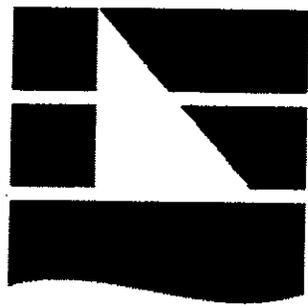


TOWN OF LITTLE ELM, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
September 30, 2007



LITTLE ELM

TOWN OF LITTLE ELM, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
September 30, 2007

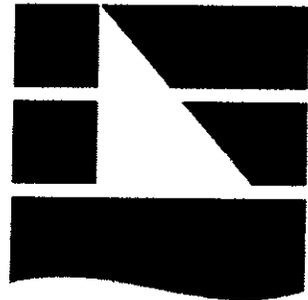
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INTRODUCTORY SECTION



LITTLE ELM



LITTLE ELM

TOWN OF LITTLE ELM
100 West Eldorado Parkway
Little Elm, TX 75068

April 28, 2008

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

We are again pleased to submit the Comprehensive Annual Financial Report of the Town of Little Elm, Texas, for the fiscal year ended September 30, 2007. The report is published to provide the Town Council, Town Staff, our residents, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the Town government. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included in the report.

The current year's financial statements are prepared in conformity with the accounting reporting model, Pronouncement 34, issued by the Governmental Accounting Standards Board ("GASB 34"). GASB 34 requires that management provide a Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A is located immediately following the independent auditors' report.

OVERVIEW

Report Format

The Comprehensive Annual Financial Report is presented in three parts comprised of the introductory, financial, and statistical sections. A brief explanation of the three parts is as follows:

- **Introductory Section** - The introduction includes the transmittal letter, the Town's organizational chart, and a list of principal officials. This section also analyzes financial data and highlights significant Town activities, which occurred during the year.
- **Financial Section** - The financial section includes the MD&A, government-wide financial statements, the fund financial statements and notes, combining statements, and individual fund schedules, as well as the independent auditors' report on the financial statements and schedules.
- **Statistical Section** - The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. This section presents a number of tables

of data depicting the financial history of the Town, and provides debt statistics, demographics and other information relative to the community.

GOVERNMENTAL STRUCTURE

Little Elm is located on two peninsulas of Lewisville Lake. This lake is a 23,280 acre reservoir operated by the U.S. Army Corps of Engineers. The Town has more miles of shoreline on Lake Lewisville than any other community adjacent to the Lake. This geographic positioning provides exceptional water vistas and 51 miles of shoreline that combine to create a wide variety of recreational opportunities.

The Town of Little Elm was incorporated on June 7, 1966. The population at that time was around 363. Documents from that election indicate that the original town was 1.96 square miles or 1,222 acres. Today, the Town has approximately 16 square miles within the corporate limits of the Town with the population estimated at close to 23,000 with an estimated average household income of \$85,536. The population of Little Elm grew by an estimated 446% between 2000 and 2006, ballooning from 3,646 to 19,925 making the town one of the fastest growing in not only the state of Texas but also the United States. Beyond the Town limits, Little Elm supports an additional 30,000 area residents putting Little Elm's five-mile service radius at more than 50,000 people served.

The Town adopted the Council/Manager form of government when it adopted its Home Rule Charter in May, 2001. Under this form of government, the Town is governed by the Town Council which consists of the Mayor and six Council Members who serve for three year terms. The Mayor and Council Members in place one and six are elected at large while the remainder represent specific districts. The Council then hires the Town Manager to serve as the Chief Executive Officer and run the day-to-day operations of the Town.

REPORTING ENTITY AND ITS SERVICES

The Town provides a full range of municipal services, including public safety (police and fire protection), municipal court, street maintenance, engineering, traffic and transportation, water distribution, sewage treatment, sanitation, health inspection, outdoor recreation, library services, public improvements, planning and zoning, and general administrative services. Elementary and secondary education services within the Town are provided by the Little Elm Independent School District ("LEISD") and the Frisco Independent School District ("FISD").

The Town works closely with the Little Elm Economic Development Corporation (EDC) to encourage expansion of local business and attract new business and industry.

Lifestyle

With a family focus, Little Elm continues developing many recreational offerings. Developments such as Cottonwood Creek Marina and the North Dallas Corinthian Yacht Club are the place to go to sail a sloop, fish for bass, cruise in a yacht or join a regatta.

Little Elm offers community parks ranging from a public beach to active sport ball fields to quiet picnic shelters under large shade trees and walking trails along the shoreline of Lewisville Lake. Residential developments offer neighborhood pools, parks and amenity centers. Nearby areas offer opportunities to

see the Roughriders minor league baseball team, FC Dallas soccer team, the Dallas Stars Hockey practice facility and the Texas Motor Speedway.

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. The funds used by the Town are grouped into the following broad fund types:

1. **Governmental Funds**. These funds are used to account for the programs and activities of the governmental functions of the Town. The Town's governmental funds include the following:

General Fund – This fund serves as the main operating fund of the Town. It is used for recording all financial resources except those required to be accounted for in another fund. The General Fund accounts for all revenues and expenditures, which are not accounted for in other funds. It finances the traditional governmental functions;

Special Revenue Funds – These funds are used to account for the proceeds of the specific revenue sources that are legally restricted to expenditures for specific purposes;

Capital Project Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities;

Debt Service Fund – This fund is used to account for the accumulation of financial resources for payment of principal and interest on Town issued debt. This fund does not account for debt issued by the enterprise funds.

2. **Proprietary or Enterprise Funds**. The funds are used to account for ongoing organizations and activities that are similar to those found in the private sector. Additionally, these funds are operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services on a continuing basis be financed or recovered primarily through user charges. These funds primarily include the water and wastewater operations of the Town.

Internal Control

In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from the control. The evaluation of costs and benefits requires estimates and judgments by management.

Budgetary Control

Budgetary control is accomplished by the adoption of an annual operating budget for most funds. Detail control is accomplished by maintaining appropriations and expended balances by line item account within each operating department within each budgeted fund. Financial reports are prepared on a monthly basis and shared with all department heads, the Town Manager, and the Town Council for review and oversight responsibility.

Cash Management

Non-operating cash during the year was invested in a Texas Local Government Investment Pool. Safety and liquidity are the first two goals of the investment policy followed by yield. The Town's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Therefore, all bank deposits were either insured by federal depository insurance or collateralized.

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 on the general-purpose financial statements and combined and individual fund statements and schedules is included in the financial section of this report.

Risk Management

The Town participates in the Texas Municipal League Risk Pool. The pool provides Texas municipalities and other units of local government with a stable source of risk financing and loss prevention services at the lowest cost consistent with sound business practices. The Town participates in the pool's workers' compensation, liability, and property protection plans.

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. Attainment of this recognition is a valuable step in the professional management of a municipality's finances and is a key item looked for by the New York bond rating firms.

At the present time, this report does not meet the standards set by GFOA to warrant submission to the program. However, it is the stated goal of management to improve the report in the future in order to submit a Comprehensive Annual Financial Report to the GFOA for its review.

SIGNIFICANT LOCAL ECONOMIC EVENTS

The Town works closely with the Economic Development Corporation ("EDC") to encourage and invite new development to the area. The EDC was founded in 1993 and has served the Town since that time.

The EDC is made up of four members from the community and a Town Council Liaison. The Little Elm Economic Development Corporation is tasked with bringing much needed commercial, industrial and tourist opportunities to the Town of Little Elm. The mission of the EDC is to advance the economic development in Little Elm while maintaining traditional values and a sense of community.

Little Elm has two main arteries that run through the middle of the town. These are Eldorado Parkway going east towards Frisco, TX and north/northwest to Hwy 380, and FM 423 going north to Hwy 380 and south to Texas 121 in The Colony, TX. Current traffic projects include widening of Eldorado Parkway, widening of FM 423 and a bridge crossing Lake Lewisville to link Little Elm to Interstate 35 in Lake Dallas. Eldorado Parkway and FM 423 are state projects and are expected to be complete in 2009. The Lewisville Lake Toll Bridge is a North Texas Tollway Authority project and is expected to be complete in 2009.

Over the coming years, these major street initiatives, such as the Texas Tollway Authority's Lewisville Lake Toll Bridge project, will bring an estimated 40,000 cars per day through Little Elm between the Dallas North Tollway and IH-35E. Since these roadway projects are underway, the Town of Little Elm will soon greet an entirely new audience of employees, customers and tourists with their sights set on our Town.

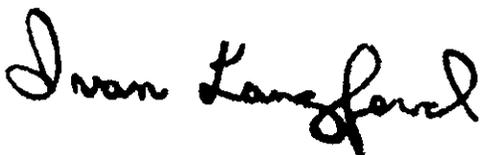
This year the Town saw the opening of a new commercial shopping center on the southwest corner of Eldorado Parkway and FM 423. This new center not only brought more shopping, with a Hobby Lobby and other retail stores, but also included new restaurants and a 24-Hour Fitness Center. This major intersection in Little Elm is now a busy commercial attraction, hosting a Wal-Mart, Lowe's, various pharmacies on the various four corners, as well as many new restaurants. With the widening of the roads, commercial sites in the Town such as this intersection will continue to see more traffic and a dramatic increase in business as traffic is routed through the heart of Little Elm.

ACKNOWLEDGEMENTS

The preparation of this report is a combined effort of the staff of the Finance Department with the professional assistance of our independent auditors, Freemon, Shapard & Story, Certified Public Accountants. Our appreciation is extended to these individuals and all other departments who assisted in the preparation of this report.

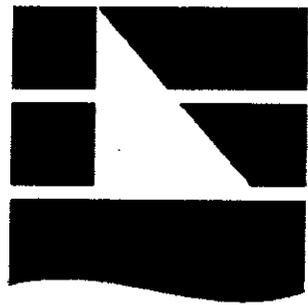
We would also like to thank the Mayor and the members of the Town Council for their leadership, encouragement and support in strengthening and improving the fiscal policies of the Town of Little Elm, Texas.

