Net change in fund balances</b>	190,359	118,343	308,702	185,778
Fund balance, beginning of year	<u>907,855</u>	<u>(150,364)</u>	<u>757,491</u>	<u>571,713</u>
<b>Fund balance, end of year</b>	<u>\$ 1,098,214</u>	<u>\$ (32,021)</u>	<u>\$ 1,066,193</u>	<u>\$ 757,491</u>

**STATISTICAL SECTION  
(UNAUDITED)**



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## STATISTICAL SECTION

This part of the Town of Little Elm's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the Town's overall financial health. This information has not been audited by the independent auditor.

### Contents

### Table #s

#### **Financial Trends**

**A-1 to A-4**

These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

#### **Revenue Capacity**

**B1 to B5**

These tables contain information to help the reader assess the Town's two most significant local revenue sources, the property and sales taxes.

#### **Debt Capacity**

**C1 to C5**

These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

#### **Economic and Demographic Information**

**D1 to D2**

These tables offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.

#### **Operating Information**

**E1 to E3**

These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides.

**Source:** Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in fiscal year 2004: tables presenting government-wide information include information beginning in that year.

TABLE A-1

## TOWN OF LITTLE ELM, TEXAS

## NET ASSETS BY COMPONENT

Last Eight Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year							
	2004	2005	2006	2007	2008 <sup>b</sup>	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related debt	\$ 18,434,495	\$ 11,459,359	\$ 17,666,776	\$ 19,470,253	\$ 34,946,833	\$ 42,980,036	\$ 47,903,977	\$ 50,204,248
Restricted	581,765	2,531,729	2,531,729	2,714,442	2,020,133	456,110	2,111,443	2,752,458
Unrestricted	5,859,985	6,027,986	3,287,263	5,599,224	7,104,984	5,297,621	2,902,375	5,760,237
Total governmental activities net assets <sup>a</sup>	<u>\$ 24,876,245</u>	<u>\$ 20,019,074</u>	<u>\$ 23,485,768</u>	<u>\$ 27,783,919</u>	<u>\$ 44,071,950</u>	<u>\$ 48,733,767</u>	<u>\$ 52,917,795</u>	<u>\$ 58,716,943</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 13,229,275	\$ 5,892,867	\$ 8,246,435	\$ 10,616,127	\$ 11,108,371	\$ 12,953,757	\$ 17,697,671	\$ 18,965,595
Restricted	-	3,832,517	4,421,129	4,026,887	3,739,824	6,226,635	3,020,299	3,420,742
Unrestricted	-	5,430,243	5,129,690	5,120,843	5,409,835	2,624,238	3,233,394	4,738,358
Total business-type activities net assets	<u>\$ 13,229,275</u>	<u>\$ 15,155,627</u>	<u>\$ 17,797,254</u>	<u>\$ 19,763,857</u>	<u>\$ 20,258,030</u>	<u>\$ 21,804,630</u>	<u>\$ 23,951,364</u>	<u>\$ 27,124,695</u>
Primary government								
Invested in capital assets, net of related debt	\$ 31,663,770	\$ 17,352,226	\$ 25,913,211	\$ 30,086,380	\$ 46,055,204	\$ 55,933,793	\$ 65,601,648	\$ 69,169,843
Restricted	581,765	6,364,246	6,952,858	6,741,329	5,759,957	6,682,745	5,273,739	6,173,200
Unrestricted	5,859,985	11,458,229	8,416,953	10,720,067	12,514,819	7,921,859	5,993,772	10,498,595
Total primary governmental net assets	<u>\$ 38,105,520</u>	<u>\$ 35,174,701</u>	<u>\$ 41,283,022</u>	<u>\$ 47,547,776</u>	<u>\$ 64,329,980</u>	<u>\$ 70,538,397</u>	<u>\$ 76,869,159</u>	<u>\$ 85,841,638</u>

**Source:** Comprehensive Annual Financial Report**Notes:** <sup>a</sup> Accrual-basis financial information for the Town as a whole is only available back to 2004, the year GASB Statement 34 was implemented.<sup>b</sup> Fiscal year 2008 net assets were restated for prior period adjustments and reclassification of funds.

CHANGES IN NET ASSETS, LAST EIGHT FISCAL YEARS<sup>a</sup>  
 (accrual basis of accounting)  
 (Unaudited)

