

Comprehensive Annual Financial Report



LITTLE ELM



*For the Year Ended
September 30, 2010*

Town of Little Elm, Texas

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Comprehensive Annual Financial Report



LITTLE ELM

**Fiscal Year Ended
September 30, 2010**

**AS PREPARED BY THE
FINANCE DEPARTMENT**



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INTRODUCTORY SECTION



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March 08, 2011

To the Honorable Mayor and Members of Town Council

The Town of Little Elm Finance Department is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending September 30, 2010. The CAFR is published to provide the Town Council, Management of the Town, our Citizens and other end users with detailed financial and statistical information concerning the financial condition and performance of the Town Government.

Management Responsibility for Financial Information. 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. 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 financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Government Accounting Standards Board (GASB) and have been audited by the independent auditors in accordance with generally accepted auditing standards.

The Reporting Entity. This report includes all the funds of the Town, as well as, the Town's discretely presented component units. 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.

Within the basic financial statements are three discretely presented component units as follows: (1) Little Elm Economic Development Corporation (EDC), (2) Little Elm Community Development Corporation (CDC) and, (3) Little Elm Reinvestment Authority (LERA). A discrete component unit is a legally separate entity for which the Town of Little Elm is financially accountable. The boards of each component unit are appointed by the Town Council. The EDC was established in 1993 in accordance with State Civil Statutes Article 5190.6 and is supported by a one-half cent sales tax. The Little Elm CDC was established under the Development Corporation Act of 1979. It is tasked with the promotion and development of new or expanded business enterprises, parks and other community projects. The CDC derives its funding from a one-quarter cent sales tax collected in the Town of Little Elm. The CDC was established in 2007 with tax collections on sales beginning in October 2007. The LERA was created in 2009 for the purpose of acting on behalf of the Town of Little Elm in the performance of its governmental functions to promote the common good and general welfare of the area including the Tax Increment Reinvestment Zone Numbers One and Two (TIRZ One and TIRZ Two); the TIRZ's purpose is to promote, develop, encourage, and maintain housing, educational facilities, employment, commerce, and economic development in the Town.

The Report. 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). The Town's MD&A can be found immediately following

the independent auditor's report located at the front of the financial section of this 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. 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 26,000 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 110,000.

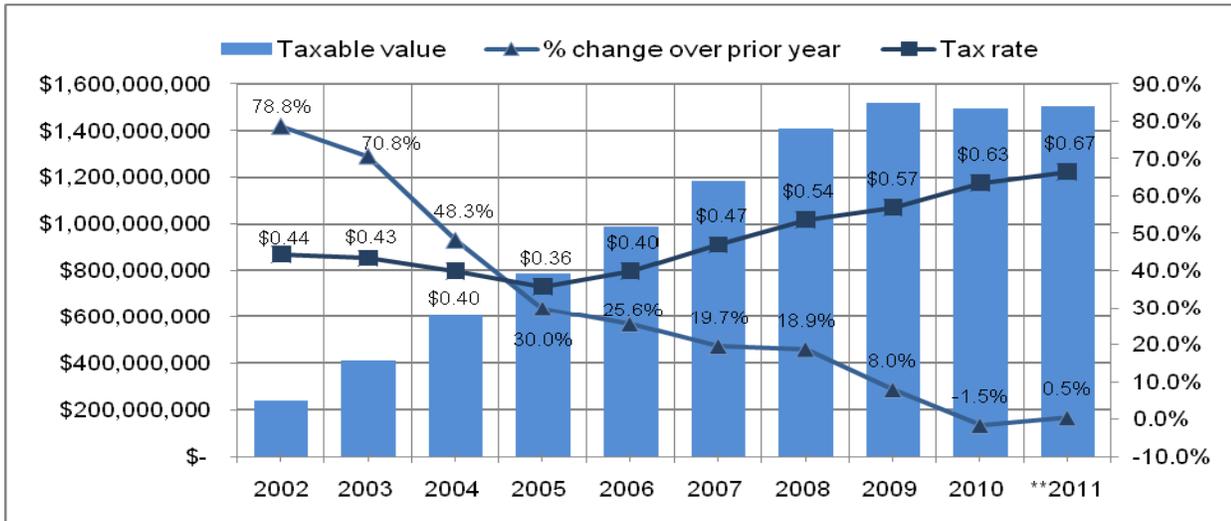
Located on two peninsulas of Lewisville Lake, operated by the U.S. Army Corps of Engineers, the Town has more miles of shoreline than any other community adjacent to the lake. This geographic positioning provides exceptional water vistas creating a wide variety of recreational opportunities. Additionally, 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 worked hard to manage its rapid growth and maintain its small town lake side attitude.

ECONOMIC CONDITIONS AND OUTLOOK

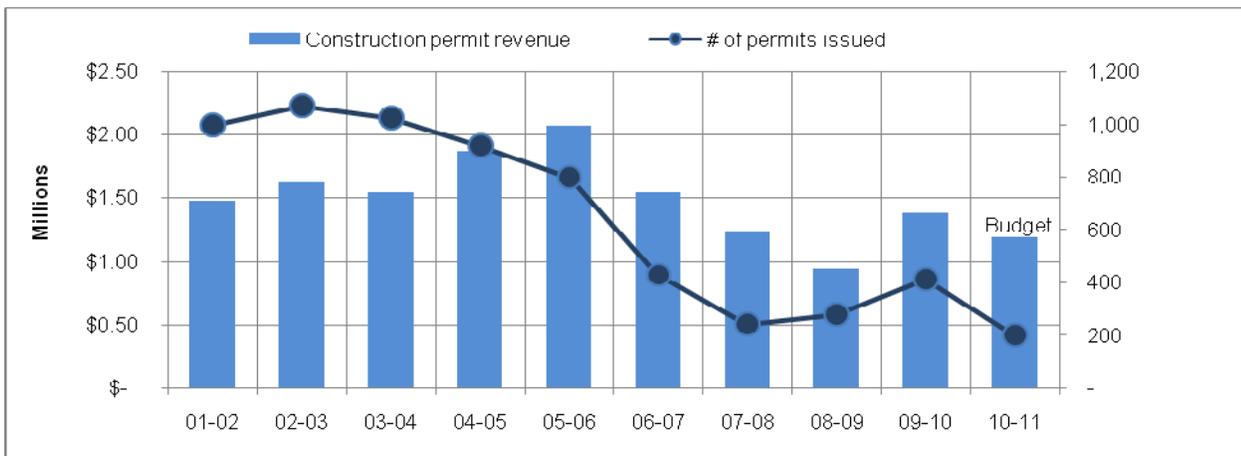
The North Texas economy is showing signs of recovery after the recession and credit crisis of the last 12-14 months that mired the national and state economies and continues to expand at a moderate pace. The Federal Reserve of Dallas in their "Beige Report", reported that economic activity is showing signs of recovery by reports of retail sector sales increases and housing contracts showing more favorable conditions in some sectors but remain weak as a whole. In addition, the North Texas joblessness rate continues to trail by 1% or more than the national rate of unemployment. 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. Residential properties make up 72% of the Town's tax base and are an economic factor for Little Elm. 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. Within the Town limits, the Town is 74% developed with approximately 4,000 residential lots buildable.

The average new construction value of residential homes being permitted is approximately \$200,000, while just over 12 months ago the average permit value was \$155,000. There were 410 single-family permits in FY

2010 for a construction value of approximately \$75 million compared to 280 permits in FY 2009 for a construction value of \$42 million. There were 310 new residential properties added to the tax rolls in 2010 compared to 150 in 2009. These new improvement values are a significant portion of Little Elm's annual budget and have the most significant impact on the Town's ability to raise revenues to provide the services and conditions for future growth. While some taxable properties including commercial have experienced a marked decrease as reported by the Denton Central Appraisal District, new construction added values from commercial as well as residential stabilize the Town's overall growth in taxable values.



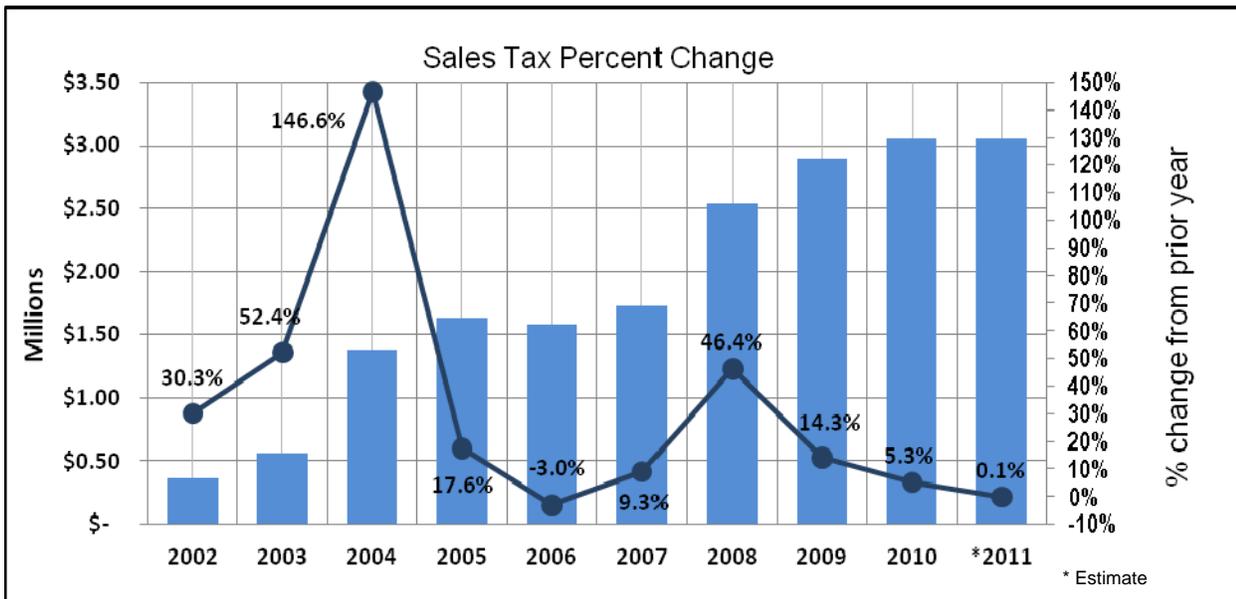
Housing values continue to hold steady with the average existing home value (town-wide) being \$155,372 on January 1, 2010 as compared to \$154,450 on January 1, 2009. Residential construction has remained steady while commercial real estate has been very slow over the last 18 months. There were 39 new commercial businesses permitted in 2009 compared to 16 in 2010. Of this 16, was the submission of a major 144,000 square foot retail "market-place center" anchored by Kroger Grocery.



Permitting revenues are a vital part of the operating budget and the Town is sensitive to the fact that these revenues will gradually have to be replaced.

Sales tax revenues in Little Elm increased by 5.3% over the prior year as seen in the chart below. While early 2010 showed some signs of economic slowdown, 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 conservatively estimated a modest increase its 2011 sales tax revenue, it is reasonably

anticipated that sales resulting from a stabilized and growing business environment locally will only enhance hopes that sales revenues will even be better than estimated.



Little Elm offers viable economic opportunities for growth in employment and sales tax revenue. Under construction and being developed currently is a 22 acre site at the intersections of FM 423 and FM 720 which will be known as the Little Elm Marketplace and anchored by a 123,000 square foot Kroger Signature Store. This development will be complimented by the already existing commercial retail shopping complexes at the intersections of FM 423 and Eldorado Parkway (FM 720) known as the Towne Crossing Development and The Village at Eldorado Shopping Center. Anchored at these sites are Lowe's Home Center, Walgreen's, CVS, Hobby Lobby, Starbucks and many other retail and restaurant establishments along with major financial institutions.

Other growing and stable market retail centers with active tenants are at Elm Ridge Crossing at FM 423 and King Road where recent thoroughfare improvements have enhanced access at this major intersection into the Town. The Lobo Lane Shopping Center continues to provide restaurants and other retail conveniences to citizens on the western corridor of the Town with proximity to the Lake and Little Elm Park.

The first 3 months of 2011 have provided increased commercial development activity which is evidenced by development plans by Quik Trip Convenience Center, Race Trak Convenience Center and an Aldi Grocery Store in the same retail commercial area adjacent to the new Little Elm Market Place on FM 423 and FM 720 which is known as the "Y". These developments show very positive signs of the Little Elm economy strengthening. However, while the future is promising, the Town's management continues to keep a watchful eye on the local, regional and national economies.

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 2011 and 2012. Population growth along with transportation corridor improvements continues to stimulate both residential and commercial development.

MAJOR INITIATIVES

Long Range Planning. Planning for Little Elm's future is a major priority, as the Town formally adopted a comprehensive plan in 2008 that will take the Town to build out. In September 2009, staff conducted its first annual review and status update of the document. Of the 15 first year priorities, 13 were accomplished or experienced significant progress. Notable projects included in the implementation have included adopting the award-winning Commercial Design Standards report, completing the Town Center form based code, progress on the recreation and community center to the design phase, streetscape implementation, public safety center design and contract phase to build has begun, plans for library expansion, and multiple ordinance amendments. The issuance of bonds for thoroughfare improvements including a comprehensive Streetscape Design Plan for Eldorado Parkway are a major part of the accomplishments as stated objectives in the plan. It is clear that Town leaders have relied heavily on the Comprehensive Plan in their decisions regarding infrastructure improvements, zoning ordinance amendments, CIP projects, and bond programs.

The Plan will be revisited during 2011. The plan provides vision for the future and is designed to address growth issues to include capital infrastructure for streets, water, wastewater and vertical facilities. While managing growth will continue to challenge Town leaders, the commitment to provide residents with "something special" makes for a truly unique hometown feeling being a lake front community.

The Town has adopted a five year capital improvement plan (the "CIP") that is reviewed and updated on an annual basis. General Obligation Bonds were sold in fiscal year 2009 and 2010 to complete projects as identified in the CIP. All of the major CIP projects are either under construction or in design. The aggressive plan was put in motion immediately after the bonds (\$19.1 million) were voted in May 2009 and include funding for: streets, parks, public safety facilities (fire and police), and recreation/community center facilities. The projects exceed the cost of the Town's general obligation bonds issued but with interlocal funding sources from Denton County, Texas Department of Transportation and North Texas Tollway Authority, the projects will be completed as planned. The Town authorized general obligation bonds in 2004 and issued \$2.0 million to fund the community/recreation facilities and has partnered with the Town's 4-B Corporation to expand the community/recreation center to a \$4.0 million facility to meet the growing demands from citizens both young and aging for recreation and community gathering venues.

The Town's water and sewer infrastructure 10-year capital improvement plan (CIP) totals \$59,000,000 to provide capacity for current demand and future growth. These projects include expansion of the wastewater treatment plant, water and wastewater mains, distribution and collection lines, and water storage facilities. Project costs are paid from impact fees and from proceeds of water and sewer revenue bonds and certificates of obligation. The city issued combination tax and revenue certificates of obligation in December 2008 and February 2009 to fund \$16,700,000 for water and wastewater line replacements and upgrades and expansion of the Town's wastewater treatment plant. The Water and Wastewater facilities were 90-95% complete at fiscal year end.

Financial Planning: The Finance Department will engage in working with Department Heads, the Town Manager and Town Council to develop a financial plan to encompass long and short term financial solutions to fund the emerging Public Safety Facilities and Recreation Facilities for both personnel and operations and maintenance costs. Conservative budgeting measures are currently in place to plan toward meeting these future service demands associated with operating new facilities.

Utility Rates: As part of the budget process, the Town reviews its rate requirements for water, sewer, and solid waste annually to determine if the rates and charges of the utility system are generating sufficient revenues to cover operations, debt requirements and contractual obligations for its potable water requirements. Environmental mandates, the cost of potable water purchased from North Texas Municipal Water District and infrastructure continue to be the driving factors and focus of each year's rate review. The annual "take-or-pay" water contract for water is approximately 900 million gallons for an annual cost of

\$1,287,000. The rates of the Utility were increased in October 2009 by an overall 4% and in October 2010 water rates were increased by 5% while sewer rates remained unchanged. There were 8,368 connections to the system for all customer classes which is an increase of 4% over 2009. There were 300 total meters for all classes added during the year.

Public Safety: Improving public safety response has and continues to be a major priority to the community. A new contract with Denton County as implemented for dispatch services during the year which has proven successful. Traffic enforcement has been stepped up due to the amount of construction activity with the Town. Additionally, the Photographic Safety Camera Zones are in the second year of a pilot program to increase awareness and safety in the Town's high traffic zones. To compliment the Town's contract for collecting outstanding fines from traffic citations, a warrant officer was assigned for warrant collection. The collection program for both the warrant officer and the professional collection firm has proven successful evident by a 30% increase in collections or approximately \$75,000.

The Town purchased a new 2010 combination fire and rescue truck in preparation for the opening of a new Central Fire Station. As part of the 2009 CIP Bond initiative, the Town is in the construction phase of building the new 42,000 square foot Public Safety Facility. The facility will house the Fire, EMS and Police departments administrative and public safety personnel. The old fire station number one will be decommissioned and the new facility will house the company of fire station number one.

EMS personnel continue to meet a high standard of care by attending numerous continuing education classes and learning new advanced skills. Coordinated safety programs and response tactics were put in place in preparation for public works projects developing within the Town. These measures involve responding to "trench" safety and responses.

Library: The Library provides monthly outreach programs to support the Town's senior citizens and young alike. The Library is supported actively by Friends of the Library and through this initiative the Library is very successful in many community outreach programs through its volunteer programming. Of notable significance is its sponsorship during the year of a successful and recognized literacy program for adults. Planning is underway to double the size of the existing library in 2012.