Respectfully submitted,



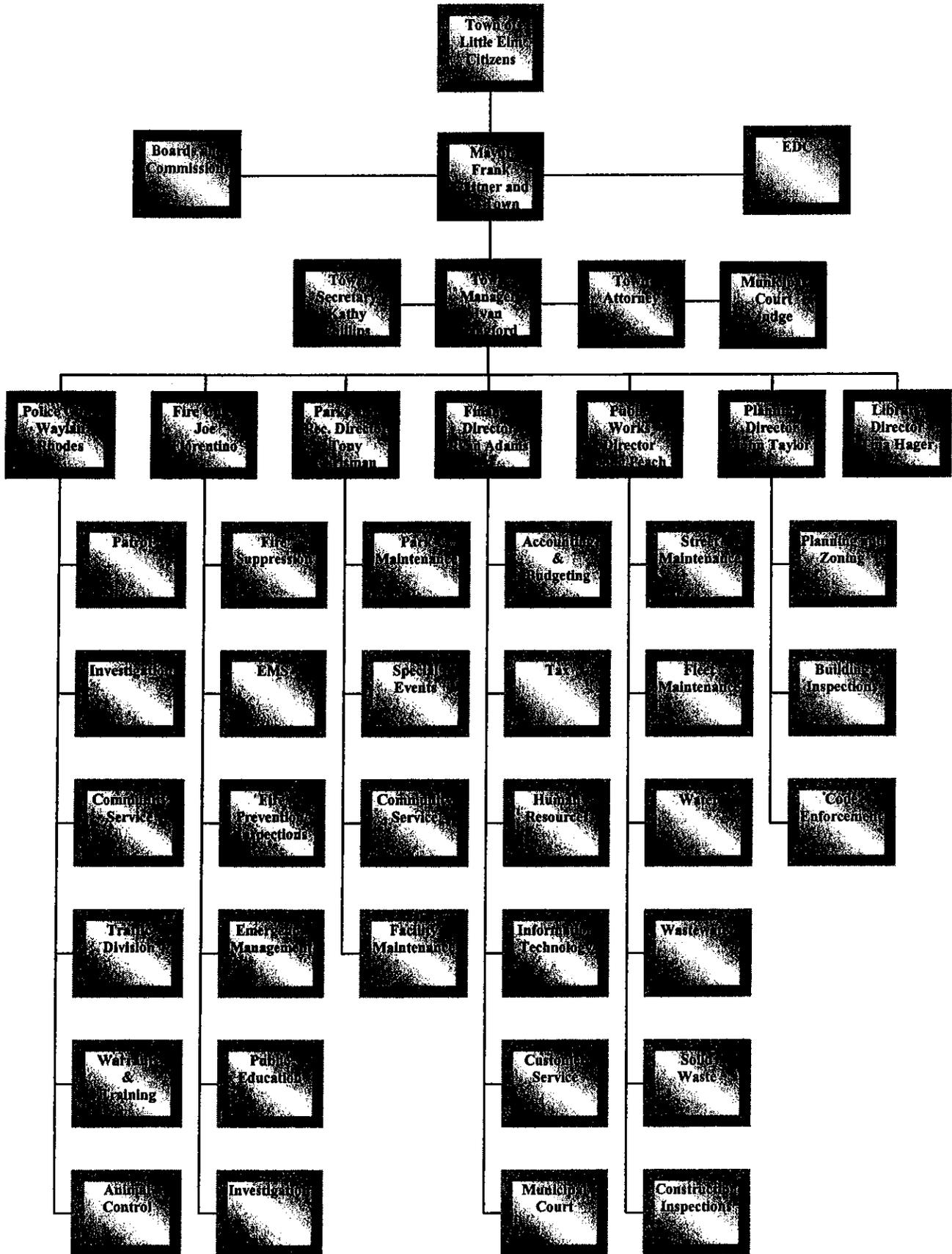
Ivan Langford
Town Manager

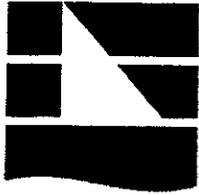
Ryan Adams
Director of Finance



LITTLE ELM

**TOWN OF LITTLE ELM, TEXAS
FY2007 ORGANIZATIONAL CHART**





LITTLE ELM

**TOWN OF LITTLE ELM, TEXAS
ELECTED OFFICIALS
September 30, 2006**

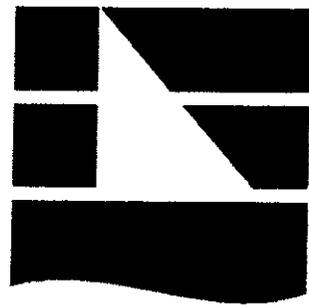
Mayor..... Frank Kastner
Council Member/Mayor Pro Tem..... Mark Hunsaker
Council MemberDavid M. Hillock
Council Member Brandon Gerard
Council Member Brenda Mills
Council Member Dee Dee Lear
Council MemberJim Manning



LITTLE ELM

TOWN OF LITTLE ELM, TEXAS
APPOINTED OFFICIALS
September 30, 2006

Ivan LangfordTown Manager
Ryan AdamsFinance/HR Director
Tina HagerLibrary Director
Doug Peach Public Works Director
Kathy Phillips Town Secretary
Waylan Rhodes Chief of Police
John Taylor Planning and Development Director
Joe Florentino Fire Chief
Robert Browne Town Attorney
Tony Chrisman Park Director



LITTLE ELM

FINANCIAL SECTION

FREEMON, SHAPARD & STORY
CERTIFIED PUBLIC ACCOUNTANTS

807 8th Street, 2nd Floor
Wichita Falls, Texas 76301-3381
(940) 322-4436 Fax (940) 761-3365

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Little Elm, Texas (the Town) as of and for the year ended September 30, 2007 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 financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Little Elm, Texas as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund and the proprietary fund 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 April 28, 2008, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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.

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

Offices

Wichita Falls • Austin • Crested Butte • Dallas • Denton • Gunnison • Lampasas • Little Elm • Marble Falls • Windthorst

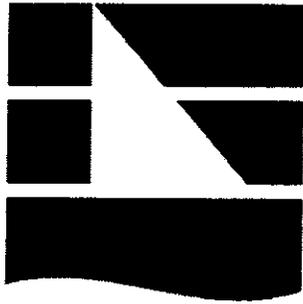
Honorable Mayor and
Members of the Town Council
Town of Little Elm, Texas

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Little Elm's basic financial statements. The accompanying introductory section, combining financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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 express no opinion on them.

Freemon, Shapard and Story

Freemon, Shapard and Story
Wichita Falls, Texas

April 28, 2008



LITTLE ELM

TOWN OF LITTLE ELM
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

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 of the financial activities of the Town of Little Elm for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Little Elm exceeded its liabilities at the close of the most recent fiscal year by \$47,547,776. Of this amount, \$10,760,752 is unrestricted and may be used to meet the Town's ongoing obligations.
- During the year, the Town had expenses that were \$6,264,754 less than the \$24,144,337 generated in tax and other revenues for governmental programs and business-type activities.
- The General Fund ended the year with a \$6,149,542 fund balance.
- The resources available for appropriation were \$412,947 more than budgeted for the General Fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (Exhibit A-1 and B-1). These provide information about the activities of the Town as a whole and present a longer-term view of the Town's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements, Exhibits C-1 through C-4, report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the Town's individual funds. The statistical section contains additional informative data related to the Town's operations.

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the Town's overall financial condition and operations is found in Exhibit A-1 and B-1. Its primary purpose is to show whether the Town is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the Town's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the Town's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies

TOWN OF LITTLE ELM
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

Reporting the Town as a Whole - Continued

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The Town's revenues are divided into those provided by outside parties who share the costs of some programs, such as refuse disposal fees and grants provided by third parties (program revenues), and revenues provided by taxpayers or by sales and other taxes (general revenues). All the Town's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the Town's net assets and changes in them. The Town's net assets (the difference between assets and liabilities) provide one measure of the Town's financial health or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the Town, however, the reader should consider nonfinancial factors as well, such as changes in the Town's property tax base and the condition of the Town's facilities.

In the Statement of Net Assets and the Statement of Activities, there is the following kind of activity:

- **Governmental activities** - All of the Town's basic services are reported here, including administration and finance, public safety (fire and police), library services, parks and trails, street maintenance, planning, inspections, and permitting.
- **Business-type activities** - These amounts reflect the water and sewer department activities of the Town.
- **The Little Elm Economic Development Corporation (EDC) financial statements** are included in the financial statements of the government as a Special Revenue Fund type.

Reporting the Town's Most Significant Funds

The fund financial statements, Exhibits C-1 through C-4, provide detailed information about the most significant funds - not the Town as a whole. Laws and contracts require the Town to establish some funds, such as the Debt Service Fund. The Town's administration establishes many other funds to help it control and manage money for particular purposes (such as the several Impact Fee Funds and Capital Project Funds). The Town has two types of funds - governmental funds and proprietary funds.

- **Governmental funds** - Most of the Town's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the Town's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- **Proprietary funds** - Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer departments.

TOWN OF LITTLE ELM
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Little Elm, assets exceeded liabilities by \$47,547,776 at the close of the most recent fiscal year. A summary of the Town of Little Elm's net assets follows:

Town of Little Elm - Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 16,368,949	\$ 18,566,634	\$ 10,299,194	\$ 11,496,551	\$ 26,668,143	\$ 30,063,185
Capital assets	33,801,702	28,558,852	25,629,477	23,783,135	59,431,179	52,341,987
Total assets	50,170,651	47,125,486	35,928,671	35,279,686	86,099,322	82,405,172
Long-term liabilities	21,604,480	22,186,540	15,808,459	16,143,812	37,412,939	38,330,352
Other liabilities	782,252	1,453,178	356,355	1,338,620	1,138,607	2,791,798
Total liabilities	22,386,732	23,639,718	16,164,814	17,482,432	38,551,546	41,122,150
Net assets:						
Invested in capital assets, net of related debt	19,470,253	17,666,776	10,616,127	8,246,435	30,086,380	25,913,211
Restricted	2,714,442	2,531,729	3,986,202	4,421,129	6,700,644	6,952,858
Unrestricted	5,599,224	3,287,263	5,161,528	5,129,690	10,760,752	8,416,953
Total net assets	\$ 27,783,919	\$ 23,485,768	\$ 19,763,857	\$ 17,797,254	\$ 47,547,776	\$ 41,283,022

More detailed information concerning the Town of Little Elm's net assets is found on Exhibit A-1 of the government-wide financial statements.

By far the largest portion of the Town of Little Elm's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town of Little Elm uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Little Elm'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.

At the end of the current fiscal year, the Town of Little Elm is able to report positive balances in all three categories of net assets, both for the government as whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental and Business-Type Activities

Net assets of the Town's governmental and business-type activities increased from \$41,283,022 to \$47,547,776. Undesignated net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was \$10,760,752 at September 30, 2007.

TOWN OF LITTLE ELM
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

Governmental and Business-Type Activities – Continued

Key elements of this increase are as follows:

Town of Little Elm's - Change in Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 4,071,544	\$ 4,268,370	\$ 5,851,486	\$ 6,276,814	\$ 9,923,030	\$ 10,545,184
Operating grants and contributions	294,769	242,603			294,769	242,603
Capital grants and contributions	28,528	376,380			28,528	376,380
General revenues:						
Property taxes	3,879,232	3,903,073			3,879,232	3,903,073
Other taxes	4,458,257	2,486,301			4,458,257	2,486,301
Grants and contributions not restricted to specific programs						
Other	1,800	600			1,800	600
	4,472,209	3,482,365	2,857,982	3,362,191	7,330,191	6,844,556
Total revenues	17,206,339	14,759,692	8,709,468	9,639,005	25,915,807	24,398,697
Expenses:						
General government	2,097,813	1,684,866			2,097,813	1,684,866
Public safety	4,869,853	3,681,661			4,869,853	3,681,661
Highways/streets	2,792,188	2,385,726			2,792,188	2,385,726
Economic development	893,132	442,312			893,132	442,312
Culture and recreation	176,853	703,720			176,853	703,720
Interest on long-term debt	950,346	757,243			950,346	757,243
Reimbursement to Developers	384,713	851,253	501,022	1,038,096	885,735	1,889,349
Amortization	7,840	8,876			7,840	8,876
Depreciation	1,181,290	1,028,958			1,181,290	1,028,958
Water/Wastewater			5,796,003	5,707,665	5,796,003	5,707,665
Total Expenses	13,354,028	11,544,615	6,297,025	6,745,761	19,651,053	18,290,376
Increase in net assets before transfers	3,852,311	3,215,077	2,412,443	2,893,244	6,264,754	6,108,321
Transfers	445,840	251,617	(445,840)	(251,617)		
Increase in net assets	4,298,151	3,466,694	1,966,603	2,641,627	6,264,754	6,108,321
Net assets - 10/01/06	23,485,768	20,019,074	17,797,254	15,155,627	41,283,022	35,174,701
Net assets - 09/30/07	<u>\$ 27,783,919</u>	<u>\$ 23,485,768</u>	<u>\$ 19,763,857</u>	<u>\$ 17,797,254</u>	<u>\$ 47,547,776</u>	<u>\$ 41,283,022</u>

The Town's total governmental and business type activity revenues increased by \$1,517,110. The total cost of all governmental programs and services increased by \$1,360,677 over last year, principally due to increased salaries paid to employees, higher insurance costs, and depreciation.