	Fiscal Year							
	2004	2005	2006	2007 <sup>b</sup>	2008	2009	2010	2011
<b>Expenses</b>								
Governmental activities:								
General government	\$ 1,002,901	\$ 1,746,332	\$ 2,046,546	\$ 1,165,132	\$ 1,880,759	\$ 2,286,941	\$ 2,540,722	\$ 2,464,445
Public safety	2,534,609	3,817,912	3,904,491	4,735,242	5,756,355	6,431,906	1,530,292	7,190,910
Public works	1,533,972	2,870,899	3,652,686	3,334,704	4,155,141	3,990,855	8,839,262	4,435,870
Culture and recreation	432,751	815,792	811,641	1,033,235	1,091,693	1,358,796	2,853,899	1,483,761
Community services	568,348	612,772	658,666	1,231,869	937,464	1,086,952	1,346,593	1,364,740
Interest on long-term debt	704,666	260,137	235,890	217,332	908,921	1,058,944	1,385,300	1,715,179
Total governmental activities expenses	\$ 6,777,247	\$ 10,123,844	\$ 11,309,920	\$ 11,717,514	\$ 14,730,333	\$ 16,214,394	\$ 18,496,068	\$ 18,654,905
Business-type activities:								
Water and sewer	\$ 4,160,706	\$ 4,645,710	\$ 4,616,233	\$ 4,641,202	\$ 6,474,575	\$ 6,817,172	\$ 6,763,043	\$ 6,950,429
Solid waste	-	-	-	-	-	1,827,534	1,641,111	1,465,030
Total business-type activities expenses	4,160,706	4,645,710	4,616,233	4,641,202	6,474,575	8,644,706	8,404,154	8,415,459
Total primary government expenses	\$ 10,937,953	\$ 14,769,554	\$ 15,926,153	\$ 16,358,716	\$ 21,204,908	\$ 24,859,100	\$ 26,900,222	\$ 27,070,364
<b>Program Revenues</b>								
Governmental activities:								
Charges for Services:								
General government	\$ 265,761	\$ 461,562	\$ 679,877	\$ 472,491	\$ 2,268,637	\$ 413,046	\$ 139,313	\$ 168,475
Public safety	144,158	412,446	793,118	883,435	898,538	576,564	854,090	1,049,754
Public works	49,279	215,455	185,928	129,384	1,264,387	-	29,398	37,297
Culture and recreation	48,245	38,205	49,412	47,779	-	43,395	55,853	115,981
Community services	2,548,099	456,953	498,279	288,518	-	1,028,110	1,386,646	1,620,331
Operating grants and contributions	198,653	14,951	27,540	149,774	304,349	182,174	308,121	220,617
Capital grants and contributions	-	4,708,563	4,141,707	2,478,539	8,360	4,398,954	4,705,395	4,767,318
Total governmental activities program revenues	\$ 3,254,195	\$ 6,308,135	\$ 6,375,861	\$ 4,449,920	\$ 4,744,271	\$ 6,642,243	\$ 7,478,816	\$ 7,979,773
Business-type activities:								
Charges for services:								
Water and sewer	\$ 3,741,867	\$ 4,429,192	\$ 5,218,473	\$ 4,385,488	\$ 6,694,244	\$ 8,565,303	\$ 8,755,653	\$ 9,743,392
Solid waste	-	-	-	-	-	1,845,096	1,965,611	1,645,533
Operating grants and contributions	-	55,299	-	-	-	-	-	-
Capital grants and contributions	-	1,514,799	741,816	1,900,735	-	-	-	473,422
Total business-type activities program revenues	\$ 3,741,867	\$ 5,999,290	\$ 5,960,289	\$ 6,286,223	\$ 6,694,244	\$ 10,410,399	\$ 10,721,264	\$ 11,862,347
Total primary government program revenues	\$ 6,996,062	\$ 12,307,425	\$ 12,336,150	\$ 10,736,143	\$ 11,438,515	\$ 17,052,642	\$ 18,200,080	\$ 19,842,120

(continued)

CHANGES IN NET ASSETS, LAST EIGHT FISCAL YEARS<sup>a</sup>  
 (accrual basis of accounting)  
 (Unaudited)

	Fiscal Year							
	2004	2005	2006	2007 <sup>b</sup>	2008	2009	2010	2011
<b>Net (Expenses) Revenue</b>								
Governmental activities	\$ (3,523,052)	\$ (3,815,709)	\$ (4,934,060)	\$ (7,267,594)	\$ (9,986,062)	\$ (9,572,151)	\$ (11,017,252)	\$ (10,675,132)
Business-type activities	(418,839)	1,353,580	1,344,056	1,645,021	219,669	1,765,693	2,317,110	3,446,888
Total primary government net expenses	\$ (3,941,891)	\$ (2,462,129)	\$ (3,590,004)	\$ (5,622,573)	\$ (9,766,393)	\$ (7,806,458)	\$ (8,700,142)	\$ (7,228,244)
<b>General Revenues and other Changes in Net Assets</b>								
Governmental activities:								
Taxes:								
Property taxes	\$ 3,082,183	\$ 4,842,770	\$ 5,154,268	\$ 5,790,305	\$ 7,563,027	\$ 8,828,874	\$ 9,668,429	\$ 10,195,279
Sales & Other taxes	508,695	1,992,412	1,735,286	3,310,322	3,199,197	2,904,368	3,221,191	3,438,665
Penalties and interest	21,792	44,256	50,504	-	-	-	-	-
Unrestricted investment earnings	79,314	213,359	388,712	367,476	539,838	334,206	388,935	271,988
Gains on sale of assets	-	-	78,482	(7,805)	-	-	31,158	-
Developer contributions	12,252,588	-	-	-	-	-	-	-
Impact Fees	993,346	-	-	-	-	-	-	-
Miscellaneous	275,569	85,503	100,660	94,695	1,614,934	1,148,956	561,919	1,329,395
Transfers	(358,824)	210,932	263,260	367,145	897,379	1,017,564	1,329,648	1,238,953
Total governmental activities	\$ 16,854,663	\$ 7,389,232	\$ 7,771,172	\$ 9,922,138	\$ 13,814,375	\$ 14,233,968	\$ 15,201,280	\$ 16,474,280
Business-type activities:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,342
Unrestricted investment earnings	90,823	77,650	144,682	204,514	288,977	455,159	333,428	150,655
Gains on sale of assets	-	-	-	9,694	-	-	-	-
Miscellaneous	136,522	-	-	-	596,409	307,312	566,639	758,399
Developer contributions	7,008,101	-	-	-	-	-	-	-
Transfers	358,824	(210,932)	(263,260)	(367,145)	(867,379)	(981,564)	(1,070,443)	(1,238,953)
Total business-type activities	\$ 7,594,270	\$ (133,282)	\$ (118,578)	\$ (152,937)	\$ 18,007	\$ (219,093)	\$ (170,376)	\$ (273,557)
Total primary government	\$ 24,448,933	\$ 7,255,950	\$ 7,652,594	\$ 9,769,201	\$ 13,832,382	\$ 14,014,875	\$ 15,030,904	\$ 16,200,723
<b>Change in Net Assets</b>								
Governmental activities	\$ 13,331,611	\$ 3,573,523	\$ 2,837,112	\$ 2,654,544	\$ 3,828,313	\$ 4,661,817	\$ 4,184,028	\$ 5,799,148
Business-type activities	7,175,431	1,220,298	1,225,478	1,492,084	237,676	1,546,600	2,146,734	3,173,331
Total primary government	\$ 20,507,042	\$ 4,793,821	\$ 4,062,590	\$ 4,146,628	\$ 4,065,989	\$ 6,208,417	\$ 6,330,762	\$ 8,972,479