Park Improvements: The Parks Department major and ongoing initiatives involved renovating and adding facilities to improve recreational and leisure service activities. In Little Elm Park and Cottonwood Sports Complex, major construction initiatives were begun in prior years with voter approved bonds and completed during 2010. Completed and in service for a full year after final completion in September 2009 are two soccer fields with a concession/restroom, expansion of the Johnny Broyles Trail system, and concession/restroom facilities for the swim beach known as the Lighthouse Grill and additional parking. Other major parks and recreation projects for the department included the following:

- Installing play ground equipment in Eldorado Estates East.
- Enhanced staff support for senior programming
- Planning and design of Recreation and Senior Center per the CIP Program
- Begun work on a Parks Master Plan with a design consulting engineer

The Parks and Recreation Department has successfully partnered with the 4B Community Development Corporation (CDC) whereby the CDC will contribute \$2,500,000 toward parks and recreation programming. In addition, the CDC Board proposes to provide funding to light the Little Elm Park Soccer Fields, improve and renovate Beard Park, make improvements to hike and bike trails, provide for new Little Elm Park entrance features and improve sports practice fields.

Additional emphasis for Parks & Recreation Department for 2009-2010 involved expanding recreation and leisure programs offered in Little Elm with the efforts of the Athletic Coordinator. The Town saw a marked increase in athletic and recreational activities as a result of an aggressive outreach program conducted by the Department. With growth in participation and interest peaking in recreational and sports programming across the Town, the parks department standardized registration for all programs.

Utility System Expansion: In 2009, the Town initiated the first phase of the recently updated Utility Capital Improvement Plan. Updates to the plan are revisited annually and taken into consideration with the annual rate study. During the year, several utility projects were funded for construction in response to development, safety and the widening of FM 423 and FM 720 (Eldorado Parkway). These projects include expansion and relocation of utility infrastructure to accomplish the following additional objectives:

- Build sewer treatment capacity for build capacity
- Provide emergency backup power supply to secure continuity of sewer and water services
- Increase water pumping capacity to meet growth demands
- Increase water storage and distribution capacity for commercial and residential development current and future
- Increase fire flows on the south and west areas of Town
- Provide future sewer services to the west side of Little Elm bridge
- Correct deficiencies in capacity

With much of the prior planning and design complete, all of the water and sewer infrastructure projects above have advanced to the construction phase with completion by the end of 2011. The completion of the projects will insure an adequate capacity of water and wastewater services for existing and future residents and will provide the infrastructure necessary to support economic development in many new areas of the Town.

Transportation: Traffic and transportation was one of the top highest concerns and priorities of the community during the 2008-2009 Bond Committee preparations. In addition to the overwhelming support and approval by voters to pass the 2009 Bond Proposal for Street improvement throughout the Town, several million dollars were secured from Denton County's 2008 bond proposal and the North Central Texas Council of Governments' Regional Transportation Council. This funding included \$9.2 million from Denton County and \$4.5 million from the RTC. This funding will be leveraged with the Town's \$7.1 million 2009 bond proposal to improve and provide capacity improvements for several major streets throughout the Town as well as for complimenting TxDOT Improvements to Eldorado Parkway (FM 720) as mention above:

- Lobo Lane Improvements - concrete thoroughfare and storm drainage system improvements to enhance traffic flow for existing schools, sports complex, marina traffic as well as industrial development-the project scope was increased to include extending Lobo Lane through Little Elm Park and connecting Main Street--this project is funded with Texas Capital Grant Funds, Denton County Bond Funds and the 2009 Voted Bonds.
- Eldorado Parkway Streetscape - through the heart of Little Elm - the Town desires to establish streetscape design standards that will uniquely identify Little Elm which will include lighting and entrance features.
- Witt Road Bridge - this project is under design and crosses over Cottonwood Creek. The current bridge is frequently prone to flooding; the new bridge is located on the only north-south corridor and as completed will improve north-south traffic flow and will ensure continuity of emergency services.
- Witt-Woodlake Connector - this project is under construction and will improve north-south traffic flow; the road alignment with Witt Road will provide access to Eldorado Parkway for the Villages of Woodlake and traffic using Witt Road. The project is funded with Denton County Bonds and 2009 Go Bonds.

- The Main Street West Paving and Drainage Project - 90% complete at fiscal year end and was designed to build a new main street from Clark Street west into Little Elm Park. The project includes construction of a 31 foot wide concrete street with underground drainage, new and up sized water and sewer infrastructure, concrete sidewalks with stamped brick crosswalks at the intersections, pedestrian street lighting, enhanced landscaping with trees and irrigation, and a new trail head parking area to access the Little Elm Park trail system. The project is one of many projects currently underway in and around the old town area and the project is designed to compliment future Town Center Plans.
- King Road - 100% complete - concrete four-lane undivided thoroughfare from Witt Road to FM 423. Serves transportation needs of the Hackberry School System, Brent Elementary and improved access for commercial and retail businesses (current and future) along King Road and FM 423.

The combined transportation improvements including improvements that are under way by TxDOT on FM 720 and FM 423 above will reduce current congestion, provide improved mobility, and encourage economic development in new areas of the Town.

Facility Planning and Construction: The Town continues to implement its long range facility plan. The Public Safety Center is under construction and is expected to be completed by the end of 2011 and is designed for both Fire and Police Services adding over 42,000 square foot of new and expanded space. The facility is located in front of Town Hall. A Recreation Center and Senior Citizen Center, Animal Control Center, and Library expansion are included in the 2009 voted bonds. All of these facilities with the exception of the Library expansion were advanced to the design phase during this fiscal year. The Animal Control center will provide a permanent home for the Animal Control division which currently operates out of leased space soon to be non-operational due to road expansion. The Animal Shelter continues to provide the most difficult task of funding due to unexpected and unplanned costs. Further study and examination of alternative design and funding is being considered.

- Recreation Center and Senior Center - each a single structure to be located on Town owned property near the intersection of Main Street and Lakeshore Drive. The facilities were in the design phase at fiscal year end and have recently gone out to bid and are now in the value added engineering and design phase.
- Library Expansion - as the Police Department on the first level of Town Hall moves out to the new Public Safety facility-renovations and reconstruction will be done at Town Hall to accommodate expansion of the existing Library that is currently on the first floor of Town Hall.
- Animal Shelter - at present to be located on Mark Tree Drive near the current Public Works Service Center. The current estimated square footage is 3,500 for current and future animal services. The early design was completed in this fiscal year; cost of construction has delayed the project moving to the construction bidding phase.

FINANCIAL INFORMATION

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 monthly 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.

In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls which were outlined in the opening paragraphs of this transmittal letter. As demonstrated by the statements and schedules included in the financial section of this report, the Town continues to meet its responsibility for sound financial management.

Single Audit: As a recipient of federal and state financial assistance, the Town is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal controls are subject to periodic evaluation by management. If an entity expends \$500,000 or more in a fiscal year, it is subject to Single Audit testing which is performed by an independent auditor. During the year, the Town did not exceed the limits for Single Audit Compliance but notes that it will be subject to Single Audit in the ensuing fiscal year.

Risk Management: The Town undertakes various proactive measure to make sure that town management does everything possible to prevent employee fraud. A technology company was engaged during the year to perform a vulnerability assessment to access to the Town's network and major software applications. The technology company provided documentation and recommended policy and procedural changes. All employees that handle significant amounts of cash are required to attend a cash handling seminar. Over the years, the Town's external auditors have provided transactional audits for Municipal Court and other cash handling divisions. Sample transactions to detect risk areas are examined by the Town's external auditors. .

Debt Administration: Various ratios are traditionally used to analyze debt capacity and credit worthiness. The Town has never defaulted on any of its bonded indebtedness and has continually maintained an above average credit rating on all of its current and outstanding bonded indebtedness as follows:

Moody's Investors Service	Aa3	Dated February 2010
Standard & Poor's	AAA	Dated February 2010

OTHER INFORMATION

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) conducts a financial review program to provide recognition to governmental entities that produce annual financial reports that meet their high standards of disclosure, adherence to Generally Accepted Accounting Principles, adherence to the requirements of the Government Accounting Standards Board, and applicable legal requirements. The Finance Department continues to work toward conforming to the requirements of the program and will submit for the prestigious award.

Acknowledgements: 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,

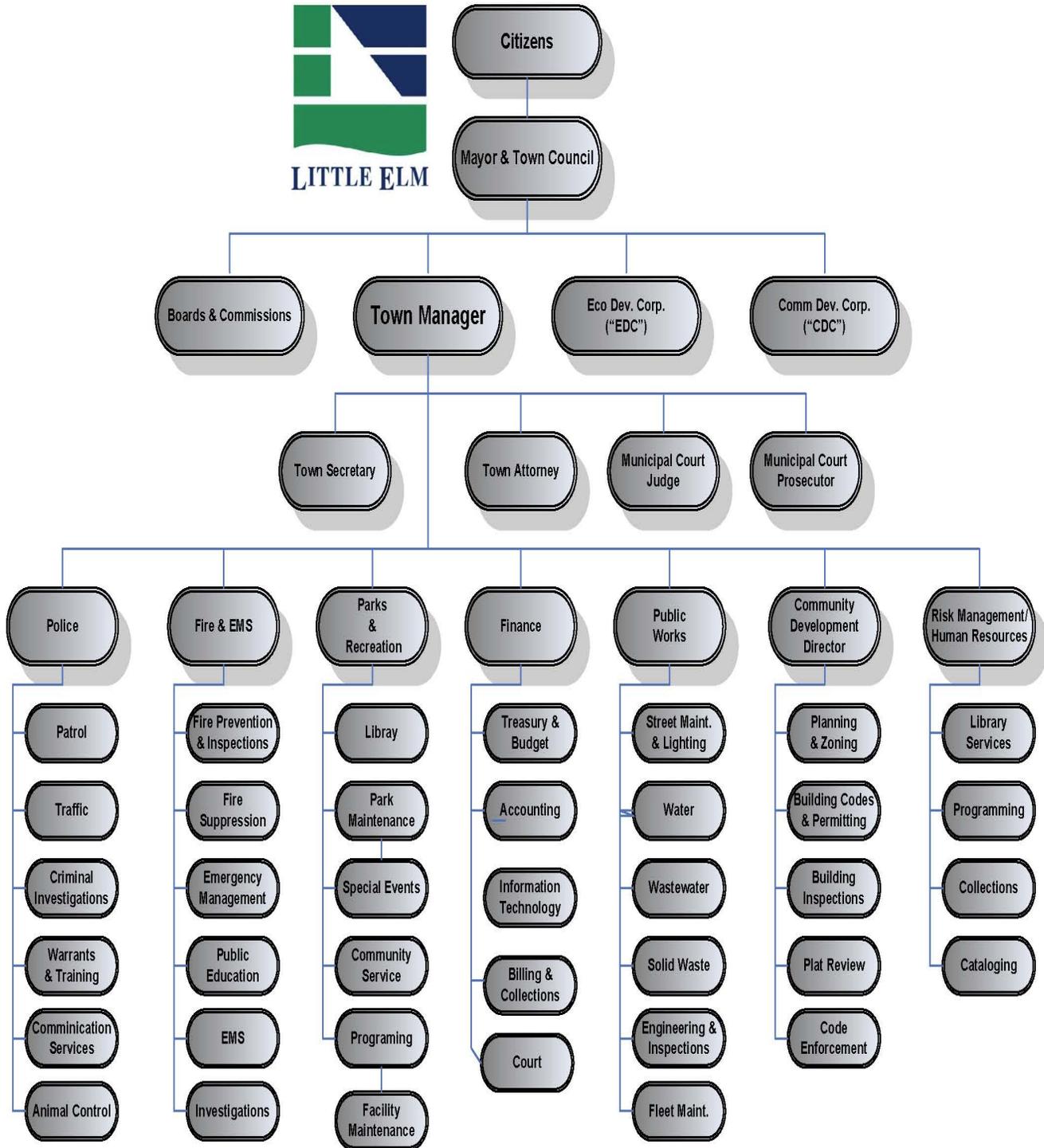


Director of Finance



Assistant Director of Finance

TOWN OF LITTLE ELM, TEXAS ORGANIZATIONAL CHART





TOWN OF LITTLE ELM, TEXAS
TOWN OFFICIALS
September 30, 2010

COUNCIL MEMBERS

Charles Platt.....Mayor
Curtis Cornelious.....Mayor Pro Tem
David Hillock.....District 1
Stephanie Shoemaker.....District 2
Hal Grant.....District 4
Brandon Gerard.....District 5
Bill Roebken.....District 6

EXECUTIVE STAFF

Ivan Langford.....Town Manager
Alan Dickerson.....Director of Finance
Kathy Phillips.....Town Secretary
Doug Peach.....Public Works Director
Waylan Rhodes.....Chief of Police
Joe Florentino.....Fire Chief
Tony Chrisman.....Director of Parks and Library Services
Deidre Hale.....Human Resources Director

FINANCIAL SECTION



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R|C|O RYLANDER, CLAY & OPITZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS
Smart Solutions. Real Results.

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, 2010, 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 2009 financial statements and, in our report dated April 30, 2010, 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 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, 2010, and the respective changes in financial position and cash flows thereof, where applicable, 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 8, 2011 on our consideration of the Town's internal control structure and compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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 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, L.L.P.

March 8, 2011



MANAGEMENT'S DISCUSSION AND ANALYSIS



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MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2010
(unaudited)

As management of the Town of Little Elm, we offer readers of the Town of Little Elm'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 \$76,869,159 at September 30, 2010, a 9% increase over September 30, 2009. Of this balance, 86% or \$65,601,648 is invested in capital assets while \$6,135,769 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 \$8,700,142. General revenues and transfers totaled \$15,030,904, resulting in an increase in net assets of \$6,330,762. This increase is primarily attributable to an infusion of revenues from capital grants and contributions for infrastructure and property and other taxes.
- The Town received \$4,705,395 in capital grants and contributions in FY 2010 from Texas Department of Transportation for thoroughfare and bridge improvements.
- 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. 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.

Governmental Activities

- On a government-wide basis for governmental activities, the Town had expenses net of program revenue of \$11,017,252. General revenue and transfers totaled \$15,201,280 resulting in an increase in net assets of \$4,184,028.
- As of September 30, 2010, the Town's governmental activities reported combined ending net asset balances of \$52,917,794. The largest element of this balance, \$47,903,977, is the value of the Town's investment in capital assets, such as streets, parks and facilities, net of related debt.
- Of the \$11,655,000 in General Obligation Refunding and Improvement Bonds issued, \$9,135,000 is for governmental activities pertaining to new facilities and thoroughfare improvements as approved by the voters.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2010
(unaudited)

Business-Type Activities

- The net assets of the Town's business-type activities had a current year increase of \$2,146,734. 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.

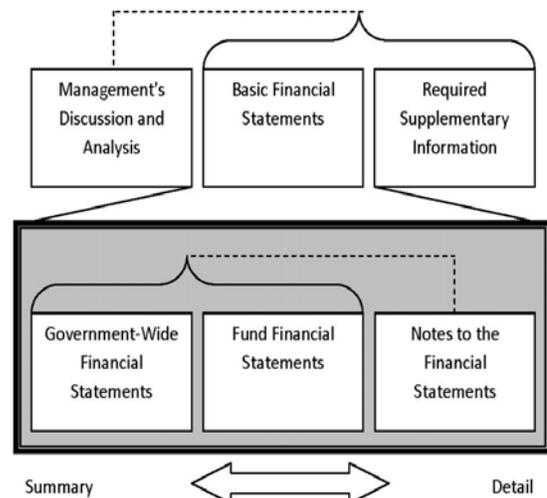
General Fund

- At the end of this fiscal year fund balance (net assets) for the general fund was \$5,006,920 or approximately 38% of the total general fund expenditures. Of this amount \$3,309,224 is legally restricted by resolution of the Town Council.
- General fund revenues were under expenditures by \$478,268 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 \$741,331.
- General fund expenditures increased by \$892,310 or 8% over fiscal year 2009 due to a expansion of services in general government and public safety.

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





MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2010
(unaudited)

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.

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 of Little Elm 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 are important because the Town is financially accountable for each. The Town Council appoints the board of directors of each component unit.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2010
(unaudited)

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.

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 2009 GO and CO Bonds 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



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2010
(unaudited)

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 Budget variances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the Town's Financial Position

As of September 30, 2010, the Town's assets exceeded liabilities by \$76,869,158. 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 34,773,714	\$ 26,107,597	\$ 14,456,248	\$ 26,442,394	\$ 49,229,962	\$ 52,549,991
Capital assets	61,123,866	56,131,423	42,458,113	28,383,750	103,581,979	84,515,173
Total assets	<u>95,897,580</u>	<u>82,239,020</u>	<u>56,914,361</u>	<u>54,826,144</u>	<u>152,811,941</u>	<u>137,065,164</u>
Long-term liabilities	37,943,511	30,514,813	29,799,335	30,480,801	67,742,846	60,995,614
Other liabilities	5,036,274	2,990,440	3,163,662	2,540,713	8,199,936	5,531,153
Total liabilities	<u>42,979,785</u>	<u>33,505,253</u>	<u>32,962,997</u>	<u>33,021,514</u>	<u>75,942,782</u>	<u>66,526,767</u>
Net assets:						
Invested in capital assets, net of related debt	47,903,977	42,980,036	17,697,671	12,953,757	65,601,648	55,933,793
Restricted	2,111,443	456,110	3,020,299	6,226,635	5,131,742	6,682,745
Unrestricted	2,902,375	5,297,621	3,233,394	2,624,238	6,135,769	7,921,859
Total net assets	<u>\$ 52,917,795</u>	<u>\$ 48,733,767</u>	<u>\$ 23,951,364</u>	<u>\$ 21,804,630</u>	<u>\$ 76,869,159</u>	<u>\$ 70,538,397</u>

As stated earlier in the opening highlights of this discussion, the largest portion of the Town of Little Elm's net assets (85% or \$65,601,648) 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



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2010
(unaudited)

of Little Elm 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. Restricted net assets are for (1) use of impact fees for construction purposes \$2,418,634 and (2) debt service \$2,713,108. Unrestricted net assets of \$6,135,769 (8%) may be used to meet the Town's ongoing obligations to citizens and creditors.