TOWN OF LITTLE ELM
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds, as presented in the balance sheet on Exhibit C-1, reported a combined fund balance of \$15,528,729 which is \$1,560,728 less than last year's total of \$17,089,457.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2007, the Town of Little Elm's investment in capital assets for its governmental and business type activities amounts to \$59,428,179 (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 \$7,086,192. A summary of the Town's capital assets follows:

Town of Little Elm - Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 864,409	\$ 864,409	\$ 225,382	\$ 225,382	\$ 1,089,791	\$ 1,089,791
Infrastructure	18,249,874	16,097,959			18,249,874	16,097,959
Buildings	5,970,775	3,499,220	95,402	95,402	6,066,177	3,594,622
Improvements other than buildings	9,357,109	7,313,932	27,325,449	25,269,283	36,682,558	32,583,215
Machinery and equipment	3,311,393	3,198,153	753,722	463,605	4,065,115	3,661,758
Construction in progress	832,618	1,188,365	1,619,008	1,418,303	2,451,626	2,606,668
Subtotal	38,586,178	32,162,038	30,018,963	27,471,975	68,605,141	59,634,013
Accumulated depreciation	(4,784,476)	(3,603,186)	(4,392,486)	(3,688,840)	(9,176,962)	(7,292,026)
Total	<u>\$ 33,801,702</u>	<u>\$ 28,558,852</u>	<u>\$ 25,626,477</u>	<u>\$ 23,783,135</u>	<u>\$ 59,428,179</u>	<u>\$ 52,341,987</u>

Long-term Debt

At year-end, the Town had \$35,440,000 in bonds payable and notes, and capital leases obligations of \$843,606.

Town of Little Elm - Outstanding Debt

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 9,170,000	\$ 9,340,000	\$	\$	\$ 9,170,000	\$ 9,340,000
Revenue bonds	10,391,450	10,758,300	15,033,550	15,536,700	25,425,000	26,295,000
Tax notes	845,000	1,050,000			845,000	1,050,000
Notes payable	482,504	517,553			482,504	517,553
Capitalized leases	361,102	268,801			361,102	268,801
Customer deposits			660,650	607,112	660,650	607,112
Compensated absences	354,424	251,886			354,424	251,886
	<u>\$ 21,604,480</u>	<u>\$ 22,186,540</u>	<u>\$ 15,694,200</u>	<u>\$ 16,143,812</u>	<u>\$ 37,298,680</u>	<u>\$ 38,330,352</u>

TOWN OF LITTLE ELM
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

Long-term Debt – Continued

The Town's total debt decreased by \$1,031,672 during the current fiscal year. The Town issued new debt obligation for the completion of Town Hall in the amount of \$178,905. More detailed information about the Town's long-term liabilities is presented in Notes 6 and 7 to the financial statements.

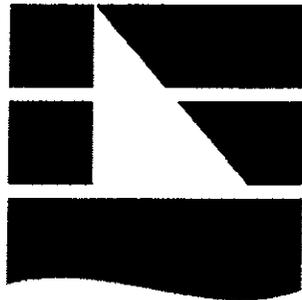
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials have worked diligently to direct available resources to the highest priority service needs of a community that is one of the fastest growing of all communities in the Dallas/Fort Worth metropolitan area. The local economy has seen double digit population growth for the past several years with a commensurate growth in the property value base and commercial sales tax base. However, budgeted growth estimates for sales tax revenues have been very conservative so as to avoid the pitfalls of over-reliance on this single revenue source.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

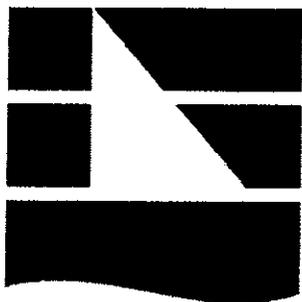
This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the public monies it receives. If you have questions about this report or need additional financial information, please contact the Finance Department or the Town Secretary at 100 West Eldorado Parkway, Little Elm, Texas or phone at (214) 975-0400.

Basic Financial Statements



LITTLE ELM

Government-Wide Statements



LITTLE ELM

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,482,194	\$ 5,364,767	\$ 17,846,961
Receivables (net of allowance for uncollectibles)	1,017,399	664,796	1,682,195
Internal balances	(80,345)	80,345	
Inventories	16,110	60,712	76,822
Capitalized debt issuance costs	140,404	132,147	272,551
Restricted assets:			
Temporarily restricted:			
Bond covenant reserves		891,971	891,971
Impact fees	2,793,187	3,107,456	5,900,643
Capital assets:			
Land	864,409	225,382	1,089,791
Infrastructure	18,249,874		18,249,874
Buildings	5,970,775	95,402	6,066,177
Improvements other than buildings	9,357,109	27,325,449	36,682,558
Machinery and equipment	3,311,393	753,722	4,065,115
Accumulated depreciation	(4,784,476)	(4,392,486)	(9,176,962)
Construction in progress	832,618	1,619,008	2,451,626
Total assets	<u>50,170,651</u>	<u>35,928,671</u>	<u>86,099,322</u>
LIABILITIES			
Accounts payable and other current liabilities	549,296	268,446	817,742
Intergovernmental payable		481	481
Accrued interest payable	167,600	87,428	255,028
Unamortized premium/discount on bonds	65,356		65,356
Noncurrent Liabilities:			
Due within one year	1,032,797	646,159	1,678,956
Due in more than one year	20,571,683	15,162,300	35,733,983
Total liabilities	<u>22,386,732</u>	<u>16,164,814</u>	<u>38,551,546</u>
NET ASSETS			
Invested in capital assets, net of related debt	19,470,253	10,616,127	30,086,380
Restricted for:			
Debt service		891,971	891,971
Impact fees	2,714,442	3,134,916	5,849,358
Unrestricted net assets	5,599,224	5,120,843	10,720,067
Total net assets	<u>\$ 27,783,919</u>	<u>\$ 19,763,857</u>	<u>\$ 47,547,776</u>

The accompanying notes are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Program Revenues			
Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General government	\$ 2,097,813	\$ 1,905,967	\$ 500	\$
Public safety	4,869,853	622,940	125,192	
Public works	2,792,188	1,542,637		28,528
Culture and recreation	893,132		169,077	
Economic Development	176,853			
Interest on debt	950,346			
Amortization	7,840			
Depreciation	1,181,290			
Total governmental activities:	12,969,315	4,071,544	294,769	28,528
BUSINESS-TYPE ACTIVITIES:				
Utility fund	5,796,003	5,851,486		
Total business-type activities:	5,796,003	5,851,486		
TOTAL PRIMARY GOVERNMENT:	\$ 18,765,318	\$ 9,923,030	\$ 294,769	\$ 28,528

General Revenues:

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Sales taxes
- Mixed drink tax
- Economic development sales tax
- Street sales tax
- Franchise taxes
- Penalty and interest

- Grants and contributions not restricted
- Miscellaneous revenue
- Infrastructure provided by developers
- Reimbursement to developers
- Impact fees
- Investment Earnings
- Transfers in (out)

Total general revenues and transfers

Change in net assets

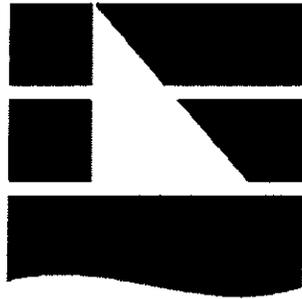
Net assets--beginning

Net assets--ending

The accompanying notes are an integral part of this statement.

EXHIBIT B-1

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (191,346)	\$	\$ (191,346)
(4,121,721)		(4,121,721)
(1,221,023)		(1,221,023)
(724,055)		(724,055)
(176,853)		(176,853)
(950,346)		(950,346)
(7,840)		(7,840)
<u>(1,181,290)</u>		<u>(1,181,290)</u>
<u>(8,574,474)</u>		<u>(8,574,474)</u>
	<u>55,483</u>	<u>55,483</u>
	<u>55,483</u>	<u>55,483</u>
<u>\$ (8,574,474)</u>	<u>\$ 55,483</u>	<u>\$ (8,518,991)</u>
3,879,232		3,879,232
1,735,101		1,735,101
1,001,450		1,001,450
4,787		4,787
501,580		501,580
248,827		248,827
966,512		966,512
78,122		78,122
1,800		1,800
299,061		299,061
2,433,396	1,597,526	4,030,922
(384,713)	(501,022)	(885,735)
710,238	757,841	1,468,079
951,392	502,615	1,454,007
<u>445,840</u>	<u>(445,840)</u>	
<u>12,872,625</u>	<u>1,911,120</u>	<u>14,783,745</u>
4,298,151	1,966,603	6,264,754
<u>23,485,768</u>	<u>17,797,254</u>	<u>41,283,022</u>
<u>\$ 27,783,919</u>	<u>\$ 19,763,857</u>	<u>\$ 47,547,776</u>



LITTLE ELM

Governmental Fund Financial Statements

TOWN OF LITTLE ELM, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 3,013,584	\$ 172,623	\$ 7,913,493	\$ 1,382,494	\$ 12,482,194
Taxes Receivable	102,831	57,548			160,379
Allowance for Uncollectible Taxes (credit)	(13,102)	(6,727)			(19,829)
Receivables (net of allowance for uncollectibles)	723,420				723,420
Intergovernmental receivables	88,747				88,747
Due from other funds	22,551	9,062		64,682	96,295
Inventories	16,110				16,110
Restricted assets:					
Impact fees	2,793,187				2,793,187
Total Assets	<u>\$ 6,747,328</u>	<u>\$ 232,506</u>	<u>\$ 7,913,493</u>	<u>\$ 1,447,176</u>	<u>\$ 16,340,503</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 348,117	\$	\$ 49,336	\$ 17	\$ 397,470
Due to other funds	1,834	101,061	9,062		111,957
Deferred Revenues	96,008	54,512			150,520
Other current liabilities	151,827				151,827
Total Liabilities	<u>597,786</u>	<u>155,573</u>	<u>58,398</u>	<u>17</u>	<u>811,774</u>
Fund Balances:					
Unreserved and undesignated					
Reported in the General Fund	6,149,542				6,149,542
Reported in the Special Revenue Fund		76,933		1,447,159	1,524,092
Reported in the Capital Projects Fund			7,855,095		7,855,095
Total Fund Balances	<u>6,149,542</u>	<u>76,933</u>	<u>7,855,095</u>	<u>1,447,159</u>	<u>15,528,729</u>
Total Liabilities and Fund Balances	<u>\$ 6,747,328</u>	<u>\$ 232,506</u>	<u>\$ 7,913,493</u>	<u>\$ 1,447,176</u>	<u>\$ 16,340,503</u>

The accompanying notes are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

Total Fund Balances - Governmental Funds	\$ 15,528,729
---	----------------------

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$32,162,039 and the accumulated depreciation was \$3,603,186. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.

6,293,993

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Current year impairments of equipment are not shown on the fund financial statements, but should be shown as decreases in capital assets and an extraordinary loss in the government-wide financial statements. The net effect of including the 2007 capital outlays, debt payments and equipment impairments is to decrease net assets.

6,991,966

The 2007 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.

(1,181,290)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.

150,521

Net Assets of Governmental Activities

\$ 27,783,919

The accompanying notes are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-3

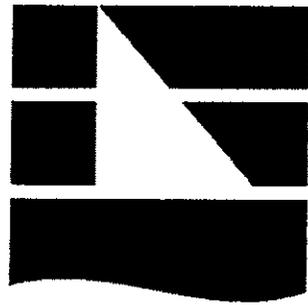
	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property taxes	\$ 3,831,026	\$ 1,735,101	\$	\$	\$ 5,566,127
General sales and use taxes	1,001,450			750,407	1,751,857
Other taxes and franchise fees	971,299				971,299
Penalty and interest on taxes	54,842	23,280			78,122
Licenses and permits	1,542,637				1,542,637
Intergovernmental revenue and grants	294,769		28,528		323,297
Charges for services	1,905,967				1,905,967
Fines	622,940				622,940
Investment earnings	388,861	13,311	495,264	53,956	951,392
Contributions and donations from private sources	1,800				1,800
Other revenue	299,064				299,064
Total Revenues	10,914,655	1,771,692	523,792	804,363	14,014,502
EXPENDITURES:					
Current:					
General government	2,067,815				2,067,815
Public safety	4,827,076				4,827,076
Public works	2,738,900			25,080	2,763,980
Culture and recreation	891,579				891,579
Conservation and development				176,853	176,853
Debt Service:					
General debt service		828,455		35,049	863,504
Debt interest		915,886		28,064	943,950
Capital outlay					
Capital outlay	3,432,879		2,779,837	211,423	6,424,139
Total Expenditures	13,958,249	1,744,341	2,779,837	476,469	18,958,896
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,043,594)	27,351	(2,256,045)	327,894	(4,944,394)
OTHER FINANCING SOURCES (USES):					
Transfers in	891,904	39,219			931,123
Issuance of debt	178,905				178,905
Impact fees	710,238				710,238
Transfers out	(473,283)			(12,000)	(485,283)
Development agreement reimbursement	(384,713)				(384,713)
Infrastructure from developers	2,433,396				2,433,396
Total Other Financing Sources and (Uses)	3,356,447	39,219		(12,000)	3,383,666
NET CHANGES IN FUND BALANCES	312,853	66,570	(2,256,045)	315,894	(1,560,728)
Fund Balance - October 1 (Beginning)	5,836,689	10,363	10,111,140	1,131,265	17,089,457
Fund Balance - September 30 (Ending)	\$ 6,149,542	\$ 76,933	\$ 7,855,095	\$ 1,447,159	\$ 15,528,729

The accompanying notes are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Total Net Change in Fund Balances - Governmental Funds	\$ (1,560,728)
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Current year impairments of equipment are not shown on the fund financial statements, but should be shown as decreases in capital assets and an extraordinary loss in the government-wide financial statements. The net effect of including the 2007 capital outlays, debt payments and equipment impairments is to decrease net assets.</p>	
	6,991,966
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.</p>	
	(1,181,290)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.</p>	
	<u>48,203</u>
Change in Net Assets of Governmental Funds	<u><u>\$ 4,298,151</u></u>

The accompanying notes are an integral part of this statement.