Source: Comprehensive Annual Financial Report

Notes: <sup>a</sup> Accrual-basis financial information for the Town as a whole is only available back to 2004, the year GASB Statement 34 was implemented.

<sup>b</sup> General Revenue classifications modified.

TOWN OF LITTLE ELM, TEXAS

TABLE A-3

FUND BALANCES, GOVERNMENTAL FUNDS  
Last Ten Fiscal Years  
(Unaudited)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>b</sup>
General Fund										
Reserved <sup>a</sup>	\$ 6,715,210	\$ 5,398,701	\$ -	\$ 2,545,432	\$ 2,552,744	\$ 2,793,187	\$ 2,020,133	\$ 26,117	\$ 35,410	\$ -
Nonspendable <sup>a</sup>	-	-	-	-	-	-	-	-	-	48,944
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	3,326,289
Assigned	-	-	-	-	-	-	-	-	-	1,519,500
Unassigned	-	-	-	-	-	-	-	-	-	943,210
Unreserved, designated for										
Unbudgeted expenditures	-	-	-	-	-	-	-	1,153,325	1,662,286	-
Unreserved, undesignated	7,926	1,205,621	5,859,985	2,328,596	3,283,945	3,356,355	5,398,287	3,086,147	3,309,224	-
Total general fund	<u>\$ 6,723,136</u>	<u>\$ 6,604,322</u>	<u>\$ 5,859,985</u>	<u>\$ 4,874,028</u>	<u>\$ 5,836,689</u>	<u>\$ 6,149,542</u>	<u>\$ 7,418,420</u>	<u>\$ 4,265,589</u>	<u>\$ 5,006,920</u>	<u>\$ 5,837,943</u>
All Other Governmental Funds										
Reserved for:										
Debt service	48,202	123,578	100,743	-	10,363	76,933	-	-	-	-
Nonspendable <sup>a</sup>	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	14,255,397
Committed	-	-	-	-	-	-	-	-	-	702,364
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	(42,361)
Unreserved, reported in:										
Special revenue funds	292,902	430,112	481,022	662,364	1,131,265	1,447,159	227,961	759,750	544,399	-
Debt service	-	-	-	-	-	-	218,843	226,226	301,863	-
Capital projects funds	-	-	-	2,996,670	10,111,140	7,855,095	5,614,493	19,196,982	25,980,408	-
Total all other governmental funds	<u>\$ 341,104</u>	<u>\$ 553,690</u>	<u>\$ 581,765</u>	<u>\$ 3,659,034</u>	<u>\$ 11,252,768</u>	<u>\$ 9,379,187</u>	<u>\$ 6,061,297</u>	<u>\$ 20,182,958</u>	<u>\$ 26,826,670</u>	<u>\$ 14,915,400</u>

Source: Comprehensive Annual Financial Report

Notes: <sup>a</sup> Includes inventory and prepaid

<sup>b</sup> The Town implemented GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which impacted both the classifications of funds and classifications of and balances within funds.