For fiscal year end 2010, 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 table above, the total change in net assets over fiscal year 2009 was \$6,330,762 or 9%.

- Included in unrestricted net assets are fund balances that are earmarked for particular purposes, such as park improvements, street maintenance, water and sewer system maintenance, and other operational expenses.
- Net assets increased primarily as a result of increases in capital assets and construction in progress. Major projects completed and or in progress during the year included:
 - Mansell Pump Station
 - FM 423 & Cottonwood Branch Sewer
 - Lift Station improvements (construction in progress)
 - Main Street improvements (construction in progress)
 - Witt/King Road Improvements (construction in progress)
 - Wastewater Treatment Plant Expansion (construction in progress)
 - Eldorado Parkway Water and Wastewater Improvements (construction in progress)
 - Town Hall Generator project (construction in progress)
 - Lobo Lane improvements (construction in progress)
 - Woodlake Parkway improvements (construction in progress)
 - Public Safety Facility (construction in progress)
 - Recreation Center/Senior Center (design phase)

Analysis of the Town's operations

Governmental activities - Governmental activities increased the Town's net assets by \$4,184,028. Significant reasons for this increase are as follows: The Town had a \$4,832,862 increase in capital asset acquisitions, while long-term liabilities increased by \$7,978,769. 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.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2010
(unaudited)

Business-type activities – Business-type activities increased the Town's net assets by \$2,146,734. The Town's business-type capital assets increased by \$14,048,106 while long-term liabilities decreased by \$542,565.

The following table provides a summary of the Town's operations for the year ended September 30, 2010:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 2,465,300	\$ 2,187,009	\$10,721,264	\$ 10,410,399	\$13,186,564	12,597,408
Operating grants and contributions	308,121	216,631	-	-	308,121	216,631
Capital grants and contributions	4,705,395	4,898,794	-	-	4,705,395	4,898,794
General revenues:						-
Property taxes	9,668,429	8,828,874	-	-	9,668,429	8,828,874
Sales taxes	1,959,630	1,804,818	-	-	1,959,630	1,804,818
Franchise taxes	1,261,561	1,099,550	-	-	1,261,561	1,099,550
Interest	388,935	334,206	333,428	455,159	722,363	789,365
Other	593,077	488,765	566,639	307,312	1,159,716	796,077
Total revenues	\$ 21,350,448	\$ 19,858,647	\$ 11,621,331	\$ 11,172,870	\$ 32,971,779	\$ 31,031,517
Expenses:						
General government	2,540,722	2,286,941	-	-	2,540,722	2,286,941
Community service	1,530,292	1,086,952	-	-	1,530,292	1,086,952
Public safety	8,839,262	6,431,906	-	-	8,839,262	6,431,906
Public works	2,853,899	3,990,855	-	-	2,853,899	3,990,855
Culture and recreation	1,346,593	1,358,796	-	-	1,346,593	1,358,796
Interest expense	1,385,300	1,058,944	-	-	1,385,300	1,058,944
Water and sewer services	-	-	6,763,043	6,817,172	6,763,043	6,817,172
Solid waste services	-	-	1,641,111	1,827,534	1,641,111	1,827,534
Total expenses:	\$ 18,496,068	\$ 16,214,394	\$ 8,404,154	\$ 8,644,706	\$ 26,900,222	\$ 24,859,100
Increase in net assets before transfers	2,854,380	3,644,253	3,217,177	2,528,164	6,071,557	6,172,417
Transfers	1,329,648	1,017,564	(1,070,443)	(981,564)	259,205	36,000
Change in net assets	4,184,028	4,661,817	2,146,734	1,546,600	6,330,762	6,208,417
Net assets, beginning of year	48,733,767	44,071,950	21,804,630	20,258,030	70,538,397	64,329,980
Net assets, end of year	\$ 52,917,795	\$ 48,733,767	\$ 23,951,364	\$ 21,804,630	\$ 76,869,159	\$ 70,538,397

The primary government's expenses exceeded program revenues by \$8,700,142. Program revenues of \$18,200,080 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 \$26,900,222 with water and sewer operations' comprising the largest expense category at 32% or \$8,404,154. Public safety activities comprised 33% or \$8,839,262 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 42% of total



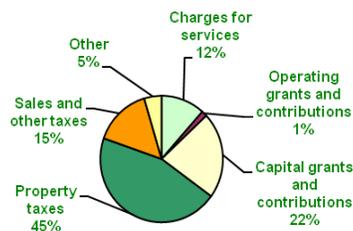
MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2010
(unaudited)

revenue sources to support the primary government's governmental and business-type activities.

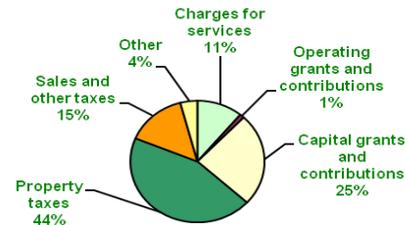
The Town's total governmental and business type activity revenues (program and general) increased by \$2,248,614 or 7% over prior year. This increase is attributable to property taxes and charges for services which include permit fees as well as property taxes. The Town received capital contributions for thoroughfare improvements in an amount of \$4,705,395. The total cost of all governmental programs and services have increased by \$2,041,122 or 9% over prior year. The increase in expenses is principally due to wage and benefit costs and costs associated with infrastructure maintenance. The following graphs are presented to reflect the ratio of revenues that support the primary government's activities for 2010 and 2009:

**Revenues by Source - Government Activities
9/30/2010**



2010 Total: \$21,350,448

**Revenues by Source - Government Activities
9/30/2009**

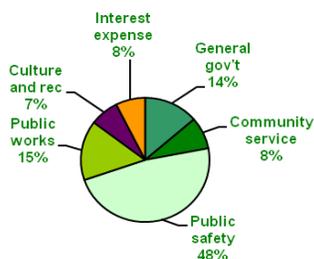


2009 Total: \$19,858,647

Total revenues of governmental activities were \$21,350,448 before transfers for fiscal year 2010. A significant portion (45%) of the Town's revenues came from property taxes with 15% attributable to sales and other taxes. Sales and other taxes reflect an increase over the prior year by 11% or approximately \$317,000. This increase is primarily a result of an increase in sales taxes.

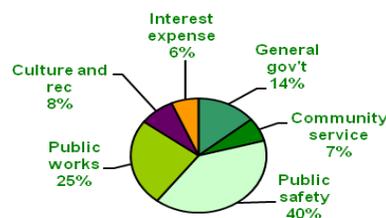
The total cost of all governmental programs was \$18,496,068 for fiscal year 2010. Of these costs, \$8,839,262 or 48% was for public safety activities. The following graphs present the ratio of each major expense by government activity:

**Governmental Activity Expenses
9/30/2010**



Total Expenses: \$18,496,068

**Governmental Activity Expenses
9/30/2009**



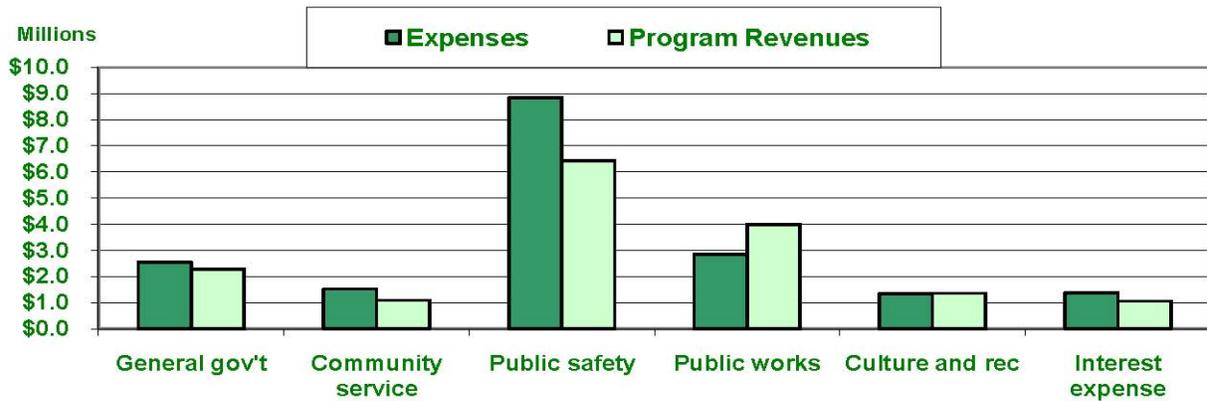
Total Expenses: \$16,214,394



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2010
(unaudited)

The purpose of the following graph is to show the relationship of program revenue to governmental activities before property taxes and other general revenues.

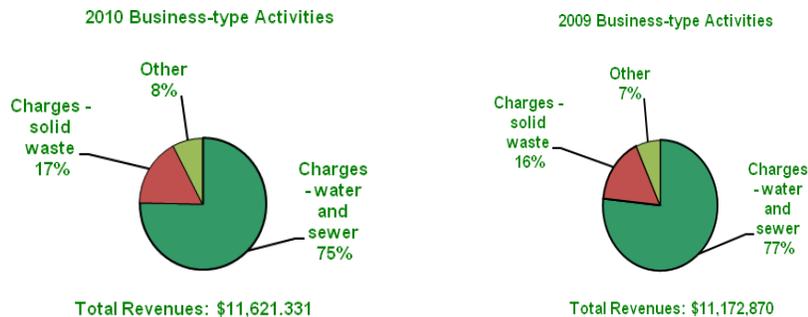


The primary government's expenses total \$18,496,068 for which only 14% or \$2,465,300 is supported by user fees, licenses, and other charges. The balance of funding is supported by property taxes and general revenues.

Expenses and Program Revenues - Business-type activities highlights –

- Business-type activities net assets increased by \$2,146,734 (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 \$8,404,154.
- Business-type revenues increased by 4% or \$448,461 primarily for charges for services and impact fees
- Business-type expenses decreased by 3% or \$240,552 primarily due to a reduction in interest expense

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:





MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2010
(unaudited)

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds – As of the end of the current fiscal year, the Town of Little Elm's governmental funds reported combined ending fund balances of \$31,833,590, an increase of \$7,385,043 compared with the prior year. The breakdown of the total fund balances at fiscal year end is as follows:

- 16% or \$5,006,920 for General fund operating and maintenance purposes
- 73% or \$23,416,911 for General capital project commitments
- 11% or \$3,409,759 for Debt service commitments, special revenues, and street maintenance

Proprietary Funds – The Town of Little Elm'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 of Little Elm's business-type activities. The Proprietary Fund had net cash from operating activities at September 30, 2010 of \$4,061,643.

General Fund Budgetary Highlights

The Town of Little Elm adopts its budget by ordinance at the fund level. There were no budget amendments during the fiscal year. All departments experienced positive variances. Due to fiscal restraints early in the budget year the Council and Town Manager enacted budgetary constraints for all departments to remain within budgetary limits. The General Fund expenditures experienced a positive budget of \$596,545. There was a positive variance of General Fund revenues to the budget by \$1,027,818. Of this amount 62% was for construction related permits.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets -The Town of Little Elm's investment in capital assets for its governmental and business type activities amounts to \$102,420,755 (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 \$18,880,968. 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	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,479,696	\$ 2,479,696	\$ 1,089,743	\$ 923,892	\$ 3,569,439	\$ 3,403,588
Construction in progress	10,101,825	6,124,174	15,648,250	2,605,262	25,750,075	8,729,436
Buildings	5,560,438	5,704,588	57,281	78,277	5,617,719	5,782,865
Infrastructure	36,322,591	35,911,343	24,233,368	23,347,355	60,555,959	59,258,698
Other improvements	3,455,396	3,544,553	-	-	3,455,396	3,544,553
Machinery and equipment	2,664,132	1,986,862	808,035	833,785	3,472,167	2,820,647
	\$ 60,584,078	\$ 55,751,216	\$ 41,836,677	\$ 27,788,571	\$ 102,420,755	\$ 83,539,787



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2010
(unaudited)

Long-term Debt - At year end, the Town had \$70,602,176 of long-term debt and other liabilities. Of this amount, \$57,715,000 is backed by the full faith and credit of the Town and \$11,225,000 represents bonds secured solely by specific revenue sources from the Proprietary Fund. The Town issued \$11,655,000 in refunding general obligation bonds. Currently the Town has no unissued general obligation debt. For more detailed information, please see Note 6 in the financial statements.

The following is a summary of the Town's outstanding debt and other long-term obligations at fiscal year end September 30, 2010:

	Outstanding Debt					
	Outstanding Debt and Long-Term Liabilities					
	Governmental activities		Business-type activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Gross bonded debt:						
General obligation	\$ 31,684,000	\$ 22,885,000	\$ 2,106,000	-	\$ 33,790,000	\$ 22,885,000
Certificates of obligation	6,980,000	7,749,300	16,500,000	18,760,700	23,480,000	26,510,000
Revenue bonds	-	-	11,225,000	11,670,000	11,225,000	11,670,000
Total bonded debt	38,664,000	30,634,300	29,831,000	30,430,700	68,495,000	61,065,000
Other long-term debt:						
Capital leases	98,586	247,496	-	-	98,586	247,496
Tax notes	175,000	410,000	-	-	175,000	410,000
Unamortized premiums	427,889	228,213	270,914	234,135	698,803	462,348
Compensated absences	689,223	555,920	175,564	155,208	864,787	711,128
Capital appreciation	-	-	270,000	270,000	270,000	270,000
Total other long-term debt	1,390,698	1,441,629	716,478	659,343	2,107,176	2,100,972
Total	\$ 40,054,698	\$ 32,075,929	\$ 30,547,478	\$ 31,090,043	\$ 70,602,176	\$ 63,165,972

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

While the North Texas regional economy has slowed, Little Elm has not been as drastically impacted regarding the residential and commercial property values. The Town has continues to experience new construction growth in both residential and commercial development. This is evident by the Town's issuance of 410 residential permits a 47% increase over 2009. Commercial retailers and businesses continue to be attracted to Little Elm according to the Town's economic development leaders, demonstrated by the issuance of 16 commercial permits in 2010.

The most recent commercial development has been the purchase of a 22 acre retail site at the corner of FM 423 and FM 720 in Little Elm. This will be the first Kroger Marketplace development in Denton County. The 123,000 square foot Kroger Signature store will be accompanied by 40,000 square feet of additional retail shop space. The entire project is



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2010
(unaudited)

expected to generate approximately \$65 million dollars in annual sales and create more than 650 new permanent jobs for Little Elm. The Kroger Marketplace's construction is underway and is scheduled to open in 2011.

In the same corridor of FM 423 and FM 720 adjacent to the Kroger Marketplace, site development has progressed in 2010-2011 for Quick Trip Convenience Store and other major commercial pad sites.

The fiscal year 2010-2011 budget was developed and adopted based on conservative growth and projections reflected by a 3% reduction in overall governmental expenditures. The fiscal constraints and budgetary policies are part of the overall financial plan to fund future operational costs associated with new facilities that will be in service in the coming fiscal years. The supporting tax rate of \$.66236 per \$100 of assessed value is an increase over 2009 rate by \$.05 which was related to voter approved debt issued in fiscal year 2010.

DISCRETELY PRESENTED COMPONENT UNITS

The Little Elm Economic Development Corporation, Little Elm Community Development Corporation, and the Little Elm Redevelopment Authority have been included in the reporting entity as discretely presented component units. Separate audited financial statements are not issued for each component unit.

The long-term debt obligations of the Little Elm Economic Development Corporation at fiscal year end were \$7,656,889. The purpose of this debt was to finance the acquisition of land for the proposed Town Center project. The land is being held for resale inventory.