LITTLE ELM

Proprietary Fund Financial Statements



TOWN OF LITTLE ELM, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007

	Business-Type Activities
	Total Enterprise Funds
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 5,364,767
Restricted assets - current:	
Bond covenant reserves	891,971
Impact fees	3,107,456
Accounts receivable - net of uncollectible allowance	664,796
Due from other funds	102,896
Inventories	60,712
Total current assets	<u>10,192,598</u>
Non-current assets:	
Capital assets:	
Land and improvements	225,382
Buildings and improvements	95,402
Improvements other than buildings	27,325,449
Machinery and equipment	753,722
Accumulated depreciation	(4,392,486)
Construction in progress	1,619,008
Capitalized debt issuance costs	132,147
Total non-current assets	<u>25,758,624</u>
Total Assets	<u>35,951,222</u>
LIABILITIES	
Current liabilities:	
Accounts payable	268,446
Accrued interest payable	87,428
Compensated absences payable	109,159
Intergovernmental payable	481
Due to other funds	22,551
Bonds payable - current	537,000
Total current liabilities	<u>1,025,065</u>
Non-current liabilities:	
Revenue bonds payable	14,496,550
Meter deposits payable	665,750
Total Liabilities	<u>15,162,300</u>
NET ASSETS	
Investments in capital assets, net of related debt	10,616,127
Restricted for debt service	891,971
Restricted for impact fees	3,134,916
Unrestricted net assets	5,120,843
Total net assets	<u>\$ 19,763,857</u>

The accompanying notes are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Charges for water services	\$ 2,748,490
Charges for sewerage service	2,670,531
Tap, connections, and other fees	399,699
Other revenue	32,766
Total operating revenues	5,851,486
OPERATING EXPENSES:	
Proprietary fund function - water	
Personal services-salaries and wages	633,630
Personal services-employee benefits	240,999
Purchased professional & technical services	249,694
Purchased property services	109,111
Other operating expenses	247,983
Supplies	1,659,607
Total proprietary fund function - Water	3,141,024
Proprietary fund function-sewerage	
Personal services-salaries and wages	318,573
Personal services-employee benefits	111,881
Purchased professional & technical services	237,609
Purchased property services	144,627
Other operating expenses	23,241
Supplies	344,404
Total proprietary fund function - Sewerage	1,180,335
Depreciation	703,646
Total operating expenses	5,025,005
Operating income	826,481

The accompanying notes are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Business-Type Activities
	Total Enterprise Funds
NON-OPERATING REVENUES (EXPENSES):	
Developer reimbursement	(501,022)
Impact fees	757,841
Investment earnings	502,615
Infrastructure from developers	1,597,526
Interest expense - non-operating	<u>(770,998)</u>
Total non-operating revenue (expenses)	1,585,962
Income before transfers	2,412,443
Transfers in	1,918,230
Transfers out	<u>(2,364,070)</u>
Change in net assets	1,966,603
Total net assets - October 1 (beginning)	<u>17,797,254</u>
Total net assets - September 30 (ending)	<u>\$ 19,763,857</u>

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash received from user charges	\$ 5,912,933
Cash payments to employees for services	(928,764)
Cash payments for suppliers	(4,223,527)
Net Cash Provided by Operating Activities	760,642
<u>Cash Flows From Non-Capital Financing Activities:</u>	
Transfers in	1,918,230
Transfers out	(2,364,070)
Impact fees	757,841
Net cash provided by (used for) non-capital financing activities	312,001
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of capital assets	(952,762)
Principal paid on capital debt	(503,150)
Developer reimbursement	(501,022)
Interest paid on capital debt	(770,998)
Net cash provided used for capital and related financing activities	(2,727,932)
<u>Cash Flows from investing activities:</u>	
Interest and dividends on investments	502,615
Net Increase in Cash and Cash Equivalents	(1,152,674)
Cash and Cash Equivalents at Beginning of the Year	10,516,868
Cash and Cash Equivalents at the End of the Year	\$ 9,364,194
 Cash and cash equivalents:	
Cash and cash equivalents	\$ 5,364,767
Restricted bond covenant reserves	891,971
Restricted impact fees	3,107,456
Total cash and cash equivalents	\$ 9,364,194

The accompanying notes are an integral part of this statement.

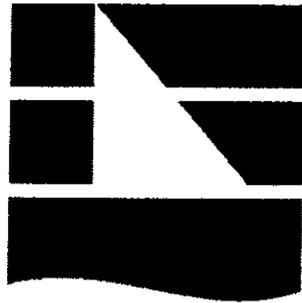
TOWN OF LITTLE ELM, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Business-Type Activities
	Total Enterprise Funds
<u>Reconciliation of Operating Income to Net Cash Provided</u>	
<u>by Operating Activities:</u>	
Operating income	\$ 826,481
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	703,646
Effect of Increases and Decreases in Assets and Liabilities:	
Decrease (increase) in receivables	2,809
Decrease (increase) in inventories	17,619
Increase (decrease) in accounts payable	(871,990)
Increase (decrease) in compensated absences	23,439
Increase (decrease) in other noncurrent	58,638
Net Cash Provided by Operating Activities	\$ 760,642



LITTLE ELM

Notes to Financial Statements



LITTLE ELM

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Little Elm (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by accounting principles generally accepted in the United States. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Town's reporting entity.

Included within the reporting entity:

Little Elm Economic Development Corporation

The Little Elm Economic Development Corporation (EDC) financial statements are included in the financial statements of the governments Special Revenue Fund Type. The government exercises oversight responsibility for the corporation in the areas of finance, governance, management, and operations. The Town Council appoints the corporation's directors and may remove them for cause. The Little Elm Economic Development Corporation does not prepare separate financial statements.

B. Measurement Focus, Basis of Accounting and Presentation

Government-Wide and Fund Financial Statements

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

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Measurement Focus, Basis of Accounting and Presentation – Continued

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

Interfund activities between governmental funds and proprietary funds appear as due to/due from on the governmental fund balance sheet and proprietary fund statement of net assets and as other resources and other uses on the governmental fund and proprietary fund statements of revenues, expenditures and changes 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.

Fund Accounting

The accounts of the Town are organized and operated on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts, which include its assets, liabilities, fund equity, revenues, and expenses or expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the government funds not recorded directly in those funds. The following funds and account groups are used by the Town:

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

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Measurement Focus, Basis of Accounting and Presentation – Continued

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

Governmental funds include the following fund types:

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.

The *debt service fund* accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditure for specific purposes.

The *capital projects fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Town applies applicable Financial Accounting Standards Board pronouncements issued prior to December 1, 1989, in accounting and reporting for its proprietary operations. Proprietary funds include the following types:

Enterprise funds are used to account for the operations that are financed and operated in a manner similar to a private business or where the council has decided that the determination of revenues earned, cost incurred, and/or net income is necessary for management accountability.

Account Groups. The *general fixed assets account group* is used for fixed assets not accounted for in proprietary or trust funds. The *general long-term debt account group* is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

C. Budgets and Budgetary Accounting

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 financial statements:

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Budgets and budgetary Accounting – Continued

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.
5. The budget approved for the Water and Sewer Fund follows similar approval procedures but departs from accounting principles generally accepted in the United States of America by not including depreciation, bond principal payments, and transfers in the approved budget. These amounts are reported at year end as part of the “actual” column.

For the period ended September 30, 2007 current appropriations exceed expenditures by \$312,853 in the general fund. The Town received \$2,433,396 worth of infrastructure assets from developers, which is included in the unbudgeted capital outlay.

E. Budget/GAAP Reconciliation

The following schedule reconciles the amounts on the Statement of Revenues, Expenses, and Changes in Net Assets – Budget and Actual to amounts on the Combined Statement of Revenues, Expenses, and Changes in Net Assets:

	Water and Sewer Fund
Retained earnings (budget)	\$ 17,414,065
Infrastructure from developers	1,597,526
Depreciation and amortization	(703,646)
Bond principal payment	503,150
Capital outlays	952,762
Retained earnings (GAAP)	\$ 19,763,857

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Deposits and Investments

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. Other short-term investments are included in investments. 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.

G. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Public domain (“infrastructure”) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting system are not capitalized in the governmental fund financial statements, but are recorded in the government wide financial statements.

Depreciation of capital assets in the government wide financial statements and in the proprietary fund financial statements is computed using the straight-line method. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

H. Compensated Absences

It is the Town’s policy to permit employees to accumulate earned but unused vacation benefits. Amounts not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expense is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability to those funds as the benefits accrue to employees.

In accordance with the provisions of Government Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Sick leave benefits cannot be taken as “terminal leave” prior to retirement.

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Long-term Obligations

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. The remaining portion of such obligations is reported in the general long-term debt account group.

J. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use.

K. Short-term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans are classified as “interfund receivables and payables.”

L. Restricted Assets

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

NOTE 2. DEPOSITS AND INVESTMENTS

The Town of Little Elm has an adopted investment policy pursuant to chapter 2256 of the Texas Government Code, which authorized the Town’s investment 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, 2007 the Town’s carrying amount of deposits in financial institutions was \$1,595,901 and the bank balance of deposits was \$1,995,075. Of the bank balance \$100,000 was covered by federal depository insurance and \$1,895,075 was covered by collateral held by the pledging financial institution’s trust department or agent in the Town’s name.

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

The carrying amount of deposits for the EDC, presented as a blended component unit, was \$1,221,474 and the bank balance was \$1,205,580. Of the bank balance \$100,000 was covered by federal depository insurance and \$1,105,580 was covered by collateral held by the pledging financial institution's trust department or agent in the Town's name.

Investments are categorized into three categories of credit risk:

1. Insured or registered, or securities held by the Town or its agent in the Town's name.
2. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but in the Town's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. 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 advisory board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by Standard & Poors. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review.