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)  
 (Unaudited)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>REVENUES</b>										
Property taxes, penalties and interest	\$ 1,088,300	\$ 1,820,583	\$ 2,493,573	\$ 2,962,576	\$ 3,952,201	\$ 5,644,249	\$ 7,678,109	\$ 8,717,659	\$ 9,613,969	\$ 10,246,572
Sales tax	386,513	627,316	1,308,251	1,667,422	1,554,438	1,751,857	1,814,759	1,787,109	1,959,630	2,125,984
Franchise and other taxes	214,757	461,843	508,695	614,367	868,904	971,299	1,395,846	1,117,259	1,261,561	1,312,681
Licenses and permits	1,484,869	1,661,194	1,579,673	1,926,686	2,065,029	1,542,637	1,264,387	966,645	1,419,336	1,629,588
Charges for services	273,838	442,001	554,173	1,232,031	1,504,403	1,905,967	2,268,637	535,005	598,873	662,181
Fines and forfeitures	168,687	174,174	265,761	250,796	698,938	622,940	898,538	288,748	526,084	698,289
Intergovernmental revenue and grants	140,649	177,221	198,652	342,532	618,983	323,297	312,709	4,702,445	4,887,144	4,219,559
Interest earnings	118,661	90,247	79,314	243,196	729,047	951,392	539,838	361,633	388,935	271,988
Other revenue	234,182	356,936	199,413	177,674	513,296	300,864	266,466	1,108,938	812,000	1,153,103
<b>Total revenues</b>	<b>4,110,456</b>	<b>5,811,515</b>	<b>7,187,505</b>	<b>9,417,280</b>	<b>12,505,239</b>	<b>14,014,502</b>	<b>16,439,289</b>	<b>19,585,441</b>	<b>21,467,532</b>	<b>22,319,945</b>
<b>EXPENDITURES</b>										
General government	620,458	630,234	679,693	1,302,788	1,694,438	2,067,815	2,410,803	2,160,346	2,321,233	2,317,911
Public safety	1,509,973	2,069,348	2,459,182	2,902,564	3,684,917	4,827,076	5,527,997	6,041,672	6,455,094	6,865,071
Public works	528,279	777,881	1,220,266	2,304,509	2,359,076	2,763,980	3,530,078	1,447,644	2,123,823	2,658,522
Culture and recreation	157,025	241,350	369,049	479,282	670,386	891,579	951,798	1,230,166	1,322,676	1,307,687
Community services	167,277	230,654	561,531	363,251	442,312	176,853	-	1,062,917	1,278,090	1,364,740
Capital outlay	1,738,340	2,767,840	2,564,167	3,749,115	7,236,375	6,424,139	5,686,126	6,593,015	8,041,519	16,817,298
Debt service										
Principal retirement	214,061	217,074	450,804	464,655	955,245	863,504	1,132,700	1,185,222	1,489,211	1,537,070
Interest and fiscal charges	296,660	358,749	533,777	445,811	683,790	943,950	921,717	874,526	1,514,543	1,770,846
<b>Total expenditures</b>	<b>5,232,073</b>	<b>7,293,130</b>	<b>8,838,469</b>	<b>12,011,975</b>	<b>17,726,539</b>	<b>18,958,896</b>	<b>20,161,219</b>	<b>20,595,508</b>	<b>24,546,189</b>	<b>34,639,145</b>
Excess (deficiency) of revenues over (under) expenditures	(1,121,617)	(1,481,615)	(1,650,964)	(2,594,695)	(5,221,300)	(4,944,394)	(3,721,930)	(1,010,067)	(3,078,657)	(12,319,200)
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from bonds	2,500,000	-	300,000	3,914,080	12,136,709	-	-	12,500,000	9,353,007	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	-
Proceeds from capital lease obligation	-	-	-	-	-	178,905	342,168	-	-	-
Developer fees and contributions	542,275	1,392,217	993,526	944,595	1,389,369	2,758,921	1,240,467	-	-	-
Operating transfer from component units	-	-	-	-	-	-	30,000	-	-	-
Operating transfer to component units	-	-	-	-	-	-	-	-	-	-
Transfer from other funds	-	183,170	459,350	299,672	796,918	931,123	1,837,105	3,127,865	1,535,132	4,160,575
Transfer to other funds	(250,950)	-	(818,174)	(472,343)	(545,301)	(485,283)	(969,725)	(2,110,301)	(424,439)	(2,921,622)
<b>Total other financing sources (uses)</b>	<b>2,791,325</b>	<b>1,575,387</b>	<b>934,702</b>	<b>4,686,004</b>	<b>13,777,695</b>	<b>3,383,666</b>	<b>2,480,015</b>	<b>13,517,564</b>	<b>10,463,700</b>	<b>1,238,953</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 1,669,708</b>	<b>\$ 93,772</b>	<b>\$ (716,262)</b>	<b>\$ 2,091,309</b>	<b>\$ 8,556,395</b>	<b>\$ (1,560,728)</b>	<b>\$ (1,241,915)</b>	<b>\$ 12,507,497</b>	<b>\$ 7,385,043</b>	<b>\$ (11,080,247)</b>
Debt service as a percentage of noncapital expenditures	14.6%	12.7%	15.7%	11.0%	15.6%	14.4%	14.2%	14.7%	18.2%	18.6%

Source: Comprehensive Annual Financial Report

TOWN OF LITTLE ELM, TEXAS

TABLE B-1

APPRAISED VALUE OF PROPERTY  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Market Valuation			Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property	Less: Tax- Exempt Property		
2002	\$ 243,539,051	\$ 10,910,337	\$ 15,236,472	\$ 239,212,916	\$ 0.44453
2003	417,145,722	12,600,204	21,197,478	408,548,448	0.43380
2004	662,839,264	8,973,042	65,932,546	605,879,760	0.39980
2005	829,864,748	19,728,820	62,170,135	787,423,433	0.35750
2006	1,011,635,024	27,648,064	50,140,143	989,142,945	0.39902
2007	1,248,468,966	23,323,625	87,911,083	1,183,881,508	0.47000
2008	1,511,223,287	36,738,700	140,574,678	1,407,387,309	0.53580
2009	1,634,323,354	52,518,511	166,456,684	1,520,385,181	0.56996
2010	1,611,491,597	54,925,483	169,295,917	1,497,121,163	0.63449
2011	1,618,970,465	55,366,141	169,498,939	1,504,837,667	0.66523

**Source:** Town of Little Elm Documents  
Denton County Appraisal District

**TABLE B-2**

TOWN OF LITTLE ELM, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES (per \$100 of assessed value)  
 Last Ten Fiscal Years  
 (Unaudited)