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, please 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, 2010

with comparative totals as of September 30, 2009

	Primary Government				Component Units	
	Governmental Activities	Business-type Activities	2010	2009	2010	2009
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 15,296,563	\$ 8,258,458	\$ 23,555,021	\$ 26,720,587	\$ 2,173,774	\$ 1,763,442
Cash restricted for revenue bond reserve	-	878,854	878,854	447,021	-	-
Investments	17,230,198	2,542,464	19,772,662	21,195,000	-	-
Net receivables	2,211,543	1,664,403	3,875,946	4,084,657	246,805	212,435
Inventories	26,259	29,032	55,291	102,726	-	-
Prepays and deposit	9,151	1,083,037	1,092,188	-	-	-
Land available for sale	-	-	-	-	7,322,952	7,322,952
Total current assets	34,773,714	14,456,248	49,229,962	52,549,991	9,743,531	9,298,829
Noncurrent assets:						
Land	2,479,696	1,089,743	3,569,439	3,403,588	-	-
Depreciable assets, net	48,002,557	25,098,684	73,101,241	71,406,763	-	-
Construction in progress	10,101,825	15,648,250	25,750,075	8,729,436	-	-
Total capital assets	60,584,078	41,836,677	102,420,755	83,539,787	-	-
Debt issuance costs	539,788	621,436	1,161,224	975,386	-	-
Total noncurrent assets	61,123,866	42,458,113	103,581,979	84,515,173	-	-
Total assets	\$ 95,897,580	\$ 56,914,361	\$152,811,941	\$137,065,164	\$ 9,743,531	\$ 9,298,829
LIABILITIES						
Current liabilities:						
Accounts payable and other current liabilities	\$ 2,178,409	\$ 777,831	\$ 2,956,240	\$ 1,742,097	\$ 23,671	\$ 20,040
Due to (from) other funds	-	-	-	(15,300)	-	15,300
Accrued interest payable	294,454	189,499	483,953	456,642	49,216	39,576
Retainage payable	345,094	652,207	997,301	261,028	-	-
Deposits and unearned revenue	107,130	795,982	903,112	916,328	-	-
Current portion of long-term debt	2,111,187	748,143	2,859,330	2,170,358	49,639	48,177
Total current liabilities	5,036,274	3,163,662	8,199,936	5,531,153	122,526	123,093
Bonds and other long-term debt	37,943,511	29,799,335	67,742,846	60,995,614	7,607,250	7,655,921
Total liabilities	42,979,785	32,962,997	75,942,782	66,526,767	7,729,776	7,779,014
NET ASSETS						
Invested in capital assets, net of related debt	47,903,977	17,697,671	65,601,648	55,933,793	-	-
Restricted for:						
Debt service	1,834,254	878,854	2,713,108	4,715,358	344,932	346,285
Impact fees	277,189	2,141,445	2,418,634	1,967,387	-	-
Economic and physical development	-	-	-	-	1,668,823	1,173,530
Unrestricted	2,902,375	3,233,394	6,135,769	7,921,859	-	-
Total net assets	52,917,795	23,951,364	76,869,159	70,538,397	2,013,755	1,519,815
Total liabilities and net assets	\$ 95,897,580	\$ 56,914,361	\$152,811,941	\$137,065,164	\$ 9,743,531	\$ 9,298,829

See notes to basic financial statements.

TOWN OF LITTLE ELM, TEXAS

STATEMENT OF ACTIVITIES

Year Ended September 30, 2010

with comparative totals for the year ended September 30, 2009

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Functions/Programs:				
Governmental activities:				
General government	\$ 2,540,722	\$ 139,313	\$ -	\$ -
Community service	1,530,292	1,386,646	-	-
Public safety	8,839,262	854,090	168,518	-
Public works	2,853,899	29,398	96,324	4,705,395
Culture and recreation	1,346,593	55,853	43,279	-
Interest expense	1,385,300	-	-	-
Total governmental activities	18,496,068	2,465,300	308,121	4,705,395
Business-type activities:				
Water and sewer services	6,763,043	8,755,653	-	-
Solid waste services	1,641,111	1,965,611	-	-
Total business-type activities	8,404,154	10,721,264	-	-
Total primary government	\$ 26,900,222	\$ 13,186,564	\$ 308,121	\$ 4,705,395
Component Units:				
Component Units	\$ 574,322	\$ -	\$ -	\$ -

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 financials statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Component Units			
		2010	2009	2010	2009
\$ (2,401,409)	\$ -	\$ (2,401,409)	\$ (2,058,129)		
(143,646)	-	(143,646)	(158,013)		
(7,816,654)	-	(7,816,654)	(5,350,060)		
1,977,218	-	1,977,218	987,300		
(1,247,461)	-	(1,247,461)	(1,274,564)		
(1,385,300)	-	(1,385,300)	(1,058,944)		
(11,017,252)	-	(11,017,252)	(8,912,410)		
-	1,992,610	1,992,610	1,748,131		
-	324,500	324,500	17,562		
-	2,317,110	2,317,110	1,765,693		
(11,017,252)	2,317,110	(8,700,142)	(7,146,717)		
				\$ (574,322)	\$ (868,181)
9,668,429	-	9,668,429	8,828,874	-	-
1,959,630	-	1,959,630	1,804,818	1,178,634	1,086,799
1,261,561	-	1,261,561	1,099,550	-	-
388,935	333,428	722,363	789,365	31,431	41,388
561,919	566,639	1,128,558	796,527	117,403	108,269
31,158	-	31,158	-	-	-
1,329,648	(1,070,443)	259,205	36,000	(259,205)	(36,000)
15,201,280	(170,376)	15,030,904	13,355,134	1,068,263	1,200,456
4,184,028	2,146,734	6,330,762	6,208,417	493,941	332,275
48,733,767	21,804,630	70,538,397	64,329,980	1,519,814	1,187,540
\$ 52,917,795	\$ 23,951,364	\$ 76,869,159	\$ 70,538,397	\$ 2,013,755	\$ 1,519,815

TOWN OF LITTLE ELM, TEXAS

GOVERNMENTAL FUNDS

BALANCE SHEET

September 30, 2010

with comparative totals as of September 30, 2009

	2010					2009
	General Fund	Debt Service	Capital Project	Nonmajor	Total	Total
			2009 GO & CO Bonds	Governmental Funds		
ASSETS						
Cash and cash equivalents	\$ 4,694,481	\$ 293,190	\$ 8,438,812	\$ 1,870,080	\$ 15,296,563	\$ 12,277,711
Investments	-	-	15,730,198	1,500,000	17,230,198	11,195,000
Receivables, net of allowance for doubtful accounts						
Taxes	455,101	57,052	-	73,714	585,867	461,445
Other	697,332	-	884,615	43,729	1,625,676	2,147,324
Prepaid expenses	9,151	-	-	-	9,151	-
Inventories	26,259	-	-	-	26,259	26,117
Total assets	\$ 5,882,324	\$ 350,242	\$ 25,053,625	\$ 3,487,523	\$ 34,773,714	\$ 26,107,597
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	\$ 592,552	\$ 300	\$ 1,229,189	\$ 356,368	\$ 2,178,409	\$ 837,360
Due to (from) other funds	-	-	-	-	-	(9,489)
Accrued interest payable	-	2,813	-	-	2,813	37,439
Retainage payable	-	-	323,734	21,360	345,094	216,142
Deferred revenue	282,852	45,266	83,791	1,899	413,808	577,598
Total liabilities	875,404	48,379	1,636,714	379,627	2,940,124	1,659,050
Fund balances:						
Reserved for:						
Inventory	26,259	-	-	-	26,259	26,117
Prepaid expenses	9,151	-	-	-	9,151	-
Unreserved, designated for, reported in:						
Unbudgeted expenditures	1,662,286	-	-	-	1,662,286	1,153,325
Unreserved, undesignated, reported in:						
Capital projects	-	-	23,416,911	2,563,497	25,980,408	19,196,982
Special revenue	-	-	-	544,399	544,399	759,750
Debt service	-	301,863	-	-	301,863	226,226
General fund	3,309,224	-	-	-	3,309,224	3,086,147
Total fund balances	5,006,920	301,863	23,416,911	3,107,896	31,833,590	24,448,547
Total liabilities and fund balances	\$ 5,882,324	\$ 350,242	\$ 25,053,625	\$ 3,487,523	\$ 34,773,714	\$ 26,107,597

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, 2010

Total governmental fund balances \$ 31,833,590

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. 60,584,078

Accrued interest on governmental activities debt is not reported in the funds
until paid. (291,641)

The ambulance receivable is not reported in the funds because it is not
available for current period expenditures. 93,212

Deferred property taxes are not reported in the funds because they are not
available for current period expenditures. 165,675

Municipal fines and alarm permit receivable are not reported in the funds
because they are not available for current period expenditures. 47,791

Bond issuance costs on governmental activity debt are included in
expenditures in the funds when paid. 539,788

Premiums on bond issuance for governmental activity debt are included in
other financing sources in the funds when paid. (427,889)

Compensated absences are not due and payable in the current period and
therefore are not reported in the funds. (689,223)

Bonds and notes payable are not due and payable in the current period and
therefore are not reported in the funds. (38,937,586)

Net assets of governmental activities \$ 52,917,795

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, 2010

with comparative totals for the year ended September 30, 2009

	2010				2009	
	General Fund	Debt Service	Capital Project 2009 GO & CO Bonds	Nonmajor Governmental Funds	Total	Total
Revenues:						
Taxes:						
Property taxes, penalty, and interest	\$ 7,008,668	\$ 2,605,301	\$ -	\$ -	\$ 9,613,969	\$ 8,717,659
General sales and use taxes	1,554,552	-	-	392,878	1,947,430	1,787,109
Other taxes and franchise fees	1,220,388	-	-	-	1,220,388	1,117,259
Licenses and permits	1,419,336	-	-	-	1,419,336	966,645
Support from other governmental entities	275,180	-	4,491,083	41,786	4,808,049	4,702,445
Charges for services	497,013	-	-	-	497,013	535,005
Fines	329,146	-	-	196,938	526,084	288,748
Interest	85,401	19,848	242,966	40,720	388,935	361,633
Other revenues	368,945	-	103,427	355,001	827,373	1,108,938
Total revenues	<u>12,758,629</u>	<u>2,625,149</u>	<u>4,837,476</u>	<u>1,027,323</u>	<u>21,248,577</u>	<u>19,585,441</u>
Expenditures:						
Current:						
General government	2,317,001	-	-	4,232	2,321,233	2,160,346
Community services	1,278,090	-	-	-	1,278,090	1,062,917
Public safety	6,333,403	-	-	121,691	6,455,094	6,041,672
Public works	1,365,804	-	-	758,019	2,123,823	1,447,644
Culture and recreation	1,313,314	-	-	9,362	1,322,676	1,230,166
Debt service:						
Principal retirement	57,901	1,431,310	-	-	1,489,211	1,185,222
Interest and fiscal agent fees	2,223	1,299,157	213,163	-	1,514,543	874,526
Capital outlay	569,161	-	6,414,393	1,057,965	8,041,519	6,593,015
Total expenditures	<u>13,236,897</u>	<u>2,730,467</u>	<u>6,627,556</u>	<u>1,951,269</u>	<u>24,546,189</u>	<u>20,595,508</u>
Deficiency of revenues under expenditures	(478,268)	(105,318)	(1,790,080)	(923,946)	(3,297,612)	(1,010,067)
Other financing sources (uses):						
Transfers in	1,258,443	180,955	275,845	38,844	1,754,087	3,127,865
Issuance of bonds	-	-	-	-	-	12,500,000
Issuance of refunding bonds	-	-	9,549,000	-	9,549,000	-
Premium on bond issuance	-	-	218,007	-	218,007	-
Refunded bonds redeemed	-	-	(414,000)	-	(414,000)	-
Transfers out	(38,844)	-	(150,000)	(235,595)	(424,439)	(2,110,301)
Total other financing sources (uses)	<u>1,219,599</u>	<u>180,955</u>	<u>9,478,852</u>	<u>(196,751)</u>	<u>10,682,655</u>	<u>13,517,564</u>
Net change in fund balances	<u>741,331</u>	<u>75,637</u>	<u>7,688,772</u>	<u>(1,120,697)</u>	<u>7,385,043</u>	<u>12,507,497</u>
Fund balance at beginning of year	4,265,589	226,226	15,728,139	4,228,593	24,448,547	11,941,050
Fund balance, end of year	<u>\$ 5,006,920</u>	<u>\$ 301,863</u>	<u>\$ 23,416,911</u>	<u>\$ 3,107,896</u>	<u>\$ 31,833,590</u>	<u>\$ 24,448,547</u>

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, 2010

Net change in fund balances - total governmental funds	\$ 7,385,043
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.	(112,440)
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.	(3,041,624)
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.	(37,125)
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is capitalized.	7,875,211
Donation of property from developers is not reported in the governmental funds.	214,311
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.	(9,353,007)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,489,211
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(102,250)
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>(133,302)</u>
Change in net assets of governmental activities	<u>\$ 4,184,028</u>

TOWN OF LITTLE ELM, TEXAS

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS**

September 30, 2010

with comparative totals as of September 30, 2009

	2010			2009
	Water and Sewer	Solid Waste	Total	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 8,123,948	\$ 134,510	\$ 8,258,458	\$ 14,442,876
Cash restricted for revenue bond reserve	878,854	-	878,854	447,021
Investments	2,542,464	-	2,542,464	10,000,000
Receivables (net of allowance for doubtful accounts of \$187,605 in 2010 and \$122,710 in 2009)	1,403,543	260,860	1,664,403	1,475,888
Inventories	29,032	-	29,032	76,609
Prepays	1,083,037	-	1,083,037	-
Total current assets	<u>14,060,878</u>	<u>395,370</u>	<u>14,456,248</u>	<u>26,442,394</u>
Noncurrent assets:				
Debt issuance costs	621,436	-	621,436	595,179
Land	1,089,743	-	1,089,743	923,892
Depreciable assets, net	25,098,684	-	25,098,684	24,259,417
Construction in progress	15,648,250	-	15,648,250	2,605,262
Total property and equipment	<u>41,836,677</u>	<u>-</u>	<u>41,836,677</u>	<u>27,788,571</u>
Total noncurrent assets	<u>42,458,113</u>	<u>-</u>	<u>42,458,113</u>	<u>28,383,750</u>
Total assets	<u>\$ 56,518,991</u>	<u>\$ 395,370</u>	<u>\$ 56,914,361</u>	<u>\$ 54,826,144</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and other accrued expenses	\$ 700,283	\$ 77,548	\$ 777,831	\$ 904,737
Due to (from) other funds	-	-	-	(5,811)
Accrued interest payable	189,499	-	189,499	229,812
Retainage payable	652,207	-	652,207	44,886
Customer deposits	795,982	-	795,982	757,847
Current portion of long-term debt	748,143	-	748,143	609,242
Total current liabilities	<u>3,086,114</u>	<u>77,548</u>	<u>3,163,662</u>	<u>2,540,713</u>
Long-term debt, net of current portion	29,799,335	-	29,799,335	30,480,801
Total liabilities	<u>32,885,449</u>	<u>77,548</u>	<u>32,962,997</u>	<u>33,021,514</u>
Net assets:				
Invested in capital assets, net of related debt	17,697,671	-	17,697,671	12,953,757
Restricted for:				
Debt service	878,854	-	878,854	4,460,656
Impact fees	2,141,445	-	2,141,445	1,765,979
Unrestricted	2,915,572	317,822	3,233,394	2,624,238
Total net assets	<u>23,633,542</u>	<u>317,822</u>	<u>23,951,364</u>	<u>21,804,630</u>
Total liabilities and net assets	<u>\$ 56,518,991</u>	<u>\$ 395,370</u>	<u>\$ 56,914,361</u>	<u>\$ 54,826,144</u>

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, 2010

with comparative totals for the year ended September 30, 2009

	2010		2009	
	Water and Sewer	Solid Waste	Total	Total
Operating revenues:				
Water sales	\$ 4,430,753	\$ -	\$ 4,430,753	\$ 4,548,342
Charges for sewer services	3,663,629	-	3,663,629	3,378,310
Tap, connections, and other fees	423,733	-	423,733	478,310
Charges for solid waste	-	1,965,611	1,965,611	1,845,096
Other revenue	237,538	-	237,538	160,341
	8,755,653	1,965,611	10,721,264	10,410,399
Operating expenses:				
Personnel services	1,431,363	4,763	1,436,126	1,468,265
Contractual services	320,400	1,486,550	1,806,950	1,885,019
Repairs and maintenance	147,953	149,798	297,751	300,348
Supplies	2,332,801	-	2,332,801	2,231,466
Depreciation and amortization	989,229	-	989,229	1,063,932
Other operating expenses	545,925	-	545,925	411,787
	5,767,671	1,641,111	7,408,782	7,360,817
Operating income	2,987,982	324,500	3,312,482	3,049,582
Non-operating revenues (expenses):				
Developer reimbursement	(309,096)	-	(309,096)	(97,200)
Impact fees	566,639	-	566,639	307,312
Interest income	331,947	1,481	333,428	455,159
Interest expense	(686,276)	-	(686,276)	(1,186,689)
	(96,786)	1,481	(95,305)	(521,418)
Income before transfers	2,891,196	325,981	3,217,177	2,528,164
Transfers in	-	-	-	476,934
Transfers out	(974,443)	(96,000)	(1,070,443)	(1,458,498)
	1,916,753	229,981	2,146,734	1,546,600
Change in net assets	1,916,753	229,981	2,146,734	1,546,600
Net assets at beginning of year	21,716,789	87,841	21,804,630	20,258,030
Net assets, end of year	\$ 23,633,542	\$ 317,822	\$ 23,951,364	\$ 21,804,630

See notes to basic financial statements.