A reconciliation of cash and cash equivalents as shown on the Combined Balance Sheet for the primary government follows:

Cash on hand	\$ 2,600
Deposits with financial institutions	1,595,901
Deposits with TexPool	<u>22,023,545</u>
Total	<u>\$ 23,622,046</u>
Cash and cash equivalents	\$ 16,870,117
Cash and Cash equivalents - restricted	<u>6,751,929</u>
Total	<u>\$ 23,622,046</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

A reconciliation of cash and investments as shown on the Combined Balance Sheet for the EDC follows:

Deposits with financial institutions	\$ 359,657
Deposits with TexPool	<u>861,817</u>
Total	<u>\$ 1,221,474</u>
Cash and cash equivalents	<u>\$ 1,221,474</u>
Total	<u>\$ 1,221,474</u>

NOTE 3. RECEIVABLES

Receivables at September 30, 2007 consist of the following:

	General Fund	Debt Service	Special Revenue	and Sewer Fund	Total
Property taxes	\$ 102,831	\$ 57,548	\$	\$	\$ 160,379
Utility bills				770,471	770,471
Other governments	57,678				57,678
Sales tax	88,747		64,682		153,429
Municipal court	<u>739,885</u>				<u>739,885</u>
	989,141	57,548	64,682	770,471	1,881,842
Less allowance for uncollectibles	<u>87,245</u>	<u>6,727</u>		<u>105,675</u>	<u>199,647</u>
	<u>\$ 844,218</u>	<u>\$ 50,821</u>	<u>\$ 64,682</u>	<u>\$ 664,796</u>	<u>\$ 1,682,195</u>

NOTE 4. PROPERTY TAXES

Taxes are levied on October 1 and are payable until February 1 without penalty. Property taxes attach as an enforceable lien on property as of February 1. No discounts are allowed for early payment. Penalty and interest are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increases 1% per month. Under state law, property taxes on real property constitute a lien on the property and cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property may be deemed uncollectible by the government.

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 5. FIXED ASSETS

The following is a summary of changes in the general fixed asset account group during the fiscal year:

	Balance 10/01/06	Additions	Retirements	Balance 09/30/07
Land	\$ 864,409	\$	\$	\$ 864,409
Infrastructure	15,625,594	2,624,280		18,249,874
Buildings and plant	3,499,220	2,471,555		5,970,775
Improvements other than buildings	7,786,297	1,570,812		9,357,109
Machinery and equipment	3,198,153	113,240		3,311,393
Construction in progress	1,188,365		355,747	832,618
Total	32,162,038	6,779,887	355,747	38,586,178
Less accumulated depreciation	3,603,186	1,181,290		4,784,476
Total	\$ 28,558,852	\$ 5,598,597	\$	\$ 33,801,702

The following is a summary of changes in proprietary fund-type fixed assets during the fiscal year.

	Balance 10/01/06	Additions	Retirements	Balance 09/30/07
Land	\$ 225,382	\$	\$	\$ 225,382
Buildings	95,402			95,402
Improvements other than buildings	25,269,283	2,056,166		27,325,449
Machinery and equipment	463,605	290,117		753,722
Construction in progress	1,418,303	200,705		1,619,008
Total	27,471,975	2,546,988		30,018,963
Less accumulated depreciation	3,688,840	703,646		4,392,486
Total	\$ 23,783,135	\$ 1,843,342	\$	\$ 25,626,477

In proprietary funds, the following estimated useful lives are used to compute depreciation.

	Years
Water and sewer plant	40
Streets and Buildings	40
Fixtures	10
Equipment	5

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6. CHANGES IN LONG-TERM DEBT

The following is a summary of the changes in general long-term debt for the fiscal year ended September 30, 2007.

Description of Issue	Balance 10/1/06	Additions	Retirements	Balance 9/30/07
Certificates of Obligation, Series 2005	\$ 4,750,000	\$	\$ 125,000	\$ 4,625,000
General Obligation Bonds, Series 2006	6,250,000			6,250,000
Certificates of Obligation, Series 2001	3,240,000		130,000	3,110,000
Combination Tax and Revenue, Certificates of Obligation, Series 2000	508,300		21,850	486,450
Combination Tax and Revenue, Certificates of Obligation, Series 2002	2,260,000		90,000	2,170,000
General Obligation Refunding and Improvement Bonds, Series 2005	3,090,000		170,000	2,920,000
Tax Notes, Series 2005	490,000		75,000	415,000
Tax Notes, Series 2005A	560,000		130,000	430,000
Notes Payable	786,354	178,905	121,653	843,606
Compensated Absences	251,886	102,538		354,424
Total	22,186,540	281,443	863,503	21,604,480
Less amount due in one year	548,083			1,032,797
Amount due in more than one year	<u>\$ 21,638,457</u>			<u>\$ 20,571,683</u>

Annual debt service requirements to maturity for general obligation bonds, including interest, are as follows:

Tax Notes , Series 2005A
October 1, 2005
Original Amount \$685,000
Interest Rate 3.59% to 4.12%

Fiscal Year	Interest	Principal	Total	Coupon
2007-2008	\$ 19,710	\$ 135,000	\$ 154,710	3.89%
2008-2009	14,620	145,000	159,620	4.01%
2009-2010	9,087	150,000	159,087	4.12%
	<u>\$ 43,417</u>	<u>\$ 430,000</u>	<u>\$ 473,417</u>	

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6. CHANGES IN LONG-TERM DEBT – CONTINUED

General Obligation Bonds, Series 2005
October 18, 2005
Original Amount \$4,750,000
Interest Rate 3.5% to 5.0%

Fiscal Year	Interest Due		Principal Due	Total	Coupon Rate
	February 1	August 1	August 1		
2007-2008	\$ 93,761	\$ 93,761	\$ 130,000	\$ 317,522	3.50%
2008-2009	91,486	91,486	140,000	322,972	3.50%
2009-2010	89,036	89,036	145,000	323,072	3.50%
2010-2011	86,499	86,499	155,000	327,998	3.75%
2011-2012	83,592	83,592	165,000	332,184	3.75%
2012-2013	80,499	80,499	200,000	360,998	5.00%
2013-2014	75,499	75,499	215,000	365,998	5.00%
2014-2015	70,124	70,124	225,000	365,248	5.00%
2015-2016	64,499	64,499	240,000	368,998	4.00%
2016-2017	59,699	59,699	250,000	369,398	4.00%
2017-2018	54,699	54,699	260,000	369,398	4.00%
2018-2019	49,499	49,499	270,000	368,998	4.00%
2019-2020	44,099	44,099	280,000	368,198	3.80%
2020-2021	38,779	38,779	295,000	372,558	3.85%
2021-2022	33,100	33,100	305,000	371,200	4.00%
2022-2023	27,000	27,000	315,000	369,000	4.00%
2023-2024	20,700	20,700	330,000	371,400	4.00%
2024-2025	14,100	14,100	345,000	373,200	4.00%
2025-2026	7,200	7,200	360,000	374,400	4.00%
	<u>\$ 1,083,870</u>	<u>\$ 1,083,870</u>	<u>\$ 4,625,000</u>	<u>\$ 6,792,740</u>	

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6. CHANGES IN LONG-TERM DEBT – CONTINUED

General Obligation Bonds, Series 2006
August 15, 2006
Original Amount \$6,250,000
Interest Rate 4.0% to 4.5%

Fiscal Year	Interest Due		Principal Due	Total	Coupon Rate
	February 1	August 1	August 1		
2007-2008	\$ 131,685	\$ 131,685	\$ 190,000	\$ 453,370	4.50%
2008-2009	127,410	127,410	200,000	454,820	4.50%
2009-2010	122,910	122,910	210,000	455,820	4.50%
2010-2011	118,185	118,185	220,000	456,370	4.50%
2011-2012	113,235	113,235	230,000	456,470	4.50%
2012-2013	108,060	108,060	240,000	456,120	4.50%
2013-2014	102,660	102,660	255,000	460,320	4.50%
2014-2015	96,922	96,922	265,000	458,844	4.50%
2015-2016	90,960	90,960	280,000	461,920	4.50%
2016-2017	84,660	84,660	295,000	464,320	4.00%
2017-2018	78,760	78,760	310,000	467,520	4.00%
2018-2019	72,560	72,560	325,000	470,120	4.00%
2019-2020	66,060	66,060	340,000	472,120	4.00%
2020-2021	59,260	59,260	355,000	473,520	4.00%
2021-2022	52,160	52,160	375,000	479,320	4.05%
2022-2023	44,566	44,566	390,000	479,132	4.10%
2023-2024	36,571	36,571	410,000	483,142	4.10%
2024-2025	28,166	28,166	430,000	486,332	4.125%
2025-2026	19,298	19,298	455,000	493,596	4.15%
2026-2027	9,856	9,856	475,000	494,712	4.15%
	<u>\$ 1,563,944</u>	<u>\$ 1,563,944</u>	<u>\$ 6,250,000</u>	<u>\$ 9,377,888</u>	

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6. CHANGES IN LONG-TERM DEBT – CONTINUED

On March 15, 2004 the EDC borrowed \$300,000 for the purpose of the Town completing the necessary water and sanitary sewer system improvements to King Road for development of a retail center. This note was paid off with funds borrowed under a new loan agreement for \$517,553 dated September 22, 2006. The note is payable in monthly payments of \$5,737 at an interest rate of 5.85% per annum. The principal payment requirements are as follows:

Note Payable to Point Bank
September 22, 2006
Original Amount \$517,553
Interest Rate at 5.85% per annum
Monthly Payments of \$5,737 each

Fiscal Year	Total
2007-2008	\$ 41,245
2008-2009	43,863
2009-2010	46,536
2010-2011	49,373
2011-2012	52,335
2012-2013	55,572
2013-2014	58,959
2014-2015	62,553
2015-2016	66,358
2016-2017	5,710
	\$ 482,504

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6. CHANGES IN LONG-TERM DEBT – CONTINUED

General Obligation Refunding and Improvement Bonds, Series 2005

January 1, 2005

Original Amount \$3,380,000

Interest Rate 2.25%

Fiscal Year	Interest Due		Principal Due	Total
	February 1	August 1	August 1	
2007-2008	\$ 64,911	\$ 64,911	\$ 125,000	\$ 254,821
2008-2009	63,036	63,036	125,000	251,071
2009-2010	61,161	61,161	90,000	212,321
2010-2011	59,698	59,698	90,000	209,396
2011-2012	58,123	58,123	95,000	211,246
2012-2013	56,401	56,401	100,000	212,803
2013-2014	54,401	54,401	105,000	213,803
2014-2015	52,301	52,301	105,000	209,603
2015-2016	50,306	50,306	110,000	210,613
2016-2017	48,161	48,161	115,000	211,323
2017-2018	45,861	45,861	120,000	211,723
2018-2019	43,461	43,461	125,000	211,923
2019-2020	40,711	40,711	130,000	211,423
2020-2021	37,851	37,851	135,000	210,703
2021-2022	34,881	34,881	140,000	209,763
2022-2023	31,381	31,381	150,000	212,763
2023-2024	27,631	27,631	155,000	210,263
2024-2025	23,756	23,756	165,000	212,513
2025-2026	19,425	19,425	170,000	208,850
2026-2027	14,963	14,963	180,000	209,925
2027-2028	10,238	10,238	190,000	210,475
2028-2029	5,250	5,250	200,000	210,500
	<u>\$ 903,909</u>	<u>\$ 903,909</u>	<u>\$ 2,920,000</u>	<u>\$ 4,727,819</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6. CHANGES IN LONG-TERM DEBT – CONTINUED

Combination Tax and Revenue, Certificate of Obligation

May 1, 2000

Original Amount \$2,600,000

77% (\$2,002,000) is proprietary fund debt and 23% (\$598,000) is general fund debt

Interest Rate 4.75% to 5.75%

Fiscal Year	Interest Due		Principal Due	Total	Coupon Rate
	February 1	August 1	August 1		
2007-2008	\$ 13,557	\$ 13,557	\$ 23,000	\$ 50,114	5.00%
2008-2009	12,781	12,781	24,150	49,712	5.05%
2009-2010	11,996	11,996	25,300	49,292	5.10%
2010-2011	11,332	11,332	27,600	50,264	5.20%
2011-2012	10,608	10,608	28,750	49,966	5.25%
2012-2013	9,853	9,853	31,050	50,756	5.35%
2013-2014	9,030	9,030	32,200	50,260	5.40%
2014-2015	8,177	8,177	34,500	50,854	5.45%
2015-2016	7,245	7,245	36,800	51,290	5.50%
2016-2017	6,252	6,252	39,100	51,604	5.55%
2017-2018	5,176	5,176	41,400	51,752	5.70%
2018-2019	4,017	4,017	44,850	52,884	5.70%
2019-2020	2,761	2,761	47,150	52,672	5.75%
2020-2021	1,430	1,430	50,600	53,460	5.75%
	<u>\$ 114,215</u>	<u>\$ 114,215</u>	<u>\$ 486,450</u>	<u>\$ 714,880</u>	