Fiscal Year	Town Direct Rates			Overlapping Rates		Total Direct and Overlapping Rates
	Operating Rate	Debt Service Rate	Total Town Rate	Little Elm Independent School District	Denton County	
2002	\$ 0.28422	\$ 0.16031	\$ 0.44453	\$ 1.59900	\$ 0.25193	\$ 2.29546
2003	0.28848	0.14532	0.43380	1.71120	0.24897	2.39397
2004	0.29250	0.10730	0.39980	1.73000	0.24717	2.37697
2005	0.28740	0.07010	0.35750	1.82000	0.25480	2.43230
2006	0.28252	0.11650	0.39902	1.84000	0.24648	2.48550
2007	0.32363	0.14637	0.47000	1.74000	0.23192	2.44192
2008	0.39625	0.13955	0.53580	1.46000	0.23589	2.23169
2009	0.44636	0.12360	0.56996	1.53000	0.23577	2.33573
2010	0.46218	0.17231	0.63449	1.54000	0.24980	2.42429
2011	0.45279	0.21244	0.66523	1.54000	0.27390	2.47913

**Source:** Town, Denton County and ISD

TOWN OF LITTLE ELM, TEXAS

TABLE B-3

PRINCIPAL PROPERTY TAX PAYERS  
Current Year and Nine Years Ago  
(Unaudited)

FY 2010-2011 (2010 Certified Tax Roll)			FY 2001-2002 (2001 Certified Tax Roll)		
Taxpayer	Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value
Little Elm Towne Crossing LTD	\$ 19,012,282	1.26%	Yes Companies, LLC	\$ 3,784,715	1.58%
Retractable Technologies, Inc.	18,195,218	1.21%	RKM Properties, LTD	2,390,280	1.00%
Sunset Pointe I, LTD	15,260,266	1.01%	Retractable Technologies, Inc.	2,380,843	1.00%
Village at Eldorado/CMC LP	11,446,180	0.76%	Little Elm 2000, LTD	3,321,389	1.39%
Scarborough Sunset I, LTD	6,022,990	0.40%	Southwestern Bell, INC	1,517,110	0.63%
CoServ Electric CO-OP	7,756,250	0.52%	RH of Texas, LTD	1,486,142	0.62%
NWC FM 423 and Eldorado Parkway LTD	6,824,000	0.45%	Gehan Homes, LTD	1,446,060	0.60%
Paloma Creek All Storage LTD	6,200,000	0.41%	Network Dist Intl.	1,381,017	0.58%
Brighton King LLC & Kev King LLC	5,454,107	0.36%	Little Elm Plaza, LTD	1,019,121	0.43%
FM 423 Partners LTD	4,855,532	0.32%	Coserv Electric CO-OP	972,950	0.41%
<b>Total</b>	<b>\$ 101,026,825</b>	<b>6.71%</b>	<b>Total</b>	<b>\$ 19,699,627</b>	<b>8.24%</b>
<b>Total Assessed Valuation</b>	<b>\$ 1,504,837,667</b>	<b>100.00%</b>	<b>Total Assessed Valuation</b>	<b>\$ 239,212,916</b>	<b>100.00%</b>

**Source:** Denton Central Appraisal District.

**Note:** Property is assessed as of January 1 and certified to the Town by July 25 for taxable values.

TOWN OF LITTLE ELM, TEXAS

TABLE B-4

PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 1,066,727	\$ 1,035,923	97.11%	\$ 27,260	\$ 1,063,183	99.67%
2003	1,782,169	1,745,788	97.96%	32,506	1,778,294	99.78%
2004	2,486,808	2,438,311	98.05%	45,396	2,483,707	99.88%
2005	2,842,365	2,786,851	98.05%	50,892	2,837,743	99.84%
2006	3,906,167	3,836,765	98.22%	63,942	3,900,707	99.86%
2007	5,461,711	5,446,283	99.72%	8,157	5,454,440	99.87%
2008	7,499,616	7,395,195	98.61%	91,290	7,486,485	99.82%
2009	8,604,592	8,506,674	98.86%	66,948	8,573,622	99.64%
2010	9,415,320	9,303,185	98.81%	41,837	9,345,022	99.25%
2011	9,913,611	9,858,712	99.45%	-	9,858,712	99.45%

Source: Denton County Tax Office

MUNICIPAL SALES TAX AND RATIO TO AD VALOREM TAX LEVY  
AND AD VALOREM TAX RATE  
LAST TEN YEARS  
(Unaudited)

The Town has adopted the provisions of Chapter 321, as amended, Texas Tax Code (the "Municipal Sales and Use Tax Act") which provides for the maximum levy of a one percent sales tax which may be used for any lawful purpose except that the sales tax revenue may not be pledged to the payment of debt. The voters of the Town approved a 1/2% sales tax for the benefit of economic development on January 16, 1993, with collections beginning June 1993. The voters of the Town approved a 1/4% sales tax for street maintenance on May 7, 2005, with collections beginning October 6, 2005. The voters of the Town approved a 1/4% sales tax for 4B community development purposes on May 12, 2007, with collections beginning October 1, 2007. **Net** collections on a **fiscal year** basis are shown below:

<b>Fiscal Year Ended Sept 30</b>	<b>Total Collected</b>	<b>1¼%<sup>a</sup> Town</b>	<b>% of Ad Valorem Tax Levy</b>	<b>(\$) Equivalent of Ad Valorem Tax Rate</b>	<b>0.50% 4A EDC</b>	<b>0.25% 4B CDC</b>
2002	\$ 385,919	\$ 257,279	24.12%	0.10721	\$ 128,640	N/A
2003	691,080	460,720	25.85%	0.11214	230,360	N/A
2004	1,347,342	898,228	36.12%	0.14441	449,114	N/A
2005	1,661,170	1,107,447	38.96%	0.13929	553,723	N/A
2006	1,584,272	1,131,623	28.97%	0.11560	452,649	N/A
2007	1,751,857	1,250,277	23.37%	0.10985	501,580	N/A
2008 <sup>b</sup>	2,877,072	1,814,759	22.41%	0.12006	726,203	\$ 336,110
2009 <sup>c</sup>	2,873,899	1,787,100	21.05%	0.11998	724,533	362,266
2010	3,126,064	1,947,430	20.26%	0.12852	785,756	392,878
2011	3,392,058	2,111,001	21.29%	0.14165	854,038	427,019

<sup>a</sup> The Town's portion of the sales tax collections increased from 1% to 1¼% beginning October 1, 2005 as the result of the May 2005 authorization for an additional ¼% for street maintenance.

<sup>b</sup> Collections include the 0.25% 4B CDC collections.

<sup>c</sup> The Town has entered into a Limited Partnership Agreement (LPA) with Denton County Fresh Water District 8c & 8b for sharing sales tax in the Extra Territorial Jurisdiction (ETJ).

Source: Texas Comptroller of Public Affairs Website (<http://www.window.state.tx.us/taxinfo/sales>)

RATIO OF OUTSTANDING BONDED DEBT BY TYPE  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income <sup>b</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Certificates of Obligation	Other Obligations <sup>a</sup>	Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Other Obligations <sup>a</sup>			
2002	\$ 8,000	\$ 6,876,900	\$ 526,177	\$ 4,900,000	\$ -	\$ 3,638,100	\$ 72,349	\$ 16,021,526	11.54%	\$ 2,151
2003	7,000	6,734,650	452,352	4,900,000	-	3,445,350	40,680	15,580,032	6.34%	1,391
2004	6,000	6,507,400	698,602	4,900,000	-	7,817,600	20,340	19,949,942	6.45%	1,415
2005	3,290,000	6,239,000	1,158,346	8,555,000	-	7,376,000	-	26,618,346	7.06%	1,552
2006	9,340,000	10,758,300	1,836,354	8,405,000	-	7,131,700	-	37,471,354	8.46%	1,881
2007	13,795,000	5,766,450	1,688,606	8,155,000	-	6,878,550	-	36,283,606	7.32%	1,665
2008	13,350,000	5,513,450	1,113,569	7,820,000	-	6,676,550	-	34,473,569	6.85%	1,521
2009	22,885,000	7,749,300	657,496	11,670,000	-	18,760,700	-	61,722,496	11.31%	2,572
2010	31,684,000	6,980,000	273,586	11,225,000	2,106,000	16,500,000	270,000	69,038,586	10.92%	2,666
2011	30,679,400	6,630,000	90,000	10,755,000	1,950,600	16,500,000	270,000	66,875,000	9.91%	2,492

**Note:** Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup>Includes Tax Notes and Capital Leases.

<sup>b</sup>See Table D-1 for personal income and population data.

TOWN OF LITTLE ELM, TEXAS

TABLE C-2

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE  
AND NET VALUE BONDED DEBT PER CAPITA  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	General Bonded Debt Outstanding <sup>c</sup>			Percentage of Actual Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Certificates of Obligation	Total		
2002	\$ 8,000	\$ 6,876,900	\$ 6,884,900	2.88%	924
2003	7,000	6,734,650	6,741,650	1.65%	602
2004	6,000	6,507,400	6,513,400	1.08%	462
2005	3,290,000	6,239,000	9,529,000	1.21%	556
2006	9,340,000	10,758,300	20,098,300	2.03%	1,009
2007	13,795,000	5,766,450	19,561,450	1.65%	898
2008	13,350,000	5,513,450	18,863,450	1.34%	832
2009	22,885,000	7,749,300	30,634,300	2.01%	1,276
2010	31,684,000	6,980,000	38,664,000	2.58%	1,493
2011	30,679,400	6,630,000	37,309,400	2.48%	1,390

**Notes:** Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup> See Table B-1 for property value data.

<sup>b</sup> See Table D-1 for population data.

<sup>c</sup> This does not include General Obligation Bonds and Certificates of Obligations from Business-Type Activities. See Table C-1 for Business-Type Activities revenue based ratios.

**TABLE C-3**

TOWN OF LITTLE ELM, TEXAS

DIRECT AND OVERLAPPING DEBT  
As of September 30, 2011  
(Unaudited)

Governmental Unit	As of	Bonded Debt Principal	Percentage of Debt Applicable to Area <sup>d</sup>	Town of Little Elm Share of Overlapping Debt <sup>c</sup>
<b>Debt repaid with property taxes</b>				
Frisco I.S.D.	Sep-11	\$ 1,247,258,098	1.68%	\$ 20,953,936
Little Elm I.S.D.	Sep-11	128,031,591	89.10%	114,076,148
Denton County	Sep-11	477,705,000	2.85%	13,614,593
Subtotal, overlapping debt		\$ 1,852,994,689		148,644,677
<b>Town of Little Elm Direct Debt <sup>a</sup></b>	Sep-11	\$ 55,850,000	100.00%	55,850,000
<b>Total direct and overlapping debt</b>				\$ 204,494,677
Ratio of direct and overlapping debt principal to taxable values <sup>b</sup>				13.59%
Ratio of direct and overlapping debt principal to actual market values <sup>b</sup>				12.21%

**Source:** Municipal Advisory Council of Texas

**Notes:** <sup>a</sup> Includes the self-supporting debt.

<sup>b</sup> See Table B-1 for property value data.