TOWN OF LITTLE ELM, TEXAS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended September 30, 2010

with comparative totals for the year ended September 30, 2009

	2010			2009
	Water and Sewer	Solid Waste	Total	Total
Cash flow from operating activities:				
Receipts from customers and users	\$ 8,573,137	\$ 1,966,942	\$ 10,540,079	\$ 9,695,461
Payments to suppliers	(3,289,652)	(1,779,116)	(5,068,768)	(4,157,870)
Payments to employees	(1,404,905)	(4,763)	(1,409,668)	(1,422,881)
Net cash provided by operating activities	3,878,580	183,063	4,061,643	4,114,710
Cash flow from noncapital financing activities:				
Transfers in	-	-	-	476,934
Transfers out	(974,443)	(96,000)	(1,070,443)	(1,458,498)
Received from other funds	5,811	-	5,811	190,654
Net cash used for noncapital financing activities	(968,632)	(96,000)	(1,064,632)	(790,910)
Cash flow from capital financing activities:				
Proceeds from long-term debt	2,060,759	-	2,060,759	17,011,021
Acquisition of capital assets	(13,697,606)	-	(13,697,606)	(2,616,903)
Deposit on future construction	(1,083,037)	-	(1,083,037)	-
Impact fees	566,639	-	566,639	307,312
Principal paid on capital debt	(2,705,700)	-	(2,705,700)	(572,747)
Developer reimbursement	(309,096)	-	(309,096)	(97,200)
Interest paid on capital debt	(1,363,011)	-	(1,363,011)	(1,519,253)
Net cash provided (used) by capital financing activities	(16,531,052)	-	(16,531,052)	12,512,230
Cash flow from investing activities:				
Purchase (maturity) of investments	7,457,536	-	7,457,536	(10,000,000)
Interest and dividends on investments	322,439	1,481	323,920	411,780
Net cash provided (used) by investing activities	7,779,975	1,481	7,781,456	(9,588,220)
Net increase (decrease) in cash and cash equivalents	(5,841,129)	88,544	(5,752,585)	6,247,810
Cash and cash equivalents, beginning of year	14,843,931	45,966	14,889,897	8,642,087
Cash and cash equivalents, end of the year	\$ 9,002,802	\$ 134,510	\$ 9,137,312	\$ 14,889,897
Reconciliation to Statement of Net Assets				
Cash and cash equivalents	\$ 8,123,948	\$ 134,510	\$ 8,258,458	\$ 14,442,876
Cash restricted to revenue bond reserve	878,854	-	878,854	447,021
	\$ 9,002,802	\$ 134,510	\$ 9,137,312	\$ 14,889,897

(Continued)

	2010			2009
	Water and Sewer	Solid Waste	Total	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 2,987,982	\$ 324,500	\$ 3,312,482	\$ 3,049,582
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	989,229	-	989,229	1,063,932
(Increase) decrease in:				
Receivables	(180,338)	1,331	(179,007)	(711,636)
Inventories	47,577	-	47,577	170
Increase (decrease) in:				
Accounts payable and accrued expenses	(4,005)	(142,768)	(146,773)	715,964
Customer deposits	38,135	-	38,135	(3,302)
Net cash provided by operating activities	<u>\$ 3,878,580</u>	<u>\$ 183,063</u>	<u>\$ 4,061,643</u>	<u>\$ 4,114,710</u>

See notes to basic financial statements.

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

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

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 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.

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 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.

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.

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (continued)

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.

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.

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.

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (continued)

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.

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 and conflict with GASB guidance. The Town has elected not to follow subsequent private sector guidance.

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 and commercial users.

When both restricted and unrestricted resources are available for use it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (continued)

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 market 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, 2010, and the reserve for prepaid items has been recognized 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 market 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

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 charge between funds for these advances.

Long-term Debt

Long-term debts have 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 proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Reclassifications

Certain amounts in 2009 have been reclassified to conform with 2010 presentation.

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

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 invests in obligations of the United States Treasury or 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, 2010 and 2009, the Town's carrying amount of deposits in financial institutions are \$24,430,839 and \$24,333,785, respectively; the bank balance of deposits are \$26,324,351 and \$23,443,093, 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 amount of deposits for the EDC at September 30, 2010 and 2009, which is reported as a discretely presented component unit, are \$1,281,975 and \$1,130,396, respectively. The bank balances at September 30, 2010 and 2009 are \$1,283,050 and \$1,131,766. 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, 2010 and 2009, which is reported as a discretely presented component unit, were \$797,714 and \$632,333, respectively, covered by FDIC insurance or fully collateralized.

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

	<u>2010</u>	<u>2009</u>
Cash on hand	\$ 2,500	\$ 2,500
Deposits with financial institutions	24,430,839	23,443,093
Deposits with TexPool	<u>536</u>	<u>3,722,015</u>
Total	<u>\$ 24,433,875</u>	<u>\$ 27,167,608</u>
	 <u>2010</u>	 <u>2009</u>
Cash and cash equivalents	\$ 23,555,021	\$ 26,720,587
Cash and cash equivalents - restricted	<u>878,854</u>	<u>447,021</u>
Total	<u>\$ 24,433,875</u>	<u>\$ 27,167,608</u>

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

The Town invests in the TexPool (the Texas Local Government Investment Pool) which is an investment fund authorized by the Texas Legislature and overseen by the State Comptroller of Public Accounts. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool.

The purpose of TexPool is to allow for the pooling of public funds to provide a higher yield on the pooled investment than would be possible with the investment of the individual public entity's funds. TexPool investments are subject to the same investment policies maintained by the State Treasury for all state funds. The Legislature has authorized only certain investment instruments for public funds, including repurchase agreements, U.S. Treasury bills and bonds, securities of other U.S. government agencies, commercial paper and other safe instruments. The investment in TexPool and any accrued interest may be redeemed at the Town's discretion. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the Town's position in TexPool is the same as the value of TexPool shares.

The investments of the Town at September 30, 2010 follow:

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 of the Town at September 30, 2009 follow:

Types of Investments	Fair Value/ Carrying Amount	Cost	Weighted Average Years to Maturity
Primary Government:			
Certificates of Deposit			
Point Bank	\$ 10,000,000	\$ 10,000,000	.30
Independent Bank	11,195,000	11,195,000	.50
Total primary government investments	<u>\$ 21,195,000</u>	<u>\$ 21,195,000</u>	<u>.40</u>

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

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). The Town's investment in the Texas Local Government Pool (TexPool) carried a credit rating of AAAM by Standard & Poor's as of September 30, 2010.

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 certificates of deposit are fully collateralized.

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.

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

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 2009 and 2008 levies were based were approximately \$1,666,417,080 and \$1,471,000,000, 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, 2010 and 2009 were \$0.63449 and \$0.56996, respectively, per \$100 of assessed valuation. Current tax collections for the years ended September 30, 2010 and 2009 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, 2010 and 2009 are as follows:

	Governmental Funds					
	2010					2009
	General	Debt Service	2009 GO & CO Bonds	Nonmajor Governmental Funds	Total	Total
Ad valorem taxes	\$ 178,557	\$ 64,791	\$ -	\$ -	\$ 243,348	\$ 179,590
Sales tax	297,780	-	-	73,714	371,494	315,383
Interest	-	-	6,055	-	6,055	11,087
Court	777,309	-	-	61,572	838,881	721,698
Customer accounts	483,906	-	-	-	483,906	660,308
Other	458,109	-	878,560	13,481	1,350,150	1,730,349
Gross receivables	2,195,661	64,791	884,615	148,767	3,293,834	3,618,415
Less: allowances	(1,043,228)	(7,739)	-	(31,324)	(1,082,291)	(1,009,646)
Net total receivables	\$ 1,152,433	\$ 52,052	\$ 884,615	\$ 117,443	\$ 2,211,543	\$ 2,608,769

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES (Continued)

	Proprietary Funds			
	2010			2009
	Water and Sewer	Solid Waste	Total	Total
Sales tax	\$ -	\$ -	\$ -	\$ 1,625
Interest	9,508	-	9,508	43,379
Customer accounts	1,495,441	298,921	1,794,362	1,505,538
Other	48,138	-	48,138	48,056
Gross receivables	1,553,087	298,921	1,852,008	1,598,598
Less: allowances	(149,544)	(38,061)	(187,605)	(122,710)
Net total receivables	<u>\$ 1,403,543</u>	<u>\$ 260,860</u>	<u>\$ 1,664,403</u>	<u>\$ 1,475,888</u>

	Component Units				
	2010				2009
	EDC	CDC	LERA	Total	Total
Sales tax	\$ 147,427	\$ 73,714	\$ -	\$ 221,141	\$ 186,770
Other	-	-	25,664	25,664	25,664
Total receivables	<u>\$ 147,427</u>	<u>\$ 73,714</u>	<u>\$ 25,664</u>	<u>\$ 246,805</u>	<u>\$ 212,434</u>

NOTE 5. CAPITAL ASSETS

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	 <u>\$ 55,751,216</u>	 <u>\$ 4,832,862</u>	 <u>\$ -</u>	 <u>\$ 60,584,078</u>

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>

A summary of changes in governmental activities capital assets at September 30, 2009 follows:

	Balance October 1, 2008	Additions	Retirements and Transfers	Balance September 30, 2009
Capital assets not being depreciated:				
Land	\$ 1,290,806	\$ 396,614	\$ 792,276	\$ 2,479,696
Construction in progress	4,091,658	4,076,896	(2,044,380)	6,124,174
Total non-depreciable assets	<u>5,382,464</u>	<u>4,473,510</u>	<u>(1,252,104)</u>	<u>8,603,870</u>
Capital assets being depreciated:				
Infrastructure	51,580,233	1,028,100	855,667	53,464,000
Buildings	6,003,753	-	396,437	6,400,190
Improvements other than buildings	4,020,256	61,793	-	4,082,049
Machinery and equipment	4,359,085	676,181	(39,369)	4,995,897
Total depreciable assets	<u>65,963,327</u>	<u>1,766,074</u>	<u>1,212,735</u>	<u>68,942,136</u>

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (Continued)

	Balance October 1, 2008	Additions	Retirements and Transfers	Balance September 30, 2009
Less accumulated depreciation:				
Infrastructure	15,452,451	2,100,206	-	17,552,657
Buildings	543,847	151,755	-	695,602
Improvements other than buildings	378,727	158,769	-	537,496
Machinery and equipment	2,642,494	405,910	(39,369)	3,009,035
Total accumulated depreciation	19,017,519	2,816,640	(39,369)	21,794,790
Total depreciable assets , net	46,945,808	(1,050,566)	1,252,104	47,147,346
Total	\$ 52,328,272	\$ 3,422,944	\$ -	\$ 55,751,216

Depreciation was charged to functions at September 30, 2009 as follows:

Governmental activities:

General government	\$ 117,697
Community service	9,020
Public safety	313,688
Public works	2,220,525
Culture and recreation	155,710
	<u>\$ 2,816,640</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	3,529,154	13,258,114	(49,275)	16,737,993
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	30,385,221	1,723,548	35,876	32,144,645

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:				
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	6,125,804	933,556	(13,399)	7,045,961
Total depreciable assets, net	24,259,417	789,992	49,275	25,098,684
 Total capital assets	 \$ 27,788,571	 \$ 14,048,106	 \$ -	 \$ 41,836,677

The following is a summary of changes in proprietary fund-type capital assets during the fiscal year ended September 30, 2009.

	Balance October 1, 2008	Additions	Retirements and Transfers	Balance September 30, 2009
Capital assets not being depreciated:				
Land	\$ 327,918	\$ 382,737	\$ 213,237	\$ 923,892
Construction in progress	2,204,682	1,509,408	(1,108,828)	2,605,262
Total non-depreciable assets	2,532,600	1,892,145	(895,591)	3,529,154
Capital assets being depreciated:				
Buildings	95,402	78,277	-	173,679
Water system improvements	12,162,361	180,350	820,121	13,162,832
Sewer system improvements	15,645,601	39,995	-	15,685,596
Machinery and equipment	921,517	426,135	15,462	1,363,114
Total depreciable assets	28,824,881	724,757	835,583	30,385,221
Less accumulated depreciation:				
Buildings	92,776	2,626	-	95,402
Water system improvements	1,714,667	496,944	-	2,211,611
Sewer system improvements	2,888,687	400,775	-	3,289,462
Machinery and equipment	445,761	143,576	(60,008)	529,329
Total accumulated depreciation	5,141,891	1,043,921	(60,008)	6,125,804
Total depreciable assets, net	23,682,990	(319,164)	895,591	24,259,417
 Total capital assets	 \$ 26,215,590	 \$ 1,572,981	 \$ -	 \$ 27,788,571

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, 2010:

	September 30, 2009	Additions	Retirements	September 30, 2010
Governmental activities:				
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>
Business-type activities:				
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>
Total primary government	<u>\$ 63,165,972</u>	<u>\$ 12,971,567</u>	<u>\$ (5,535,363)</u>	<u>\$ 70,602,176</u>
Component Units:				
Notes payable	<u>\$ 7,704,098</u>	<u>\$ -</u>	<u>\$ (47,209)</u>	<u>\$ 7,656,889</u>

The following is a summary of changes in long-term debt of the Town for the year ended September 30, 2009:

	September 30, 2008	Additions	Retirements	September 30, 2009
Governmental activities:				
General obligation bonds	\$ 13,350,000	\$ 10,000,000	\$ (465,000)	\$ 22,885,000
Unamortized premium of bond issuance	87,215	145,911	(4,913)	228,213
Certificates of obligation	5,513,450	2,500,000	(264,150)	7,749,300
Capital leases	478,569	-	(231,073)	247,496
Tax notes	635,000	-	(225,000)	410,000
Compensated absences	412,002	734,564	(590,646)	555,920
	<u>20,476,236</u>	<u>13,380,475</u>	<u>(1,780,782)</u>	<u>32,075,929</u>
Business-type activities:				
Certificates of obligation	2,401,550	16,500,000	(140,850)	18,760,700
Revenue and refunding bonds	12,095,000	-	(425,000)	11,670,000
Unamortized premium of bond issuance	-	241,021	(6,886)	234,135
Capital appreciation notes	-	270,000	-	270,000
Compensated absences	137,785	144,573	(127,150)	155,208
	<u>14,634,335</u>	<u>17,155,594</u>	<u>(699,886)</u>	<u>31,090,043</u>
Total primary government	<u>\$ 35,110,571</u>	<u>\$ 30,536,069</u>	<u>\$ (2,480,668)</u>	<u>\$ 63,165,972</u>
Component Units:				
Notes payable	<u>\$ 439,015</u>	<u>\$ 7,310,981</u>	<u>\$ (45,898)</u>	<u>\$ 7,704,098</u>

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

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, 2010 is comprised of the following individual issues:

	<u>Outstanding</u>		<u>Outstanding</u>	
	<u>Governmental Activities</u>	<u>Due in one year</u>	<u>Business- type Activities</u>	<u>Due in one year</u>
Certificates of Obligation:				
\$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%	\$ 2,670,000	\$ 165,000	\$ -	\$ -
\$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 4.40% to 4.80%	1,885,000	105,000	-	-
\$2,500,000 Series 2009A Combination Tax and Revenue Certificates of Obligation due in annual installments of \$75,000 to \$190,000 through August 2019, plus interest at 1% to 4.45%	2,425,000	80,000	-	-
\$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	-
\$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 3.00% to 5.00%	-	-	10,000,000	-
	<u>6,980,000</u>	<u>350,000</u>	<u>16,500,000</u>	<u>-</u>
General Obligation Bonds:				
\$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%	2,580,000	90,000	-	-
\$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%	4,210,000	155,000	-	-

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

	<u>Outstanding</u>		<u>Outstanding</u>	
	<u>Govern- mental Activities</u>	<u>Due in one year</u>	<u>Business- type Activities</u>	<u>Due in one year</u>
General Obligation Bonds (continued):				
\$6,250,000 Series 2006 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$210,000 to \$475,000 through August 2027, plus interest at 4.00% to 4.50%	\$ 5,630,000	\$ 220,000	\$ -	\$ -
\$10,000,000 Series 2009 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$305,000 to \$765,000 through August 2029, plus interest at 2.75% to 5.25%	9,695,000	315,000	-	-
\$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%	9,135,000	195,000	-	-
\$2,520,000 Series 2010 Combination Tax and Revenue Refunding General Obligation due in annual installments of \$185,000 to \$280,000 through September 2030, plus interest at 2.00% to 4.00%	<u>414,400</u>	<u>29,600</u>	<u>2,106,000</u>	<u>155,400</u>
	<u>31,684,000</u>	<u>1,004,600</u>	<u>2,106,000</u>	<u>155,400</u>
Revenue Bonds:				
\$4,900,000 Series 2002 Revenue Refunding and Improvement Bond due in annual installments of \$185,000 to \$380,000 through August 2024, plus interest at 4.40% to 5.50%	-	-	3,915,000	195,000
\$4,600,000 Series 2003 Revenue Bond due in annual installments of \$155,000 to \$720,000 through August 2025, plus interest at 4.35% to 5.63%	-	-	3,900,000	165,000
\$3,800,000 Series 2004 Revenue Bond due in annual installments of \$105,000 to \$270,000 through August 2029, plus interest at 3.90% to 5.00%	<u>-</u>	<u>-</u>	<u>3,410,000</u>	<u>110,000</u>
	<u>-</u>	<u>-</u>	<u>11,225,000</u>	<u>470,000</u>

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

	Outstanding		Outstanding	
	Govern- mental Activities	Due in one year	Business- type Activities	Due in one year
Capital Appreciation Certificate:				
\$270,000 Series 2009 Capital Appreciation Certificates due in two annual installments of \$315,000, including interest, on August 2012 and 2013	\$ -	\$ -	\$ 270,000	\$ -
	-	-	270,000	-
Tax Notes:				
\$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%	175,000	85,000	-	-
	175,000	85,000	-	-
Capital Leases:				
\$478,405 capital lease due in annual installments of \$63,393 including interest of 5.74% through February 2011	59,516	59,516	-	-
\$178,905 capital lease due in annual installments of \$39,219 including interest of 4.47% through February 2011	39,070	39,070	-	-
	98,586	98,586	-	-
Total debt	38,937,586	1,538,186	30,101,000	625,400
Net bond premium	427,889	22,323	270,914	13,686
Compensated absences	689,223	550,678	175,564	109,057
Total Long-term Debt	\$ 40,054,698	\$ 2,111,187	\$ 30,547,478	\$ 748,143