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6. CHANGES IN LONG-TERM DEBT – CONTINUED

Combination Tax and Revenue, Certificate of Obligation
June 1, 2001
Original Amount \$3,700,000
Interest Rate 5.06%

Fiscal Year	Interest	Principal	Total
2007-2008	\$ 152,555	\$ 140,000	\$ 292,555
2008-2009	144,155	145,000	289,155
2009-2010	136,615	155,000	291,615
2010-2011	129,640	165,000	294,640
2011-2012	122,215	170,000	292,215
2012-2013	114,395	180,000	294,395
2013-2014	106,115	190,000	296,115
2014-2015	97,090	200,000	297,090
2015-2016	87,590	215,000	302,590
2016-2017	77,168	225,000	302,168
2017-2018	66,250	235,000	301,250
2018-2019	54,500	250,000	304,500
2019-2020	42,000	265,000	307,000
2020-2021	28,750	280,000	308,750
2021-2022	14,750	295,000	309,750
	<u>\$ 1,373,788</u>	<u>\$ 3,110,000</u>	<u>\$ 4,483,788</u>

Capital Lease - Key Government Finance, Inc.
January 3, 2007 - \$178,905
Interest Rate 9.610%

Fiscal Year	Interest	Principal	Total
2007-2008	\$ 6,463	\$ 32,757	\$ 39,220
2008-2009	4,954	34,265	39,219
2009-2010	3,377	35,843	39,220
2010-2011	1,726	37,493	39,219
	<u>\$ 16,520</u>	<u>\$ 140,358</u>	<u>\$ 156,878</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6. CHANGES IN LONG-TERM DEBT – CONTINUED

Combination Tax and Revenue, Certificate of Obligation
September 1, 2002
Original Amount \$2,500,000
Interest Rate 4.4% to 4.8%

Fiscal Year	Interest	Principal	Total
2007-2008	\$ 96,718	\$ 90,000	\$ 186,718
2008-2009	92,758	95,000	187,758
2009-2010	88,578	100,000	188,578
2010-2011	84,328	105,000	189,328
2011-2012	79,865	110,000	189,865
2012-2013	75,190	120,000	195,190
2013-2014	70,390	125,000	195,390
2014-2015	65,265	130,000	195,265
2015-2016	59,805	135,000	194,805
2016-2017	54,000	145,000	199,000
2017-2018	47,620	150,000	197,620
2018-2019	40,870	155,000	195,870
2019-2020	33,740	165,000	198,740
2020-2021	25,985	175,000	200,985
2021-2022	17,760	180,000	197,760
2022-2023	9,120	190,000	199,120
	<u>\$ 941,992</u>	<u>\$ 2,170,000</u>	<u>\$ 3,111,992</u>

Note Payable to Southside Bank for Two Fire Trucks
August 28, 2002
Original Amount \$478,405
Interest Rate 5.741%
10 Annual Payments of \$63,393

Fiscal Year	Interest	Principal	Total
2007-2008	\$ 12,598	\$ 50,795	\$ 63,393
2008-2009	9,705	53,688	63,393
2009-2010	6,647	56,746	63,393
2010-2011	3,416	59,514	62,930
	<u>\$ 32,366</u>	<u>\$ 220,743</u>	<u>\$ 253,109</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6. CHANGES IN LONG-TERM DEBT – CONTINUED

Tax Notes, Series 2005
September 5, 2005
Original Amount \$560,000
Interest Rate 4.05%

Fiscal Year	Interest	Principal	Total
2007-2008	\$ 16,808	\$ 75,000	\$ 91,808
2008-2009	13,770	80,000	93,770
2009-2010	10,530	85,000	95,530
2010-2011	7,088	85,000	92,088
2011-2012	3,645	90,000	93,645
	<u>\$ 51,840</u>	<u>\$ 415,000</u>	<u>\$ 466,840</u>

NOTE 7. CHANGES IN WATER AND SEWER FUND LONG TERM DEBT

The following is a summary of the changes in water and sewer fund long-term debt for the fiscal year ended September 30, 2007.

Description of Issue	Balance 10/1/06	Additions	Retirements	Balance 9/30/07
Revenue Bonds, Series 2004	\$ 3,800,000	\$	\$ 90,000	\$ 3,710,000
Combination Tax and Revenue, Certificate of Obligations - 2003	955,000		50,000	905,000
Certificates of Obligation - 2000	4,475,000		130,000	4,345,000
Water and Sewer Revenue Refunding and Improvement Bonds - 2002	1,701,700		73,150	1,628,550
Compensated absences	4,605,000		160,000	4,445,000
Customer Deposits	85,720	23,439		109,159
Total	<u>607,112</u>	<u>58,638</u>		<u>665,750</u>
Less amount due within one year	16,229,532		503,150	15,808,459
Amount due in more than one year	<u>503,150</u>			<u>646,159</u>
	<u>\$ 15,726,382</u>			<u>\$ 15,162,300</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 7. CHANGES IN WATER AND SEWER FUND LONG TERM DEBT – CONTINUED

Annual debt service requirements to maturity for water and sewer fund long-term liabilities are as follows:

Waterworks and Sewer System Revenue Bonds, Series 2004				
November 1, 2004				
Original Amount \$3,800,000				
Interest Rate 4.57%				
	Interest Due		Principal Due	
Fiscal Year	March 1	September 1	September 1	Total
2007-2008	\$ 84,580	\$ 84,580	\$ 95,000	\$ 264,160
2008-2009	82,205	82,205	100,000	264,410
2009-2010	79,705	79,705	105,000	264,410
2010-2011	77,080	77,080	110,000	264,160
2011-2012	74,330	74,330	120,000	268,660
2012-2013	71,330	71,330	125,000	267,660
2013-2014	68,205	68,205	130,000	266,410
2014-2015	64,955	64,955	135,000	264,910
2015-2016	62,323	62,323	145,000	269,646
2016-2017	54,495	54,495	150,000	258,990
2017-2018	56,495	56,495	155,000	267,990
2018-2019	53,395	53,395	165,000	271,790
2019-2020	49,930	49,930	175,000	274,860
2020-2021	46,255	46,255	180,000	272,510
2021-2022	42,475	42,475	190,000	274,950
2022-2023	38,200	38,200	200,000	276,400
2023-2024	33,700	33,700	210,000	277,400
2024-2025	28,975	28,975	220,000	277,950
2025-2026	23,750	23,750	230,000	277,500
2026-2027	18,288	18,288	245,000	281,576
2027-2028	12,469	12,469	255,000	279,938
2028-2029	6,413	6,413	270,000	282,826
	<u>\$ 1,129,553</u>	<u>\$ 1,129,553</u>	<u>\$ 3,710,000</u>	<u>\$ 5,969,106</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 7. CHANGES IN WATER AND SEWER FUND LONG TERM DEBT – CONTINUED

Combination Tax and Revenue, Certificate of Obligation
May 1, 2000

Original Amount \$2,600,000

77% (\$2,002,000) is proprietary fund debt and 23% (\$598,000) is general fund debt

Interest Rate 4.75% to 5.75%

Fiscal Year	Interest Due		Principal Due	Total	Coupon Rate
	February 1	August 1	August 1		
2007-2008	\$ 45,388	\$ 45,388	\$ 77,000	\$ 167,776	5.00%
2008-2009	42,789	42,789	80,850	166,428	5.05%
2009-2010	40,162	40,162	84,700	165,024	5.10%
2010-2011	37,938	37,938	92,400	168,276	5.20%
2011-2012	35,512	35,512	96,250	167,274	5.25%
2012-2013	32,986	32,986	103,950	169,922	5.35%
2013-2014	30,231	30,231	107,800	168,262	5.40%
2014-2015	27,374	27,374	115,500	170,248	5.45%
2015-2016	24,256	24,256	123,200	171,712	5.50%
2016-2017	20,929	20,929	130,900	172,758	5.55%
2017-2018	17,330	17,330	138,600	173,260	5.70%
2018-2019	13,449	13,449	150,150	177,048	5.70%
2019-2020	9,245	9,245	157,850	176,340	5.75%
2020-2021	4,785	4,785	169,400	178,970	5.75%
	<u>\$ 382,374</u>	<u>\$ 382,374</u>	<u>\$ 1,628,550</u>	<u>\$ 2,393,298</u>	

Interest Rate 4.5%

Fiscal Year	Interest Due		Principal Due	Total
	February 1	August 1	August 1	
2007-2008	\$ 22,099	\$ 22,099	\$ 55,000	\$ 99,198
2008-2009	139,470	139,470	850,000	1,128,940
	<u>\$ 161,569</u>	<u>\$ 161,569</u>	<u>\$ 905,000</u>	<u>\$ 1,228,138</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 7. CHANGES IN WATER AND SEWER FUND LONG TERM DEBT – CONTINUED

Water and Sewer Revenue Refunding and Improvement Bonds
April 4, 2002
Original Amount \$4,900,000
Interest Rate 4.5% to 5.5%

Fiscal Year	Interest	Principal	Total
2007-2008	\$ 221,040	\$ 170,000	\$ 391,040
2008-2009	211,690	175,000	386,690
2009-2010	202,065	185,000	387,065
2010-2011	191,890	195,000	386,890
2011-2012	181,165	205,000	386,165
2012-2013	169,890	220,000	389,890
2013-2014	160,210	230,000	390,210
2014-2015	149,860	240,000	389,860
2015-2016	138,820	255,000	393,820
2016-2017	126,835	265,000	391,835
2017-2018	114,248	280,000	394,248
2018-2019	100,808	295,000	395,808
2019-2020	86,500	310,000	396,500
2020-2021	71,000	330,000	401,000
2021-2022	54,500	345,000	399,500
2022-2023	37,250	365,000	402,250
2023-2024	19,000	380,000	399,000
	<u>\$ 2,236,771</u>	<u>\$ 4,445,000</u>	<u>\$ 6,681,771</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 7. CHANGES IN WATER AND SEWER FUND LONG TERM DEBT – CONTINUED

Revenue Bonds, Series 2003
March 11, 2003
Original Amount \$4,600,000
Interest Rate 4.75% to 5.75%

Fiscal Year	Interest Due		Principal Due		Total	Coupon Rate
	March 1	September 1	September 1			
2007-2008	\$ 109,912	\$ 109,912	\$ 140,000	\$ 359,824	4.75%	
2008-2009	106,587	106,587	150,000	363,174	4.75%	
2009-2010	103,024	103,024	155,000	361,048	4.75%	
2010-2011	99,343	99,343	165,000	363,686	4.75%	
2011-2012	95,425	95,425	175,000	365,850	4.75%	
2012-2013	91,268	91,268	180,000	362,536	4.75%	
2013-2014	86,993	86,993	190,000	363,986	4.35%	
2014-2015	82,861	82,861	200,000	365,722	4.40%	
2015-2016	78,461	78,461	205,000	361,922	4.50%	
2016-2017	73,848	73,848	220,000	367,696	4.60%	
2017-2018	68,788	68,788	230,000	367,576	4.70%	
2018-2019	63,383	63,383		126,766		
2019-2020	63,383	63,383	490,000	616,766	4.90%	
2020-2021	51,378	51,378		102,756		
2021-2022	51,378	51,378		102,756		
2022-2023	51,378	51,378	820,000	922,756	5.50%	
2023-2024	28,828	28,828		57,656		
2024-2025	28,828	28,828	1,025,000	1,082,656	5.63%	
	<u>\$ 1,335,066</u>	<u>\$ 1,335,066</u>	<u>\$ 4,345,000</u>	<u>\$ 7,015,132</u>		

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 8. 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), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 821 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2006 valuations are contained in the 2006 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

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.