<sup>c</sup> Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Little Elm, Texas. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<sup>d</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the various government's taxable assessed value that is within the government's boundaries and dividing it by the total taxable assessed value.

TOWN OF LITTLE ELM, TEXAS

TABLE C-4

LEGAL DEBT MARGIN INFORMATION  
 LAST TEN YEARS  
 (Unaudited)

The Town of Little Elm, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for municipalities operating under a Home Rule Charter. Accordingly, the Town's tax margin for the previous ten years was:

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Maximum Rate</b>	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
<b>Total Tax Rate</b>	0.4445	0.4338	0.3998	0.3575	0.3990	0.4700	0.5358	0.5700	0.6345	0.6652
<b>Legal Debt Margin</b>	\$ 2.0555	\$ 2.0662	\$ 2.1002	\$ 2.1425	\$ 2.1010	\$ 2.0300	\$ 1.9642	\$ 1.9300	\$ 1.8655	\$ 1.8348

TOWN OF LITTLE ELM, TEXAS

TABLE C-5

PLEDGED-REVENUE COVERAGE  
Last Ten Fiscal Years  
(Unaudited)

Water and Sewer System Revenue Bonds

<u>Fiscal Year</u>	<u>Total Revenues<sup>a</sup></u>	<u>Less: Operating Expenses<sup>b</sup></u>	<u>Net Available Revenue</u>	<u>Annual Requirement<sup>c</sup></u>	<u>Times Coverage</u>
2002	\$ 2,573,355	\$ 1,542,144	\$ 1,031,211	\$ 515,779	2.00
2003	3,222,153	2,297,093	925,060	682,073	1.36
2004	3,969,212	2,991,245	977,967	947,934	1.03
2005	5,390,762	3,488,294	1,902,468	1,236,386	1.54
2006	7,295,428	4,291,128	3,004,300	1,388,991	2.16
2007	6,354,101	4,321,359	2,032,742	1,447,980	1.40
2008	7,041,071	5,862,757	1,178,314	1,400,696	0.84
2009	9,326,523	5,725,257	3,601,266	1,009,520	3.57
2010	9,654,239	4,778,442	4,875,797	1,399,923	3.48
2011	10,650,297	5,045,588	5,604,709	2,737,299	2.05

- Notes:**
- <sup>a</sup>Includes operating and non-operating revenues.
  - <sup>b</sup>Includes operating expenses minus depreciation.
  - <sup>c</sup>Includes annual debt service requirements for all bonds paid from system revenues.

TOWN OF LITTLE ELM, TEXAS

TABLE D-1

DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Calendar Years  
(Unaudited)

<u>Year</u>	<u>Estimated Population<sup>a</sup></u>	<u>Personal Income</u>	<u>Per Capita Personal Income<sup>b</sup></u>	<u>School Enrollment<sup>c</sup> Little ELM ISD</u>	<u>Unemployment Rate<sup>d</sup> Denton County</u>
2002	7,450	\$ 138,890,350	\$ 18,643	2,473	4.9%
2003	11,200	245,638,400	21,932	2,989	5.5%
2004	14,100	309,241,200	21,932	3,472	3.6%
2005	17,150	377,042,750	21,985	4,070	4.2%
2006	19,925	443,072,225	22,237	4,643	3.8%
2007	21,793	496,008,680	22,760	5,147	4.0%
2008	22,668	503,252,268	22,201	5,371	5.1%
2009	24,000	545,736,000	22,739	5,855	7.2%
2010	25,898	632,377,364	24,418	6,044	7.5%
2011	26,840	674,999,160	25,149	6,245	7.1%

**Sources:** <sup>a</sup>Estimated population provided North Central Texas Council of Governments as of January 1, 2011.

<sup>b</sup>Per Capita Income provided by City-Data.com.

<sup>c</sup>Little Elm Independent School Districts.

<sup>d</sup>Federal Deposit Insurance Corporation, FDIC.org.

**Note:** Personal income is calculated by multiplying estimated population by per capita personal income.

TOWN OF LITTLE ELM, TEXAS

TABLE D-2

PRINCIPAL EMPLOYERS  
Current Year and Seven Years Ago  
(Unaudited)

<u>2011</u>			<u>2004</u>		
Employer	Employees	Percentage of Total Town Employment	Employer	Employees	Percentage of Total Town Employment
Little Elm ISD	737	23.97%	Little Elm ISD	348	23.64%
Town of Little Elm	170	4.58%	Retractable Technologies	137	9.31%
Retractable Technologies	150	4.43%	Town of Little Elm	93	3.40%
Lowes Home Center	120	3.62%	G.P.E.	50	3.33%
Applebee's	100	0.97%	Sonic Drive-in	40	2.72%
24 Hour Fitness	50	0.90%	Animal Quackers	22	1.49%
CVS	35	0.61%	Key's Supermarket	20	1.36%
Walgreen's	30	0.55%	U.S. Post Office	17	1.15%
Children's Lighthouse	28	0.52%	Chef Jeff	15	1.02%
Hobby Lobby	23	0.49%	Dollar General	14	0.95%
Total	<u>1,403</u>	<u>40.65%</u>	Total	<u>712</u>	<u>48.37%</u>
Total Little Elm Daytime Employees	3,450		Total Little Elm Daytime Employees	1,472	