Total interest incurred for the years ended September 30, 2010 and 2009 is \$1,363,011 and \$1,264,758 respectively, in the Proprietary Funds; of this amount, \$676,735 and \$82,339 was capitalized as a component of the cost of capital assets constructed during 2010 and 2009, 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, 2010 is comprised of the following individual issues:

	<u>Outstanding</u>	<u>Due next year</u>
Notes Payable		
\$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	\$ 347,300	\$ 49,639
\$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	-
\$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% and secured by real property	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	2,909,589	-
	<u>\$ 7,656,889</u>	<u>\$ 49,639</u>

The annual requirements including interest to amortize all outstanding debt at September 30, 2010, follow:

Governmental Activities

Due Fiscal Year Ending	General Obligation Bonds	Unamortized Premium on Issuance	Certificate Of Obligation	Revenue and Refunding	Capital Leases	Tax Notes and Notes Payable	Compensated Absences	Capital Appreciation	Interest	Total
2011	\$ 1,004,600	\$ 22,323	\$ 350,000	\$ -	\$ 98,586	\$ 85,000	\$ 550,678	\$ -	\$ 1,766,344	\$3,877,531
2012	1,215,200	22,323	365,000	-	-	90,000	138,545	-	1,549,782	3,380,850
2013	1,286,000	22,323	390,000	-	-	-	-	-	1,493,257	3,191,580
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
2016-2020	7,937,600	111,616	2,500,000	-	-	-	-	-	5,676,588	16,225,804
2021-2025	9,625,400	111,616	1,835,000	-	-	-	-	-	3,323,470	14,895,486
2026-2030	7,875,000	93,042	710,000	-	-	-	-	-	1,010,653	9,688,695
Total	<u>\$31,684,000</u>	<u>\$ 427,889</u>	<u>\$ 6,980,000</u>	<u>\$ -</u>	<u>\$ 98,586</u>	<u>\$ 175,000</u>	<u>\$ 689,223</u>	<u>\$ -</u>	<u>\$17,625,230</u>	<u>\$57,679,928</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	Capital Leases	Tax Notes and Notes Payable	Compensated Absences	Capital Appreciation	Interest	Total
2011	\$ 155,400	\$ 13,686	\$ -	\$ 470,000	\$ -	\$ -	\$ 109,057	\$ -	\$ 774,493	\$1,522,636
2012	184,800	13,686	160,000	500,000	-	-	66,507	145,000	316,543	1,386,536
2013	189,000	13,686	170,000	525,000	-	-	-	125,000	308,543	1,331,229
2014	193,200	13,686	495,000	550,000	-	-	-	-	757,993	2,009,879
2015	201,600	13,686	505,000	575,000	-	-	-	-	740,330	2,035,616
2016-2020	1,022,400	68,430	2,850,000	3,340,000	-	-	-	-	3,391,738	10,672,568
2021-2025	159,600	68,430	3,500,000	4,265,000	-	-	-	-	2,752,200	10,745,230
2026-2030	-	65,624	4,415,000	1,000,000	-	-	-	-	1,836,253	7,316,877
2031-2035	-	-	4,405,000	-	-	-	-	-	588,408	4,993,408
Total	\$ 2,106,000	\$ 270,914	\$16,500,000	\$11,225,000	\$ -	\$ -	\$ 175,564	\$ 270,000	\$11,466,501	\$42,013,979

Component Units

Due Fiscal Year Ending	General Obligation Bonds	Unamortized Premium on Issuance	Certificate Of Obligation	Revenue and Refunding	Capital Leases	Tax Notes and Notes Payable	Compensated Absences	Capital Appreciation	Interest	Total
2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,639	\$ -	\$ -	\$ 295,293	\$ 344,932
2012	-	-	-	-	-	7,362,087	-	-	145,599	7,507,686
2013	-	-	-	-	-	56,057	-	-	12,799	68,856
2014	-	-	-	-	-	59,410	-	-	9,446	68,856
2015	-	-	-	-	-	62,964	-	-	5,892	68,856
2016-2020	-	-	-	-	-	66,732	-	-	2,124	68,856
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,656,889	\$ -	\$ -	\$ 471,153	\$ 8,128,042

Current 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.

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

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.

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:

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

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the Town-financed monetary credits, with interest. At the date the plan began, the Town granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the Town can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and Town matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. EMPLOYEE RETIREMENT SYSTEM (Continued)

Contributions (continued)

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. The amount contributed for the years ended September 30, 2010 and 2009 is \$716,105 and \$631,180, respectively.

Since its inception, TMRS has used the Unit Credit actuarial funding method for determining the Town's contribution rate. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a municipality. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2009 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits, and annuity increase that are adopted on an annually repeating basis. In addition, the board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustees rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in a amount greater than 0.5%, the amortization period will be increased to 30 years, unless a municipality requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight year phase-in period, which will allow municipalities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate or their required contribution rate).

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. EMPLOYEE RETIREMENT SYSTEM (Continued)

Actuarial Assumptions

	<u>December 31, 2007</u>	<u>December 31, 2008</u>	<u>December 31, 2009</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 Years- Closed Period	24 Years- Closed Period	23 Years- Closed Period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Investment Rate of Return	7%	7.5%	7.5%
Projected Salary Increases	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%
	2.1%	2.1%	2.1%

The funded status as of December 31, 2009, the most recent actuarial valuation date follows:

	<u>December 31, 2009</u>
Actuarial Valuation Date	
Actuarial Value of Assets	\$ 6,204,659
Actuarial Accrued Liability	8,875,308
Percentage Funded	69.9%
Unfunded (Over-funded)	
Actuarial Accrued Liability (UAAL)	2,670,649
Annual Covered Payroll	7,835,628
UAAL as a Percentage of Covered Payroll	34.1%

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 1,821 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 significant 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, 2010 and 2009:

	2010					
	General Fund	Capital Projects Fund	Debt Service Fund	Water and Sewer Fund	Component Units	Total Reporting Entity
Due from other funds	\$ -	\$ -	\$ -	\$ -	\$ 176,028	\$ 176,028
Due to other funds	-	-	-	-	176,028	176,028
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	2009					
	General Fund	Capital Projects Fund	Debt Service Fund	Water and Sewer Fund	Component Units	Total Reporting Entity
Due from other funds	\$ 164,754	\$ 136,561	\$ -	\$ 5,811	\$ 148,934	\$ 456,060
Due to other funds	-	286,134	5,692	-	164,234	456,060
	<u>\$ 164,754</u>	<u>\$ (149,573)</u>	<u>\$ (5,692)</u>	<u>\$ 5,811</u>	<u>\$ (15,300)</u>	<u>\$ -</u>

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, 2010 and 2009 are as follows:

	2010		2009	
	Transfers In	Transfers Out	Transfers In	Transfers Out
<u>Primary Government</u>				
General Fund	\$ 1,258,443	\$ 38,844	\$ 1,115,211	\$ 267,490
Debt Service	180,955	-	-	-
2009 GO & CO Bonds	275,845	150,000	-	-
Nonmajor governmental funds	38,844	235,595	2,012,654	1,842,811
Water and Sewer Fund	-	974,443	445,649	1,255,906
Solid Waste Fund	-	96,000	31,285	202,592
	<u>1,754,087</u>	<u>1,494,882</u>	<u>3,604,799</u>	<u>3,568,799</u>
<u>Component Units</u>				
Nonmajor component units	-	259,205	48,611	84,611
Grand total	<u>\$ 1,754,087</u>	<u>\$ 1,754,087</u>	<u>\$ 3,653,410</u>	<u>\$ 3,653,410</u>

Transfers are primarily used to move funds from:

- The Community Development Corporation (CU) to the Debt Service Fund for the payment of principal and interest on bonds issued for Park Projects.
- The Community Development and Economic Development Corporations (Component Units) to the General Fund for a chargeback for general and administrative support.
- The Economic Development Corporation (Component Unit) to the General Capital Project Fund (2009 GO Bonds) for a one-time cost-share of a street improvement representing an economic incentive for a local bank.
- 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 capital project fund (2009 GO & CO Bonds) to the General Fund for one-time/one-year cost of internal professional engineering and project management of the Town's Capital Improvement Program.
- The nonmajor governmental funds to the capital project fund (2009 GO & CO Bonds) for payment of construction costs of various infrastructure projects. These funds are escrow funds for sidewalks and impact fees.

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10. 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, 2010, the cost of water purchased under this contract was \$1,169,797.

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, 2010, the payments made under this contract were \$319,356.

At September 30, 2010 and subsequent to year end, the Town is committed to numerous contracts for capital improvements totaling approximately \$22,000,000.

NOTE 11. IMPLEMENTATION OF GASB STATEMENTS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for the year ended September 30, 2011. The Town has not determined what impact this statement will have on the statement of financial position.



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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)	U.A.A.L. As a Percentage of Covered Payroll (b)-(a) / (c)
12/31/07	\$ 3,662,834	\$ 5,452,368	\$ 1,789,534	67.2%	\$ 6,323,238	28.3%
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%

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, 2010
with comparative actual totals for the year ended September 30, 2009**

	2010			2009
	Original and Final Budget	Actual	Variance with Budget	Actual
Revenues:				
Taxes:				
Property taxes, penalty, and interest	\$ 6,813,876	\$ 7,008,668	\$ 194,792	\$ 6,827,171
General sales and use taxes	1,506,500	1,554,552	48,052	1,424,843
Other taxes and franchise fees	1,187,605	1,220,388	32,783	1,117,259
Licenses and permits	784,145	1,419,336	635,191	966,645
Support from other governmental entities	270,460	275,180	4,720	262,991
Charges for services	502,725	497,013	(5,712)	535,005
Fines	370,000	329,146	(40,854)	251,563
Interest	150,000	85,401	(64,599)	141,309
Miscellaneous	145,500	368,945	223,445	304,943
Total revenues	11,730,811	12,758,629	1,027,818	11,831,729
Expenditures:				
General government:				
Town Council	34,750	26,151	8,599	35,366
Town Manager	230,033	219,356	10,677	225,596
Town Secretary	134,253	131,329	2,924	124,335
Municipal court	239,129	220,270	18,859	156,021
Finance	656,762	758,645	(101,883)	669,371
Information technology	477,823	457,931	19,892	411,001
Human resources	370,973	354,088	16,885	304,597
Town attorney	225,000	149,231	75,769	234,059
Total general government	2,368,723	2,317,001	51,722	2,160,346
Community services:				
Inspections	838,112	798,672	39,440	583,562
Planning and zoning	538,139	479,418	58,721	479,355
Total community services	1,376,251	1,278,090	98,161	1,062,917
Public safety:				
Police	3,214,435	2,995,453	218,982	2,743,315
Fire	3,217,561	3,213,778	3,783	3,157,108
Animal control	134,874	124,172	10,702	124,006
Total public safety	6,566,870	6,333,403	233,467	6,024,429
Public works:				
Streets	903,630	807,817	95,813	794,857
Fleet maintenance	183,971	183,854	117	164,585
Facility maintenance	363,195	374,133	(10,938)	389,625
Total public works	1,450,796	1,365,804	84,992	1,349,067

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, 2010

with comparative actual totals for the year ended September 30, 2009

	2010		2009	
	Original and Final Budget	Actual	Variance with Budget	Actual
Culture and recreation:				
Library	291,323	230,519	60,804	251,776
Parks and recreation	1,128,255	1,082,795	45,460	969,922
Total culture and recreation	1,419,578	1,313,314	106,264	1,221,698
Capital outlay	591,100	569,161	21,939	526,130
Debt service:				
Principal retirement	60,124	57,901	2,223	-
Interest and fiscal agent fees	-	2,223	(2,223)	-
Total debt service	60,124	60,124	-	-
Total expenditures	13,833,442	13,236,897	596,545	12,344,587
Deficiency of revenues under expenditures	(2,102,631)	(478,268)	(1,624,363)	(512,858)
Other financing sources (uses):				
Transfers in	1,281,443	1,258,443	23,000	1,115,211
Transfers out	-	(38,844)	38,844	(267,490)
Total other financing sources (uses)	1,281,443	1,219,599	61,844	847,721
Revenues and other financing sources over (under) expenditures and other other financing uses	(821,188)	741,331	(1,562,519)	334,863
Net assets at beginning of year	4,265,589	4,265,589	-	3,930,726
Net assets, end of year	\$ 3,444,401	\$ 5,006,920	\$ (1,562,519)	\$ 4,265,589

TOWN OF LITTLE ELM, TEXAS

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

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, 2010, 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>
Donations	\$ 40,355

**COMBINING STATEMENTS AND INDIVIDUAL
FUND SCHEDULES**



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**TOWN OF LITTLE ELM
FUND DESCRIPTIONS**

NON-MAJOR 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.

NON-MAJOR 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.

COMPONENT UNITS

Economic Development Corporation: to account for ½ cent sales tax on behalf of the Town Economic Development 4A Corporation, whose primary purpose is to generate economic development and bring jobs to Little Elm.

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, 2010

with comparative totals as of September 30, 2009

	2010		2009	
	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 755,243	\$ 1,114,837	\$ 1,870,080	\$ 4,163,843
Investments	-	1,500,000	1,500,000	-
Receivables (net of allowance for uncollectibles)				
Taxes	73,714	-	73,714	62,257
Other	37,170	6,559	43,729	551,244
Total assets	\$ 866,127	\$ 2,621,396	\$ 3,487,523	\$ 4,777,344
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ 298,469	\$ 57,899	\$ 356,368	\$ 152,977
Due to other funds	-	-	-	286,134
Retainage payable	21,360	-	21,360	109,640
Escrow deposits and deferred revenue	1,899	-	1,899	-
Total liabilities	321,728	57,899	379,627	548,751
Fund balances:				
Unreserved and undesignated				
Reported in the Special Revenue Funds	544,399	-	544,399	759,750
Reported in the Capital Projects Funds	-	2,563,497	2,563,497	3,468,843
Total fund balances	544,399	2,563,497	3,107,896	4,228,593
Total liabilities and fund balances	\$ 866,127	\$ 2,621,396	\$ 3,487,523	\$ 4,777,344

TOWN OF LITTLE ELM, TEXAS

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

Year Ended September 30, 2010

with comparative totals for the year ended September 30, 2009

	2010		2009	
	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes				
General sales and use taxes	\$ 392,878	\$ -	\$ 392,878	\$ 362,266
Support from other governmental entities	41,786	-	41,786	23,877
Fines	196,938	-	196,938	37,185
Interest	12,563	28,157	40,720	121,707
Other revenues	90,334	264,667	355,001	803,995
Total revenues	734,499	292,824	1,027,323	1,349,030
Expenditures:				
Current:				
General government	4,232	-	4,232	-
Public safety	121,691	-	121,691	17,243
Public works	758,019	-	758,019	98,577
Culture and recreation	9,362	-	9,362	8,468
Capital outlay	95,390	962,575	1,057,965	4,804,878
Total expenditures	988,694	962,575	1,951,269	4,929,166
Deficiency of revenues under expenditures	(254,195)	(669,751)	(923,946)	(3,580,136)
Other financing sources (uses):				
Transfers in	38,844	-	38,844	1,860,740
Transfers out	-	(235,595)	(235,595)	(1,842,811)
Total other financing sources (uses)	38,844	(235,595)	(196,751)	17,929
Net change in fund balances	(215,351)	(905,346)	(1,120,697)	(3,562,207)
Fund balances at beginning of year	759,750	3,468,843	4,228,593	7,790,800
Fund balances, end of year	\$ 544,399	\$ 2,563,497	\$ 3,107,896	\$ 4,228,593

TOWN OF LITTLE ELM, TEXAS

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

September 30, 2010

with comparative totals as of September 30, 2009

	2010						2009	2009
	Donations	Grants	Forfeitures	Street Maintenance	Park Development	Red Light Camera	Total Nonmajor Special Revenue Funds	Total Nonmajor Special Revenue Funds
ASSETS								
Cash and cash equivalents	\$ 187,575	\$ 34,716	\$ 9,477	\$ 311,035	\$ 113,705	\$ 98,735	\$ 755,243	\$ 790,220
Receivables (net of allowance for uncollectibles)								
Taxes	-	-	-	73,714	-	-	73,714	62,257
Other	6,922	-	-	-	-	30,248	37,170	5,665
Total assets	\$ 194,497	\$ 34,716	\$ 9,477	\$ 384,749	\$ 113,705	\$ 128,983	\$ 866,127	\$ 858,142
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and other current liabilities	\$ 25,876	\$ 1,536	\$ -	\$ 221,163	\$ -	\$ 49,894	\$ 298,469	\$ 98,392
Retainage payable	-	-	-	21,360	-	-	21,360	-
Escrow deposits and deferred revenue	-	-	-	-	-	1,899	1,899	-
Total liabilities	25,876	1,536	-	242,523	-	51,793	321,728	98,392
Fund balances	168,621	33,180	9,477	142,226	113,705	77,190	544,399	759,750
Total liabilities and fund balances	\$ 194,497	\$ 34,716	\$ 9,477	\$ 384,749	\$ 113,705	\$ 128,983	\$ 866,127	\$ 858,142