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for the employees is seven percent, and the Town matching percent is currently two to one, both as adopted by the governing body of the Town. Under the state law governing TMRS, the Town's contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the Town matching percent, which are the obligation of the Town as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the Town to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plans' 25-year-open period-amortization period. The unit credit actuarial cost method is used for determining the Town's contribution rate. Contributions are made monthly by both the employees and the Town. Since the Town needs to know its contribution rate in advance for budgetary purposes,

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 8. EMPLOYEE RETIREMENT SYSTEM – CONTINUED

there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Annual Pension Cost

For the year ended September 30, 2007, the annual pension cost of \$396,707 for TMRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the unit credit actuarial cost method, the level percent of payroll amortization method and amortized on an open period basis over 25 years. The actuarial assumptions included (a) seven percent investment rate of return, (b) no projected salary increases, (c) no cost-of-living adjustments, (d) no post-retirement benefit increases, (e) level percentage of payroll, and (f) 25 year amortization period on an open basis. No inflation amount was used in computing (a) and (b). The actuarial value of TMRS assets was determined using market values.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/01	\$ 95,262	100%	\$
09/30/02	271,200	100%	
09/30/03	346,736	100%	
09/30/04	439,538	100%	
09/30/05	594,063	100%	
09/30/06	729,210	100%	
09/30/07	396,707	100%	

Schedule of Funding Progress for TMRS

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)
12/31/01	\$ 545,447	\$ 798,900	\$ 253,453	68.3%	\$ 1,672,557	15.2%
12/31/02	850,544	117,723	317,179	72.8%	2,076,352	15.3%
12/31/03	1,244,023	1,819,560	575,537	68.4%	2,733,715	21.1%
12/31/04	1,627,348	2,077,202	449,854	78.3%	3,154,515	14.3%
12/31/05	2,009,333	2,424,382	415,049	82.9%	3,879,377	10.7%
12/31/06	2,696,139	3,168,372	472,233	85.1%	5,187,881	9.1%

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 9. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The government maintains one Enterprise Fund which provides Water and Sewer related services. Segment information for the year ended September 30, 2007 is as follows:

	Water and Sewer Fund
Operating revenues	\$ 5,851,486
Depreciation and amortization expense	703,646
Operating income (loss)	826,481
Operating transfers in (out)	(445,840)
Net income	1,966,603
Property, plant, and equipment additions	952,762
Total assets	35,928,671
Bonds and other long-term liabilities	15,808,459
Total equity	19,763,857

NOTE 10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 \$2,000,000 per insured event. There were no significant reductions in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

All interfund receivables and payables are considered short term and, at September 30, 2007, consisted of the following:

	General Fund	Capital Projects Fund	Debt Service Fund	Water and Sewer Fund	Total
Due from other funds	\$ 20,717	\$	\$	\$ 80,344	\$ 101,061
Due to other funds		(9,062)	(91,999)		(101,061)
	<u>\$ 20,717</u>	<u>\$ (9,062)</u>	<u>\$ (91,999)</u>	<u>\$ 80,344</u>	<u>\$</u>

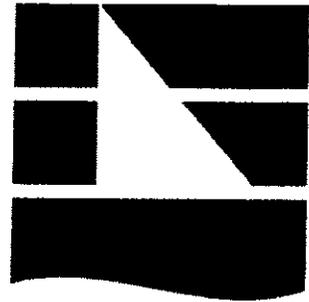
TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 12. COMMITMENTS AND CONTINGENCIES

During 2003 the Town entered into a contract with the North Texas Municipal Water District (District) whereby the District would obtain bond financing for the construction of water lines and delivery facilities in order to deliver water to the Town of Little Elm. The bond debt is held in the name of the District, but the Town is obligated under the contract to pay amounts equal to the principal and interest due on the bonds in monthly payments until 2023. The amounts due are billed with the monthly water charges to the Town and are included as part of operating expense. The amount included in operating expense for the year ended September 30, 2007 was \$414,911. The minimum amounts due from the Town are as follows:

Fiscal Year	Total
2007-2008	\$ 415,746
2008-2009	415,906
2009-2010	415,479
2010-2011	414,510
2011-2012	418,054
Thereafter	4,746,363
	\$ 6,826,058

REQUIRED SUPPLEMENTARY INFORMATION

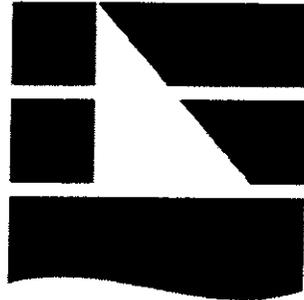


LITTLE ELM

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property taxes	\$ 3,655,000	\$ 3,742,000	\$ 3,831,026	\$ 89,026
General sales and use taxes	1,096,600	986,000	1,006,237	20,237
Franchise tax	850,000	957,507	966,512	9,005
Penalty and interest on taxes	46,525	46,525	54,842	8,317
Licenses and permits	1,450,090	1,455,826	1,540,797	84,971
Intergovernmental revenue and grants	238,663	306,384	294,769	(11,615)
Charges for services	1,575,000	1,916,474	1,949,020	32,546
Fines	356,200	311,300	622,940	311,640
Investment earnings	297,200	370,045	388,861	18,816
Contributions and donations from private sources	500	600	1,800	1,200
Other revenue	322,500	409,047	257,851	(151,196)
	<u>9,888,278</u>	<u>10,501,708</u>	<u>10,914,655</u>	<u>412,947</u>
EXPENDITURES:				
Current:				
General government	2,084,471	2,173,816	2,067,815	106,001
Public safety	4,901,569	5,458,868	4,827,076	631,792
Public works	3,010,030	3,571,736	2,738,900	832,836
Culture and recreation	934,723	978,817	891,579	87,238
Capital Outlay:				
Purchase of capital assets	440,503	440,503	3,432,879	(2,992,376)
Total Expenditures	<u>11,371,296</u>	<u>12,623,740</u>	<u>13,958,249</u>	<u>(1,334,509)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,483,018)</u>	<u>(2,122,032)</u>	<u>(3,043,594)</u>	<u>(921,562)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	891,904	891,904	891,904	
Impact fees	759,000	770,992	710,238	(60,754)
Transfers out (use)	(434,064)	(434,064)	(473,283)	(39,219)
Debt proceeds			178,905	178,905
Development agreement reimbursement	(555,200)	(555,200)	(384,713)	170,487
Infrastructure from developers			2,433,396	2,433,396
Total Other Financing Sources (Uses)	<u>661,640</u>	<u>673,632</u>	<u>3,356,447</u>	<u>2,682,815</u>
NET CHANGES IN FUND BALANCES:	<u>(821,378)</u>	<u>(1,448,400)</u>	<u>312,853</u>	<u>1,761,253</u>
Fund Balance - October 1 (Beginning)	4,818,222	5,236,146	5,836,689	600,543
Fund Balance - September 30 (Ending)	<u>\$ 3,996,844</u>	<u>\$ 3,787,746</u>	<u>\$ 6,149,542</u>	<u>\$ 2,361,796</u>

The accompanying notes are an integral part of this statement.



LITTLE ELM

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL - MUNICIPAL WATER AND WASTE WATER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on	to	on	Final Budget
			GAAP	Budget	Budget	Positive or
			Basis	Basis	Basis	(Negative)
OPERATING RECEIPTS:						
Charges for water services	\$ 3,495,000	\$ 2,850,000	\$ 2,748,490	\$	\$ 2,748,490	\$ (101,510)
Charges for sewerage service	2,427,000	2,660,400	2,670,531		2,670,531	\$ 10,131
Tap, connections, and other fees	353,000	580,239	399,699		399,699	\$ (180,540)
Other revenue			32,766		32,766	32,766
Total operating receipts	<u>6,275,000</u>	<u>6,090,639</u>	<u>5,851,486</u>	<u>-</u>	<u>5,851,486</u>	<u>(239,153)</u>
OPERATING DISBURSEMENTS:						
Personal services-salaries and wages	934,619	1,058,804	952,203		952,203	106,601
Personal services-employee benefits	327,117	366,691	348,966		348,966	17,725
Purchased professional & technical services	420,579	433,494	369,970	-	369,970	63,524
Purchased property services	186,924	188,800	376,327	-	376,327	(187,527)
Other operating expenses	1,588,852	1,813,697	1,712,336	-	1,712,336	101,361
Supplies	560,771	632,375	561,557		561,557	70,818
Capital outlay	247,900	287,515	-	959,888	959,888	(672,373)
Depreciation			703,646	(703,646)		
Bond principal	406,333	553,050	-	552,971	552,971	79
Total operating disbursements	<u>4,673,095</u>	<u>5,334,426</u>	<u>5,025,005</u>	<u>809,213</u>	<u>5,834,218</u>	<u>(499,792)</u>
Operating income	<u>1,601,905</u>	<u>756,213</u>	<u>826,481</u>	<u>(809,213)</u>	<u>17,268</u>	<u>260,639</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):						
Developer reimbursement	(444,400)	(834,934)	(501,022)		(501,022)	333,912
Impact fees	973,000	972,500	757,841		757,841	(214,659)
Investment earnings	325,375	512,700	502,615		502,615	(10,085)
Infrastructure from developers			1,597,526	(1,597,526)		
Interest expense - non-operating	(824,027)	(825,458)	(770,998)		(770,998)	54,460
Total non-operating receipts (disbursements)	<u>29,948</u>	<u>(175,192)</u>	<u>1,585,962</u>	<u>(1,597,526)</u>	<u>(11,564)</u>	<u>163,628</u>
Income (loss) before transfers	1,631,853	581,021	2,412,443	(2,406,739)	5,704	424,267
Transfers in			1,918,230		1,918,230	1,918,230
Transfers out	(530,840)	(705,840)	(2,364,070)		(2,364,070)	(1,658,230)
Change in net assets	1,101,013	(124,819)	1,966,603	(2,406,739)	(440,136)	684,267
Total net assets - October 1 (beginning)	<u>8,882,669</u>	<u>11,072,873</u>	<u>17,797,254</u>		<u>17,797,254</u>	<u>6,724,381</u>
Total net assets - September 30 (ending)	<u>\$ 9,983,682</u>	<u>\$ 10,948,054</u>	<u>\$ 19,763,857</u>	<u>\$ (2,406,739)</u>	<u>\$ 17,357,118</u>	<u>\$ 7,408,648</u>

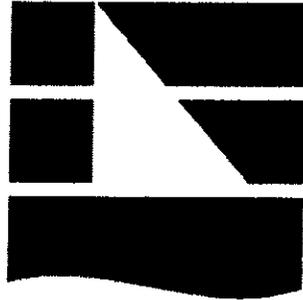
The accompanying notes are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2007

	Economic Development Corporation	Street 1/4 Tax Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,185,982	\$ 196,512	\$ 1,382,494
Intergovernmental receivables	44,430	20,252	64,682
Total assets	<u>\$ 1,230,412</u>	<u>\$ 216,764</u>	<u>\$ 1,447,176</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	17		17
Total liabilities	<u>17</u>		<u>17</u>
Fund balances:			
Unreserved and undesignated:			
Reported in the special revenue fund	<u>1,230,395</u>	<u>216,764</u>	<u>1,447,159</u>
Total fund balances	<u>1,230,395</u>	<u>216,764</u>	<u>1,447,159</u>
Total liabilities and fund balances	<u>\$ 1,230,412</u>	<u>\$ 216,764</u>	<u>\$ 1,447,176</u>

TOWN OF LITTLE ELM, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2007

	Economic Development Corporation	Street 1/4 Tax Fund	Total Nonmajor Governmental Funds
REVENUES:			
Taxes:			
General sales and use taxes	\$ 501,580	\$ 248,827	\$ 750,407
Investment earnings	53,956		53,956
Total revenues	<u>555,536</u>	<u>248,827</u>	<u>804,363</u>
EXPENDITURES:			
Current:			
Public works:			
Streets		25,080	25,080
Capital outlay		211,423	211,423
Conservation and development:			
Economic development	176,853		176,853
Debt service:			
General debt service	35,049		35,049
Debt interest	28,064		28,064
Total expenditures	<u>239,966</u>	<u>236,503</u>	<u>476,469</u>
Excess (deficiency) of revenues over (under)	<u>315,570</u>	<u>12,324</u>	<u>327,894</u>
OTHER FINANCING SOURCES (USES):			
Transfers out	(12,000)		(12,000)
Total other financing sources (uses)	<u>(12,000)</u>		<u>(12,000)</u>
Net change in fund balance	303,570	12,324	315,894
Fund Balance - October 1 (Beginning)	<u>926,825</u>	<u>204,440</u>	<u>1,131,265</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,230,395</u>	<u>\$ 216,764</u>	<u>\$ 1,447,159</u>