**Source:** Top ten employers and employee count provided by Little Elm Economic Development Corporation.

**Note:** Employer & Employees information were only available back to 2004.

TOWN OF LITTLE ELM, TEXAS

**TABLE E-1**

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
 Last Ten Fiscal Years  
 (Unaudited)

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government	N/A	8.00	9.00	11.00	14.00	14.00	14.50	15.00	15.00	16.00
Public Safety	N/A	28.00	39.00	50.00	57.00	65.00	69.00	74.00	75.00	76.00
Public Works	N/A	6.00	8.00	9.00	11.00	12.00	13.00	16.00	18.00	20.00
Culture and Recreational	N/A	9.00	12.50	15.50	16.00	17.50	21.00	24.50	24.00	21.00
Planning and Development	N/A	4.00	6.00	10.00	10.00	10.00	10.50	11.00	8.00	7.00
Water and Sewer	<u>N/A</u>	<u>15.00</u>	<u>18.50</u>	<u>20.00</u>	<u>23.00</u>	<u>29.00</u>	<u>29.00</u>	<u>30.00</u>	<u>26.00</u>	<u>30.00</u>
Total	<u>-</u>	<u>70.00</u>	<u>93.00</u>	<u>115.50</u>	<u>131.00</u>	<u>147.50</u>	<u>157.00</u>	<u>170.50</u>	<u>166.00</u>	<u>170.00</u>

**Source:** Town Departments

**Notes:** N/A - Information was only available back to 2003

TOWN OF LITTLE ELM, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM  
Last Seven Fiscal Years<sup>a</sup>  
(Unaudited)

TABLE E-2

Function/Program	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
<b>Public Safety</b>							
<b>Police</b>							
Number of employees <sup>b</sup>	31	31	32	34	38	34	36
Number of violations (citations)	2,833	8,559	6,929	8,198	5,396	5,200	4,198
<b>Fire</b>							
Number of employees <sup>b</sup>	18	24	31	32	35	36	37
Number of volunteers	20	16	9	9	9	2	5
Number of fire runs	847	807	828	725	746	954	980
Number of EMS runs	603	997	1,221	1,207	1,278	1,195	1,369
<b>Public Works</b>							
Streets (miles)	126	128	134	140	140	140	140
<b>Community Services</b>							
Residential permits	1,006	708	416	242	283	434	488
Commercial permits	14	N/A	13	12	20	34	49
<b>Cultural and Recreational</b>							
<b>Parks and recreation</b>							
Park maintain & operate per acre	400	400	400	400	500	500	500
Participants in parks programs	425	425	425	425	2,500	2,650	3,500
Participants in senior program	80	100	100	100	150	200	300
<b>Library</b>							
Volumes in Collection	15,198	16,107	22,665	28,908	32,905	37,096	32,329
Circulation	24,128	22,569	24,097	36,012	41,526	37,850	35,081
<b>Water and Sewer</b>							
Number of water connections	7,167	7,525	7,841	8,035	8,204	8,368	8,712
Number of sewer connections	7,167	7,228	7,652	7,594	7,792	8,067	8,399
Average daily water consumption <sup>c</sup>	2,425	2,663	2,205	2,650	2,230	2,266	3,148
Maximum ground storage capacity <sup>c</sup>	6,000	7,000	7,000	7,000	7,000	7,000	7,000
Maximum elevated storage capacity <sup>c</sup>	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Water purchased <sup>c</sup>	610,450	1,137,400	775,874	857,694	888,950	899,844	1,080,672

**Source:** Town Departments

**Notes:**

N/A - Data not Available

<sup>a</sup> Information was only available back to 2005.

<sup>b</sup> Department Administration and EMS Staff included.

<sup>c</sup> Stated in millions of gallons.

TOWN OF LITTLE ELM, TEXAS

TABLE E-3

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
 Last Ten Fiscal Years  
 (Unaudited)

Function/Program	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	7	8	8	9	10	11	13	16	16	16
Fire Stations	1	1	1	1	1	2	2	2	2	2
Police Motorcycle Units	0	0	0	0	2	2	2	2	2	2
Public Works										
Streets-Paved	85	103	120	126	128	134	140	140	140	140
Cultural and Recreational										
Parks (acres)	300	400	400	400	400	400	400	500	500	500
Playgrounds <sup>a</sup>	3	3	5	5	5	5	5	5	5	5
Library	0	1	1	1	1	1	1	1	1	1
Senior Center	0	0	0	0	0	0	0	0	0	0
Water and Sewer										
Fire Hydrants	550	667	667	754	784	883	902	908	1,063	1,070
Ground Storage Facilities	3	4	4	4	6	6	6	6	4	4
Elevated Storage Facilities	2	2	2	2	2	2	2	2	2	2
Lift Stations	10	12	14	16	16	18	18	18	17	16

**Source:** Town Departments

**Notes:** <sup>a</sup> Does not include HOA playgrounds



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