TOWN OF LITTLE ELM, TEXAS

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

**Year Ended September 30, 2010
with comparative totals for the year ended September 30, 2009**

	2010						2009	
	Donations	Grants	Forfeitures	Street Maintenance	Park Development	Red Light Camera	Total Nonmajor Special Revenue Funds	Total Nonmajor Special Revenue Funds
Revenues:								
Taxes								
General sales and use taxes	\$ -	\$ -	\$ -	\$ 392,878	\$ -	\$ -	\$ 392,878	\$ 362,266
Support from other governmental entities	31,625	10,161	-	-	-	-	41,786	23,877
Fines	43,618	-	-	-	-	153,320	196,938	37,185
Interest	1,319	499	135	7,901	2,607	102	12,563	14,244
Other revenues	60,225	-	2,615	-	27,494	-	90,334	9,422
Total revenues	136,787	10,660	2,750	400,779	30,101	153,422	734,499	446,994
Expenditures:								
Current:								
General government	3,214	-	1,018	-	-	-	4,232	-
Public safety	44,423	1,036	-	-	-	76,232	121,691	17,243
Public works	-	-	-	758,019	-	-	758,019	98,577
Culture and recreation	7,179	2,183	-	-	-	-	9,362	8,468
Capital outlay	26,247	-	-	-	69,143	-	95,390	20,230
Total expenditures	81,063	3,219	1,018	758,019	69,143	76,232	988,694	144,518
Excess (deficiency) of revenues over (under) expenditures	55,724	7,441	1,732	(357,240)	(39,042)	77,190	(254,195)	302,476
Other financing sources:								
Transfers in	38,844	-	-	-	-	-	38,844	23,740
Total other financing sources	38,844	-	-	-	-	-	38,844	23,740
Net changes in fund balance	94,568	7,441	1,732	(357,240)	(39,042)	77,190	(215,351)	326,216
Fund balance at beginning of year	74,053	25,739	7,745	499,466	152,747	-	759,750	433,534
Fund balance, end of year	\$ 168,621	\$ 33,180	\$ 9,477	\$ 142,226	\$ 113,705	\$ 77,190	\$ 544,399	\$ 759,750

TOWN OF LITTLE ELM, TEXAS

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

**Year Ended September 30, 2010
with comparative actual totals for the year ended September 30, 2009**

	2010		Variance from Budget	2009
	Original and Final Budget	Actual		Actual
Revenues:				
Support from other governmental entities	\$ -	\$ 31,625	\$ 31,625	\$ 14,879
Fines	-	43,618	43,618	37,185
Interest	-	1,319	1,319	493
Other revenues	-	60,225	60,225	9,422
Total revenues	-	136,787	136,787	61,979
Expenditures:				
Current:				
General government	-	3,214	3,214	-
Public safety	29,874	44,423	14,549	14,142
Culture and recreation	10,834	7,179	(3,655)	6,746
Capital outlay	-	26,247	26,247	10,339
Total expenditures	40,708	81,063	40,355	31,227
Excess (deficiency) of revenues over (under) expenditures	(40,708)	55,724	96,432	30,752
Other financing sources:				
Transfers in	-	38,844	38,844	23,740
Total other financing sources	-	38,844	38,844	23,740
Net change in fund balance	(40,708)	94,568	135,276	54,492
Fund balances, beginning of year	74,053	74,053	-	19,561
Fund balances, end of year	\$ 33,345	\$ 168,621	\$ 135,276	\$ 74,053

TOWN OF LITTLE ELM, TEXAS

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

**Year Ended September 30, 2010
with comparative actual totals for the year ended September 30, 2009**

	2010		2009	
	Original and Final Budget	Actual	Variance from Budget	Actual
Revenues:				
Taxes				
General sales and use taxes	\$ 379,125	\$ 392,878	\$ 13,753	\$ 362,266
Interest	5,000	7,901	2,901	7,816
Total revenues	<u>384,125</u>	<u>400,779</u>	<u>16,654</u>	<u>370,082</u>
Expenditures:				
Current:				
Public works	975,000	758,019	(216,981)	98,577
Total expenditures	<u>975,000</u>	<u>758,019</u>	<u>(216,981)</u>	<u>98,577</u>
Excess (deficiency) of revenues over (under) expenditures	(590,875)	(357,240)	233,635	271,505
Net change in fund balance	<u>(590,875)</u>	<u>(357,240)</u>	<u>233,635</u>	<u>271,505</u>
Fund balances, beginning of year	499,466	499,466	-	227,961
Fund balances, end of year	<u>\$ (91,409)</u>	<u>\$ 142,226</u>	<u>\$ 233,635</u>	<u>\$ 499,466</u>

TOWN OF LITTLE ELM, TEXAS

**NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET**

September 30, 2010

with comparative total as of September 30, 2009

	2010		2009	
	Street/ Drainage Improvements	2005 GO Bonds	Total Nonmajor Capital Projects Funds	Total Nonmajor Capital Projects Funds
ASSETS				
Cash and cash equivalents	\$ 98,473	\$ 1,016,364	\$ 1,114,837	\$ 3,373,623
Investments	-	1,500,000	1,500,000	-
Receivables	-	6,559	6,559	545,579
Total assets	\$ 98,473	\$ 2,522,923	\$ 2,621,396	\$ 3,919,202
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ 54,132	\$ 3,767	\$ 57,899	\$ 54,585
Due to other funds	-	-	-	286,134
Retainage payable	-	-	-	109,640
Total liabilities	54,132	3,767	57,899	450,359
FUND BALANCES				
Unreserved and undesignated:				
Reported in the Capital Projects Fund	44,341	2,519,156	2,563,497	3,468,843
Total fund balances	44,341	2,519,156	2,563,497	3,468,843
Total liabilities and fund balances	\$ 98,473	\$ 2,522,923	\$ 2,621,396	\$ 3,919,202

TOWN OF LITTLE ELM, TEXAS

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

Year Ended September 30, 2010

with comparative totals for the year ended September 30, 2009

	2010		2009	
	Street/ Drainage Improvements	2005 GO Bonds	Total Nonmajor Capital Projects Funds	Total Nonmajor Capital Projects Funds
Revenues:				
Interest	\$ 1,705	\$ 26,452	\$ 28,157	\$ 107,463
Other revenues	264,667	-	264,667	794,573
Total revenues	<u>266,372</u>	<u>26,452</u>	<u>292,824</u>	<u>902,036</u>
Expenditures:				
Capital outlay	220,692	741,883	962,575	4,784,648
Total expenditures	<u>220,692</u>	<u>741,883</u>	<u>962,575</u>	<u>4,784,648</u>
Excess (deficiency) of revenues over (under) expenditures	45,680	(715,431)	(669,751)	(3,882,612)
Other financing sources (uses):				
Transfers in	-	-	-	1,837,000
Transfers out	(50,000)	(185,595)	(235,595)	(1,842,811)
Total other financing (sources) uses	<u>(50,000)</u>	<u>(185,595)</u>	<u>(235,595)</u>	<u>(5,811)</u>
Net change in fund balances	(4,320)	(901,026)	(905,346)	(3,888,423)
Net assets at beginning of year	48,661	3,420,182	3,468,843	7,357,266
Net assets, end of year	<u>\$ 44,341</u>	<u>\$ 2,519,156</u>	<u>\$ 2,563,497</u>	<u>\$ 3,468,843</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, 2010
with comparative actual total for the year ended September 30, 2009**

	2010		Variance from Budget	2009
	Original and Final Budget	Actual		Actual
Revenues:				
Property taxes	\$ 2,538,956	\$ 2,605,301	\$ 66,345	\$ 1,890,488
Interest	11,200	19,848	8,648	24,728
Total revenues	<u>2,550,156</u>	<u>2,625,149</u>	<u>74,993</u>	<u>1,915,216</u>
Expenditures:				
Principal retirement	1,432,889	1,431,310	(1,579)	1,185,222
Interest and fiscal charges	1,336,284	1,299,157	(37,127)	874,526
Total expenditures	<u>2,769,173</u>	<u>2,730,467</u>	<u>(38,706)</u>	<u>2,059,748</u>
Deficiency of revenues under expenditures	(219,017)	(105,318)	113,699	(144,532)
Other financing sources:				
Transfers in	180,955	180,955	-	151,914
Total other financing sources	<u>180,955</u>	<u>180,955</u>	<u>-</u>	<u>151,914</u>
Revenues over (under) expenditures and other financing sources	(38,062)	75,637	113,699	7,382
Fund balances, beginning	226,226	226,226	-	218,844
Fund balances, ending	<u>\$ 188,164</u>	<u>\$ 301,863</u>	<u>\$ 113,699</u>	<u>\$ 226,226</u>

TOWN OF LITTLE ELM, TEXAS

**COMPONENT UNITS
COMBINING BALANCE SHEET**

September 30, 2010

with comparative total as of September 30, 2009

	Economic Development Corporation	Community Development Corporation	Little Elm Redevelopment Authority	2010	2009
ASSETS					
Cash and cash equivalents	\$ 1,339,633	\$ 834,141	\$ -	\$ 2,173,774	\$ 1,763,442
Receivables	147,427	73,714	25,664	246,805	212,434
Land available for sale	7,322,952	-	-	7,322,952	7,322,952
Total assets	\$ 8,810,012	\$ 907,855	\$ 25,664	\$ 9,743,531	\$ 9,298,828
LIABILITIES					
Accounts payable	\$ 23,671	\$ -	\$ -	\$ 23,671	\$ 25,778
Due to (from) other funds	(176,028)	-	176,028	-	15,300
Total liabilities	(152,357)	-	176,028	23,671	41,078
FUND BALANCES					
Reserved for:					
Land held for sale	7,322,952	-	-	7,322,952	7,322,952
Debt service	344,932	-	-	344,932	346,285
Unrestricted	1,294,485	907,855	(150,364)	2,051,976	1,588,513
Total fund balances	8,962,369	907,855	(150,364)	9,719,860	9,257,750
Total liabilities and fund balances	\$ 8,810,012	\$ 907,855	\$ 25,664	\$ 9,743,531	\$ 9,298,828

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

September 30, 2010

Total component unit fund balances	\$ 9,719,860
Accrued interest on governmental activities debt is not reported in the funds until paid.	(49,216)
Notes payable are not due and payable in the current period and therefore are not reported in the funds.	(7,656,889)
Net assets of component units	<u>\$ 2,013,755</u>

See Note 5 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, 2010
with comparative actual totals for the year ended September 30, 2009**

	Economic Development Corporation	Community Development Corporation	Little Elm Redevelopment Authority	2010	2009
Revenues:					
Taxes					
General sales and use taxes	\$ 785,756	\$ 392,878	\$ -	\$ 1,178,634	\$ 1,086,799
Interest	17,873	13,558	-	31,431	41,388
Other revenues	117,403	-	-	117,403	108,269
Total revenues	<u>921,032</u>	<u>406,436</u>	<u>-</u>	<u>1,327,468</u>	<u>1,236,456</u>
Expenditures:					
Current:					
Economic and physical development	232,371	609	27,094	260,074	589,564
Debt service:					
General debt service	47,209	-	-	47,209	44,506
Debt interest	298,870	-	-	298,870	244,779
Total expenditures	<u>578,450</u>	<u>609</u>	<u>27,094</u>	<u>606,153</u>	<u>878,849</u>
Excess (deficiency) of revenues over (under) expenditures	342,582	405,827	(27,094)	721,315	357,607
Other financing sources (uses):					
Transfers in	-	-	-	-	48,611
Transfers out	(66,250)	(192,955)	-	(259,205)	(84,611)
Issuance of debt	-	-	-	-	7,309,589
Total other financing sources (uses)	<u>(66,250)</u>	<u>(192,955)</u>	<u>-</u>	<u>(259,205)</u>	<u>7,273,589</u>
Net change in fund balances	276,332	212,872	(27,094)	462,110	7,631,196
Fund balance, beginning of year	8,686,037	694,983	(123,270)	9,257,750	1,626,554
Fund balance, end of year	<u>\$ 8,962,369</u>	<u>\$ 907,855</u>	<u>\$ (150,364)</u>	<u>\$ 9,719,860</u>	<u>\$ 9,257,750</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, 2010

Net change in fund balances - total component units	\$ 462,110
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.	47,209
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(15,378)
Change in net assets of component unit activities	<u>\$ 493,941</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 B6

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 City'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 Seven Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year						
	2004	2005	2006	2007	2008 ^b	2009	2010
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
Restricted	581,765	2,531,729	2,531,729	2,714,442	2,020,133	456,110	2,111,443
Unrestricted	5,859,985	6,027,986	3,287,263	5,599,224	7,104,984	5,297,621	2,902,375
Total governmental activities net assets ^a	<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>
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
Restricted	-	3,832,517	4,421,129	4,026,887	3,739,824	6,226,635	3,020,299
Unrestricted	-	5,430,243	5,129,690	5,120,843	5,409,835	2,624,238	3,233,394
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>
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
Restricted	581,765	6,364,246	6,952,858	6,741,329	5,759,957	6,682,745	5,131,742
Unrestricted	5,859,985	11,458,229	8,416,953	10,720,067	12,514,819	7,921,859	6,135,769
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>

Source: Comprehensive Annual Financial Report

Note: ^a Accrual-basis financial information for the town as a whole is only available back to 2004, the year GASB Statement 34 was implemented.

^b Fiscal year 2008 net assets were restated for prior period adjustments and reclassification of funds.

CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS ^a
 (accrual basis of accounting)
 (Unaudited)

	Fiscal Year						
	2004	2005	2006	2007 ^b	2008	2009	2010
Expenses							
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
Public safety	2,534,609	3,817,912	3,904,491	4,735,242	5,756,355	6,431,906	1,530,292
Public works	1,533,972	2,870,899	3,652,686	3,334,704	4,155,141	3,990,855	8,839,262
Culture and recreation	432,751	815,792	811,641	1,033,235	1,091,693	1,358,796	2,853,899
Community services	568,348	612,772	658,666	1,231,869	937,464	1,086,952	1,346,593
Interest on long-term debt	704,666	260,137	235,890	217,332	908,921	1,058,944	1,385,300
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
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
Solid waste	-	-	-	-	-	1,827,534	1,641,111
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
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
Program Revenues							
Governmental activities:							
Charges for Services:							
General government	\$ 265,761	\$ 461,562	\$ 679,877	\$ 472,491	\$ 2,268,637	\$ 413,046	\$ 139,313
Public safety	144,158	412,446	793,118	883,435	898,538	576,564	854,090
Public works	49,279	215,455	185,928	129,384	1,264,387	-	29,398
Culture and recreation	48,245	38,205	49,412	47,779	-	43,395	55,853
Community services	2,548,099	456,953	498,279	288,518	-	1,028,110	1,386,646
Operating grants and contributions	198,653	14,951	27,540	149,774	304,349	182,174	308,121
Capital grants and contributions	-	4,708,563	4,141,707	2,478,539	8,360	4,398,954	4,705,395
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
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
Solid waste	-	-	-	-	-	1,845,096	1,965,611
Operating grants and contributions	-	55,299	-	-	-	-	-
Capital grants and contributions	-	1,514,799	741,816	1,900,735	-	-	-
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
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

(continued)

CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS ^a
 (accrual basis of accounting)
 (Unaudited)

	Fiscal Year						
	2004	2005	2006	2007 ^b	2008	2009	2010
Net (Expenses) Revenue							
Governmental activities	\$ (3,523,052)	\$ (3,815,709)	\$ (4,934,060)	\$ (7,267,594)	\$ (9,986,062)	\$ (9,572,151)	\$ (11,017,252)
Business-type activities	(418,839)	1,353,580	1,344,056	1,645,021	219,669	1,765,693	2,317,110
Total primary government net expenses	<u>\$ (3,941,891)</u>	<u>\$ (2,462,129)</u>	<u>\$ (3,590,004)</u>	<u>\$ (5,622,573)</u>	<u>\$ (9,766,393)</u>	<u>\$ (7,806,458)</u>	<u>\$ (8,700,142)</u>
General Revenues and other Changes in Net Assets							
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
Sales & Other taxes	508,695	1,992,412	1,735,286	3,310,322	3,199,197	2,904,368	3,221,191
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
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
Transfers	(358,824)	210,932	263,260	367,145	897,379	1,017,564	1,329,648
Total governmental activities	<u>\$ 16,854,663</u>	<u>\$ 7,389,232</u>	<u>\$ 7,771,172</u>	<u>\$ 9,922,138</u>	<u>\$ 13,814,375</u>	<u>\$ 14,233,968</u>	<u>\$ 15,201,280</u>
Business-type activities:							
Unrestricted investment earnings	\$ 90,823	\$ 77,650	\$ 144,682	\$ 204,514	\$ 288,977	\$ 455,159	\$ 333,428
Gains on sale of assets	-	-	-	9,694	-	-	-
Miscellaneous	136,522	-	-	-	596,409	307,312	566,639
Developer contributions	7,008,101	-	-	-	-	-	-
Transfers	358,824	(210,932)	(263,260)	(367,145)	(867,379)	(981,564)	(1,070,443)
Total business-type activities	<u>\$ 7,594,270</u>	<u>\$ (133,282)</u>	<u>\$ (118,578)</u>	<u>\$ (152,937)</u>	<u>\$ 18,007</u>	<u>\$ (219,093)</u>	<u>\$ (170,376)</u>
Total primary government	<u>\$ 24,448,933</u>	<u>\$ 7,255,950</u>	<u>\$ 7,652,594</u>	<u>\$ 9,769,201</u>	<u>\$ 13,832,382</u>	<u>\$ 14,014,875</u>	<u>\$ 15,030,904</u>
Change in Net Assets							
Governmental activities	\$ 13,331,611	\$ 3,573,523	\$ 2,837,112	\$ 2,654,544	\$ 3,828,313	\$ 4,661,817	\$ 4,184,028
Business-type activities	7,175,431	1,220,298	1,225,478	1,492,084	237,676	1,546,600	2,146,734
Total primary government	<u>\$ 20,507,042</u>	<u>\$ 4,793,821</u>	<u>\$ 4,062,590</u>	<u>\$ 4,146,628</u>	<u>\$ 4,065,989</u>	<u>\$ 6,208,417</u>	<u>\$ 6,330,762</u>

Source: Comprehensive Annual Financial Report

Notes:

^a Accrual-basis financial information for the town as a whole is only available back to 2004, the year GASB Statement 34 was implemented.