LITTLE ELM

FEDERAL AWARDS SECTION

FREEMON, SHAPARD & STORY

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

Honorable Mayor and
Members of the Town Council
Town of Little Elm, Texas

We have audited the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Town of Little Elm, Texas as of and for the year ended September 30, 2007, and have issued our report thereon dated April 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Little Elm, Texas's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Little Elm's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Little Elm's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control over financial reporting. A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

07-01 At the present time, fixed asset records are not maintained by the Town. We recommend that Town personnel maintain detailed fixed asset records and reconcile these records to the general ledger on a timely basis to ensure accurate accounting for assets. Specifically, fixed asset records should include the following data:

- Description of the asset
- Cost, voucher number, and vendor name
- Date placed in service
- Estimated useful life

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- Depreciation method (for both accounting and tax purposes)
- Depreciation expense and accumulated depreciation for the year (for both accounting and tax purposes)
- Date asset retired and selling price if applicable

Complete information such as the above on all fixed assets would provide excellent control for the safeguarding of these assets, which are significant in costs. Additionally, fixed assets where applicable should be tagged with metal tags or otherwise labeled with identification and inventoried on a systematic basis. Better assessment and evaluation could be achieved regarding the reliability of certain fixed assets and the need for replacements, etc.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the Town of Little Elm, Texas's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

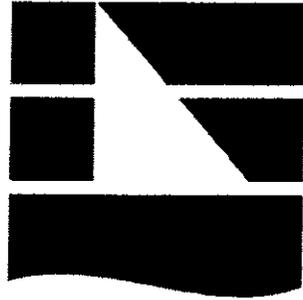
The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Town council, the audit committee, the administration, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.



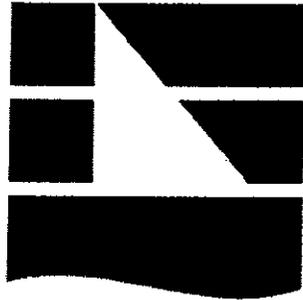
Freemon, Shapard and Story
Wichita Falls, Texas

April 28, 2008



LITTLE ELM

STATISTICAL SECTION



LITTLE ELM

TOWN OF LITTLE ELM
Property Tax Rates and Assessed Value
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>	<u>Assessed Value</u>
1998	.38347	.16473	.54820	43,380,597
1999	.38018	.17344	.55362	55,797,763
2000	.37607	.12906	.50513	72,426,536
2001	.31940	.11357	.43297	133,786,496
2002	.28422	.16031	.44453	239,212,916
2003	.28848	.14532	.43380	397,080,221
2004	.29250	.10730	.39980	605,879,760
2005	.28740	.07010	.35750	797,297,162
2006	.28252	.11650	.39902	1,171,542,026
2007	.32363	.14637	.47000	1,391,333,625

(1) Assessed value is 100% of estimated value.

TOWN OF LITTLE ELM
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Debt Service</u>	<u>Total</u>
1998	192,976	375,358	150,390	32,488	111,774	862,986
1999	433,645	515,849	367,955	55,629	92,793	1,465,871
2000	516,420	821,348	1,522,414	64,491	176,836	3,101,509
2001	804,699	1,164,755	1,489,992	101,113	71,653	3,632,212
2002	1,028,384	1,509,973	2,025,970	157,025	510,721	5,232,073
2003	1,043,606	2,069,348	3,347,571	241,350	575,823	7,277,698
2004	1,013,343	3,030,703	3,105,062	369,049	984,581	8,502,738
2005	1,406,331	3,043,230	3,613,189	1,119,284	902,408	10,084,442
2006	1,694,438	3,684,917	2,359,076	670,386	1,364,832	9,773,649
2007	2,067,815	4,827,076	2,738,900	891,579	1,744,341	12,269,711

(1) Includes general and debt service funds.

TOWN OF LITTLE ELM
General Governmental Revenues by Sources (1)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>License and Permits</u>	<u>Charges for Service</u>	<u>Fines and Forfeitures</u>	<u>Grant Revenue</u>	<u>Other Revenue</u>	<u>Total</u>
1998	436,529	91,921	48,295	79,635		261,026	917,406
1999	544,697	440,201	354,510	88,443	49,672	172,736	1,650,259
2000	667,578	1,011,261	245,317	98,578	279,930	213,337	2,516,001
2001	1,017,675	1,334,393	229,150	104,334	128,352	276,978	3,090,882
2002	1,554,655	1,484,869	273,838	168,687	140,649	348,968	3,971,666
2003	2,700,637	1,661,194	442,001	174,174	177,221	443,146	5,598,373
2004	3,887,219	1,579,673	1,360,142	265,761	133,826	338,890	7,565,511
2005	4,688,558	1,926,686	1,232,031	250,796	70,165	614,214	8,782,450
2006	5,722,767	2,065,029	1,504,403	698,938	242,603	917,210	11,150,950
2007	7,616,998	1,542,637	1,905,967	622,940	294,769	300,864	12,284,175

(1) Includes general and debt service funds.

TOWN OF LITTLE ELM
General Governmental Tax Revenues by Sources (1)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Property Tax (2)</u>	<u>Sales Tax</u>	<u>Mixed Drink Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
1998	255,463	97,451	478	83,137	436,529
1999	338,477	168,840	1,488	92,172	600,977
2000	384,633	163,873	3,379	115,693	667,578
2001	607,249	193,739	5,036	211,651	1,017,675
2002	1,088,300	251,598	5,564	209,193	1,554,655
2003	1,820,583	418,211	7,735	454,108	2,700,637
2004	2,493,573	884,951	6,456	502,239	3,887,219
2005	2,962,576	1,111,615	6,655	607,712	4,688,558
2006	3,952,200	895,643	6,019	868,904	5,722,766
2007	5,566,127	1,001,450	4,787	966,512	7,538,876

(1) Includes general and debt service funds.

(2) Includes current and delinquent tax collections and penalties and interest.

TOWN OF LITTLE ELM
Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Tax Levy</u>
1998	247,385	238,403	96.4%	17,060	255,463	103.3%	29,616	11.97%
1999	315,429	303,919	96.4%	34,558	338,477	107.3%	24,138	7.65%
2000	369,422	363,260	98.3%	21,373	384,633	104.1%	38,215	10.34%
2001	597,847	577,468	96.6%	29,781	607,249	101.6%	40,503	6.77%
2002	1,066,727	1,035,923	97.1%	36,339	1,072,262	100.5%	56,735	5.32%
2003	1,782,169	1,745,788	98.0%	53,089	1,798,877	100.9%	62,736	3.52%
2004	2,486,808	2,438,311	98.0%	33,469	2,471,780	99.4%	112,018	4.50%
2005	2,842,365	2,786,851	98.0%	128,540	2,915,391	102.6%	74,954	2.64%
2006	3,906,167	3,836,765	98.2%	54,980	3,891,745	99.6%	126,531	3.24%
2007	5,461,711	5,446,283	99.7%	162,310	5,608,593	102.7%	160,379	2.94%

TOWN OF LITTLE ELM
Ratio of Net General Obligation Bonded Debt to Assessed Value
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>General Obligation Bonded Debt</u>	<u>Less: Debt Service Fund</u>	<u>Net General Obligation Bonded Debt</u>	<u>Ratio of General Obligation Bonded Debt to Assessed Value</u>
1998	43,380,597	182,000	42,286	139,714	0.3221%
1999	55,797,763	166,000	54,217	111,783	0.2003%
2000	72,426,536	743,000	55,794	687,206	0.9488%
2001	133,786,496	4,422,000	76,765	4,345,235	3.2479%
2002	239,212,916	6,884,900	48,202	6,836,698	2.8580%
2003	397,080,221	6,741,650	123,578	6,618,072	1.6667%
2004	605,879,760	6,513,400	100,743	6,412,657	1.0584%
2005	797,297,162	10,089,000	(40,073)	10,129,073	1.2704%
2006	1,171,542,026	20,098,300	25,262	20,073,038	1.7134%
2007	1,391,333,625	18,995,000		18,995,000	1.3652%

TOWN OF LITTLE ELM
Ratio of Annual Debt Service Expenditures for
General Obligation Bonded Debt to Total General Governmental Expenditures
Last Ten Fiscal Years

Fiscal Year	Debt Service Expenditures			Total General Governmental Expenditures	Ratio of G.O. Bonded Debt to Total General Governmental Expenditures
	Principal	Interest	Total		
1998	16,000	10,388	26,388	870,037	3.033%
1999	16,000	9,513	25,513	1,465,871	1.740%
2000	21,000	8,500	29,500	3,101,509	0.951%
2001	21,000	50,653	71,653	3,632,212	1.973%
2002	37,100	260,125	297,225	5,232,073	5.681%
2003	143,250	328,531	471,781	7,277,698	6.483%
2004	202,250	328,173	530,423	5,349,941	9.915%
2005	364,400	397,885	762,285	6,151,301	12.392%
2006	430,700	776,731	1,207,431	8,408,817	14.359%

TOWN OF LITTLE ELM
Revenue Bond Coverage
Water and Sewer Enterprise Fund
Last Ten Fiscal Years

Fiscal Year	(1) Gross Revenues	(2) Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1998	539,286	349,350	189,936	56,000	71,301	127,301	149%
1999	831,173	500,897	330,276	81,000	59,658	140,658	235%
2000	1,154,853	801,914	352,939	91,000	137,766	228,766	154%
2001	1,551,020	1,127,938	423,082	116,000	193,552	309,552	137%
2002	2,573,355	1,542,144	1,031,211	286,358	229,421	515,779	200%
2003	3,222,153	2,297,093	925,060	224,419	457,654	682,073	136%
2004	4,328,036	2,991,245	1,336,791	248,090	758,752	1,006,842	133%
2005	5,563,430	3,488,294	2,075,136	606,940	812,416	1,419,356	146%
2006	7,043,811	4,291,128	2,752,683	394,300	794,148	1,188,448	232%
2007	6,354,101	4,321,359	2,032,742	537,000	700,800	1,237,800	164%

(1) Includes interest, other income, and transfers from other funds.

(2) Excludes depreciation.

TOWN OF LITTLE ELM
Texas Municipal Retirement System
Required Supplementary Information Analysis of Funding Progress
(in thousands of dollars)
Last Ten Fiscal Years

Fiscal Year	Net Assets Available for Benefits	Pension Benefit Obligation	Percentage Funded (a)/(b)	Unfunded Benefit Obligation (b) - (a)	Annual Covered Payroll	Unfunded Pension Benefit Obligation as a % of covered Payroll (d)/(e)	Employer Contributions	Employer Contributions as a % of Annual Payroll (g)/(e)
1998	138,763	153,194	90.6%	14,431	416,952	3.5%	10,918	2.62%
1999	177,226	194,859	91.0%	17,633	552,247	3.2%	14,486	2.62%
2000	205,366	222,830	92.2%	17,464	691,365	2.5%	28,910	4.18%
2001	292,063	493,172	59.2%	201,109	1,294,565	15.5%	95,262	7.36%
2002	545,447	798,900	68.3%	253,453	1,672,557	15.2%	271,200	16.21%
2003	850,444	1,167,723	72.8%	317,179	2,076,352	15.3%	346,736	16.70%
2004	1,244,023	1,819,202	68.4%	575,537	2,733,715	21.1%	439,538	16.08%
2005	1,627,348	2,077,202	78.3%	449,854	3,154,515	14.3%	594,063	18.83%
2006	2,009,333	2,424,382	82.9%	415,049	3,879,377	10.7%	729,210	18.80%