^b General Revenue classifications modified.

TOWN OF LITTLE ELM, TEXAS

TABLE A-3

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved ^a	\$ 3,700,000	\$ 6,715,210	\$ 5,398,701	\$ -	\$ 2,545,432	\$ 2,552,744	\$ 2,793,187	\$ 2,020,133	\$ 26,117	\$ 35,410
Unreserved, designated for Unbudgeted expenditures	-	-	-	-	-	-	-	-	1,153,325	1,662,286
Unreserved, undesignated	234,622	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>\$ 3,934,622</u>	<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>
All Other Governmental Funds										
Reserved for:										
Debt service	76,675	48,202	123,578	100,743	-	10,363	76,933	-	-	-
Unreserved, reported in:										
Special revenue funds	185,112	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>\$ 261,787</u>	<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>

Source: Comprehensive Annual Financial Report

Notes: ^a Includes inventory and prepaid

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUES										
Property taxes, penalties and interest	\$ 607,249	\$ 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
Sales tax	290,609	386,513	627,316	1,308,251	1,667,422	1,554,438	1,751,857	1,814,759	1,787,109	1,947,430
Franchise and other taxes	216,687	214,757	461,843	508,695	614,367	868,904	971,299	1,395,846	1,117,259	1,220,388
Licenses and permits	1,334,393	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
Charges for services	229,150	273,838	442,001	554,173	1,232,031	1,504,403	1,905,967	2,268,637	535,005	497,013
Fines and forfeitures	104,334	168,687	174,174	265,761	250,796	698,938	622,940	898,538	288,748	526,084
Intergovernmental revenue and grants	128,352	140,649	177,221	198,652	342,532	618,983	323,297	312,709	4,702,445	4,808,049
Interest earnings	61,610	118,661	90,247	79,314	243,196	729,047	951,392	539,838	361,633	388,935
Other revenue	217,932	234,182	356,936	199,413	177,674	513,296	300,864	266,466	1,108,938	827,373
Total revenues	3,190,316	4,110,456	5,811,515	7,187,505	9,417,280	12,505,239	14,014,502	16,439,289	19,585,441	21,248,577
EXPENDITURES										
General government	531,214	620,458	630,234	679,693	1,302,788	1,694,438	2,067,815	2,410,803	2,160,346	2,321,233
Public safety	1,164,755	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
Public works	495,751	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
Culture and recreation	101,113	157,025	241,350	369,049	479,282	670,386	891,579	951,798	1,230,166	1,322,676
Community services	87,845	167,277	230,654	561,531	363,251	442,312	176,853	-	1,062,917	1,278,090
Capital outlay	1,209,881	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
Debt service										
Principal retirement	21,000	214,061	217,074	450,804	464,655	955,245	863,504	1,132,700	1,185,222	1,489,211
Interest and fiscal charges	50,653	296,660	358,749	533,777	445,811	683,790	943,950	921,717	874,526	1,514,543
Total expenditures	3,662,212	5,232,073	7,293,130	8,838,469	12,011,975	17,726,539	18,958,896	20,161,219	20,595,508	24,546,189
Excess (deficiency) of revenues over (under) expenditures	(471,896)	(1,121,617)	(1,481,615)	(1,650,964)	(2,594,695)	(5,221,300)	(4,944,394)	(3,721,930)	(1,010,067)	(3,297,612)
OTHER FINANCING SOURCES (USES)										
Proceeds from bonds	3,700,000	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	478,405	-	-	-	-	-	178,905	342,168	-	-
Developer fees and contributions	61,838	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	1,754,087
Transfer to other funds	(91,456)	(250,950)	-	(818,174)	(472,343)	(545,301)	(485,283)	(969,725)	(2,110,301)	(424,439)
Total other financing sources (uses)	4,148,787	2,791,325	1,575,387	934,702	4,686,004	13,777,695	3,383,666	2,480,015	13,517,564	10,682,655
NET CHANGE IN FUND BALANCES	\$ 3,676,891	\$ 1,669,708	\$ 93,772	\$ (716,262)	\$ 2,091,309	\$ 8,556,395	\$ (1,560,728)	\$ (1,241,915)	\$ 12,507,497	\$ 7,385,043
Debt service as a percentage of noncapital expenditures	2.9%	14.6%	12.7%	15.7%	11.0%	15.6%	14.4%	14.2%	14.7%	18.2%

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		Less: Tax- Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2001	\$ 148,266,356	\$ 8,141,614	\$ 23,715,817	\$ 132,692,153	\$ 0.43297
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

Source: Town of Little Elm Documents
Denton County Appraisal District

TOWN OF LITTLE ELM, TEXAS

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

Fiscal Year	City Direct Rates			Overlapping Rates		Total Direct and Overlapping Rates
	Operating Rate	Debt Service Rate	Total City Rate	Little Elm Independent School District	Denton County	
2001	\$ 0.31940	\$ 0.11357	\$ 0.43297	\$ 1.53000	\$ 0.23193	\$ 2.19490
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

Source: Town, Denton County and ISD

TOWN OF LITTLE ELM, TEXAS

TABLE B-3

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

FY 2009-2010 (2009 Certified Tax Roll)			FY 2004-2005 (2004 Certified Tax Roll)		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Little Elm Towne Crossing LTD	\$ 19,012,282	1.27%	Lennar Homes of TX	\$ 29,409,343	3.73%
Retractable Technologies, Inc.	18,195,218	1.22%	Eldorado West LLC	9,055,605	1.15%
Sunset Pointe I, LTD	14,401,339	0.96%	Centex Homes P/S	6,283,592	0.80%
Lowes Home Centers, Inc.	14,048,478	0.94%	CoServ Electric CO-OP	4,678,630	0.59%
Village at Eldorado/CMC LP	11,446,180	0.76%	KB Home Lone Star LP	4,608,631	0.59%
Scarborough Sunset I, LTD	8,245,109	0.55%	Landstar Homes Dal LTD	4,360,607	0.55%
CoServ Electric CO-OP	7,756,250	0.52%	CMH Parks Inc.	4,225,793	0.54%
Rudman Partnership	7,235,370	0.48%	Little Elm/2000, LTD	3,711,199	0.47%
Paloma Creek All Storage LTD	7,208,188	0.48%	Pulte Home Texas LP	3,481,363	0.44%
GY-Denton 380 LP	6,945,000	0.46%	Lakeshore Crossing LP	3,180,946	0.40%
Total	\$ 114,493,414	7.65%	Total	\$ 72,995,709	9.27%
Total Assessed Valuation	\$ 1,497,121,163	100.00%	Total Assessed Valuation	\$ 787,423,433	100.00%

Source: Denton Central Appraisal District

Note: Property is assessed as of January 1 and certified to the city 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	Current Tax Collections	Percent of Current Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2001	\$ 597,847	\$ 577,468	96.6%	\$ 29,781	\$ 607,249	101.57%	\$ 40,503	6.775%
2002	1,066,727	1,035,923	97.1%	36,339	1,072,262	100.52%	56,735	5.319%
2003	1,782,169	1,745,788	98.0%	53,089	1,798,877	100.94%	62,736	3.520%
2004	2,486,808	2,438,311	98.0%	33,469	2,471,780	99.40%	112,018	4.504%
2005	2,842,365	2,786,851	98.0%	128,540	2,915,391	102.57%	74,954	2.637%
2006	3,906,167	3,836,765	98.2%	54,980	3,891,745	99.63%	126,531	3.239%
2007	5,461,711	5,446,283	99.7%	162,310	5,608,593	102.69%	160,379	2.936%
2008	7,499,616	7,395,195	98.6%	163,871	7,559,066	100.79%	104,420	1.392%
2009	8,604,592	8,506,674	98.9%	95,817	8,602,491	99.98%	180,233	2.095%
2010	9,415,320	9,303,185	98.8%	199,930	9,503,115	100.93%	243,358	2.585%

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:

Fiscal Year	Total	1¼%^(b)	% of	(\$)	0.50%	0.25%
Ended	Collected	City	Ad Valorem	of Ad Valorem	4A EDC	4B CDC
Sept 30			Tax Levy	Tax Rate		
2001	\$ 300,858	\$ 200,572	33.55%	\$ 0.14526	\$ 100,286	N/A
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 ^(a)	1,584,272	1,131,623 ^(b)	28.97%	0.11560	452,649	N/A
2007	1,787,182	1,276,559 ^(b)	23.37%	0.10985	510,624	N/A
2008 ^(c)	2,688,878	1,680,549 ^{(b)(c)}	22.41%	0.12006	672,220	\$ 336,110
2009	2,898,131	1,811,332	21.05%	0.11998	724,533	362,266
2010	3,051,371	1,907,107	20.26%	0.12852	762,843	381,421

^(a) The Town has a sales tax rebate agreement with Lowes to rebate a portion of Lowe's sales tax collections in an amount not to exceed \$75,000 per year, with a total rebate not to exceed \$313,000.

^(b) The City'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.

^(c) Collections include the 0.25% 4B CDC collections.

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

TOWN OF LITTLE ELM, TEXAS

TABLE B-6

TOP TEN WATER CUSTOMERS
CURRENT YEAR AND FIVE YEARS AGO
(Unaudited)

Name of Customer	2010				Name of Customer	2005			
	Water Usage	Revenue Generated	Rank	Percent of Total Water Usage		Water Usage	Revenue Generated	Rank	Percent of Total Water Usage
YES Companies Utility BPCC ^a	21,884,000	\$ 148,470	1	2.6%	YES Companies Utility BPCC ^b	22,039,000	\$ 92,532	1	1.9%
Little Elm Independent School District	10,431,000	64,989	2	1.3%	Little Elm Independent School District	6,951,000	24,108	2	0.6%
Two Sunset Ponte Home Owners Assoc.	5,400,000	32,469	3	0.7%	Lennar Homes	7,353,000	23,727	3	0.6%
Lakeside Manor Senior Community	3,674,000	46,771	4	0.4%	Charter Builders	6,235,000	22,312	4	0.5%
Little Elm Towne Crossing, Ltd.	3,409,000	20,099	5	0.4%	Jowell Corporation	5,823,000	21,169	5	0.5%
NWC 423 & Eldorado Pkwy Ltd	2,935,000	19,323	6	0.4%	Eldorado West Home Owners Assoc.	6,328,000	16,873	6	0.5%
Landon Homes	2,876,000	18,515	7	0.3%	Village Builders	3,040,000	13,762	7	0.3%
Eldorado West Home Owners Assoc.	2,868,000	20,765	8	0.3%	Landart	3,659,000	13,152	8	0.3%
Glen Cove Home Owners Assoc.	2,339,000	12,978	9	0.3%	Villages of Woodlake Home Owners Assoc.	3,957,000	12,725	9	0.3%
Hayward - Baker, Inc.	2,297,000	13,713	10	0.3%	William Ryan Homes	2,864,000	11,535	10	0.2%
	<u>58,113,000</u>	<u>\$ 398,092</u>		<u>7.0%</u>		<u>68,249,000</u>	<u>\$ 251,895</u>		<u>5.8%</u>
Total Water Usage	<u>826,912,002</u>			<u>100.0%</u>		<u>1,180,721,000</u>			<u>100.0%</u>

Source: Town Utility

^a Mobile home park

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 ^b	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Other Obligations ^a	Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Other Obligations ^a			
2001	\$ 9,000	\$ 4,413,000	\$ 703,138	\$ 2,062,000	\$ -	\$ 3,822,000	\$ 114,807	\$ 11,123,945	11.90%	2,199
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

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

^aIncludes Tax Notes and Capital Leases

^bSee 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			Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Total		
2001	\$ 9,000	\$ 4,413,000	\$ 4,422,000	3.33%	874
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

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

^bSee Table D-1 for population data.

TOWN OF LITTLE ELM, TEXAS

TABLE C-3

DIRECT AND OVERLAPPING DEBT
As of September 30, 2010
(Unaudited)

Governmental Unit	As of	Bonded Debt Principal	Percentage of Debt Applicable to Area	Town of Little Elm Share of Overlapping Debt
Debt repaid with property taxes				
Frisco I.S.D.	Aug-10	\$ 1,138,757,478	1.68%	\$ 19,131,126
Little Elm I.S.D.	Aug-10	134,199,226	89.10%	119,571,510
Denton County	Aug-10	<u>372,802,183</u>	<u>2.85%</u>	<u>10,624,862</u>
Subtotal, overlapping debt		\$ 1,645,758,887		<u>149,327,498</u>
Town of Little Elm Direct Debt ^a	Sep-10	\$ 57,445,000	100.00%	<u>57,445,000</u>
Total direct and overlapping debt				<u><u>\$ 206,772,498</u></u>
Ratio of direct and overlapping debt principal to taxable values ^b				13.81%
Ratio of direct and overlapping debt principal to actual market values ^b				12.41%

Source: Municipal Advisory Council of Texas

^a Includes the self-supporting debt

^b See Table B-1 for property value data.

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 cities operating under a Home Rule Charter. Accordingly, the Town's tax margin for the previous ten years was:

	Fiscal Year									
	<u>2001</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>
Maximum Rate	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Total Tax Rate	0.4330	0.4445	0.4338	0.3998	0.3575	0.3990	0.4700	0.5358	0.5700	0.6345
Legal Debt Margin	\$ 2.0670	\$ 2.0555	\$ 2.0662	\$ 2.1002	\$ 2.1425	\$ 2.1010	\$ 2.0300	\$ 1.9642	\$ 1.9300	\$ 1.8655

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^a</u>	<u>Less: Operating Expenses^b</u>	<u>Net Available Revenue</u>	<u>Annual Requirement^c</u>	<u>Times Coverage</u>
2001	\$ 1,551,020	\$ 1,127,938	\$ 423,082	\$ 309,552	1.37
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

Note: ^aIncludes operating and non-operating revenues.

^bIncludes operating expenses minus depreciation.

^cIncludes 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)

Year	Estimated Population ^a	Personal Income	Per Capita Personal Income ^b	School Enrollment ^c Little ELM ISD	Unemployment Rate ^d Denton County
2001	5,059	\$ 93,459,966	\$ 18,474	1,989	3.2%
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%

Sources: ^aEstimated population provided by the United States Census 2010

^bPer Capita Income provided by City-Data.com

^cLittle Elm Independent School Districts.

^dFederal Deposit Insurance Corporation, FDIC.org

TOWN OF LITTLE ELM, TEXAS

TABLE D-2

PRINCIPAL EMPLOYERS
Current Year and Six Years Ago
(Unaudited)

<u>2010</u>			<u>2004</u>		
Employer	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
Little Elm ISD	827	23.97%	Little Elm ISD	348	23.64%
Retractable Technologies	158	4.58%	Retractable Technologies	137	9.31%
Town of Little Elm	153	4.43%	G.P.E.	50	3.40%
Lowe's Home Center	125	3.62%	Town of Little Elm	49	3.33%
Sonic Drive-in	34	0.97%	Sonic Drive-in	40	2.72%
Children's Lighthouse	31	0.90%	Animal Quackers	22	1.49%
Discount Tire Company	21	0.61%	Key's Supermarket	20	1.36%
Hobby Lobby	19	0.55%	U.S. Post Office	17	1.15%
24 Hour Fitness	18	0.52%	Chef Jeff	15	1.02%
Flint Group Print Media N America	17	0.49%	Dollar General	14	0.95%
Total	1,403	40.65%		712	48.37%
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)

Function/Program	Fiscal Year									
	<u>2001</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>
General Government and Administration	N/A	N/A	8.00	9.00	11.00	14.00	14.00	14.50	15.00	12.00
Public Safety	N/A	N/A	28.00	39.00	50.00	57.00	65.00	69.00	74.00	72.00
Public Works	N/A	N/A	6.00	8.00	9.00	11.00	12.00	13.00	16.00	15.00
Culture and Recreational	N/A	N/A	9.00	12.50	15.50	16.00	17.50	21.00	24.50	20.00
Planning and Development	N/A	N/A	4.00	6.00	10.00	10.00	10.00	10.50	11.00	8.00
Water and Sewer	<u>N/A</u>	<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>
Total	<u>-</u>	<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>153.00</u>

Source: City Departments

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

TOWN OF LITTLE ELM, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Six Fiscal Years^a
(Unaudited)

TABLE E-2

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

Source: City Departments

Notes:

N/A - Data not Available

^a Information was only available back to 2005

^b Fire Department Administration and EMS Staff

^c Parks Programs organized in 2004

^d 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>2001</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>
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	6	7	8	8	9	10	11	13	16	16
Fire Stations	1	1	1	1	1	1	2	2	2	2
Police Motorcycle Units	0	0	0	0	0	2	2	2	2	2
Public Works										
Streets-Paved	46	85	103	120	126	128	134	140	140	140
Cultural and Recreational										
Parks (acres)	300	300	400	400	400	400	400	400	500	500
Playgrounds ^a	3	3	3	5	5	5	5	5	5	5
Library	0	0	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	471	550	667	667	754	784	883	902	908	1,063
Ground Storage Facilities	3	3	4	4	4	6	6	6	6	4
Elevated Storage Facilities	2	2	2	2	2	2	2	2	2	2
Lift Stations	9	10	12	14	16	16	18	18	18	17

Source: City Departments

Notes: ^a Does not include HOA playgrounds