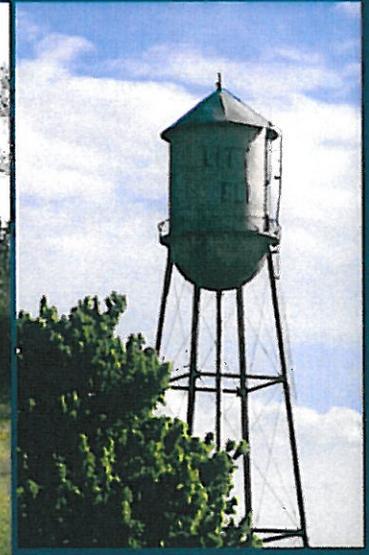
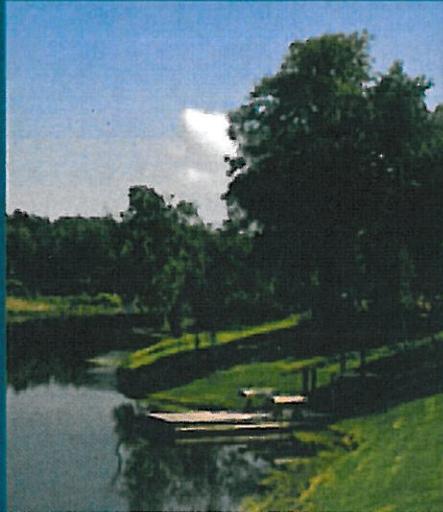




**TOWN OF LITTLE ELM, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2009**



TOWN OF LITTLE ELM, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended September 30, 2009

Prepared by:

Town of Little Elm, Texas
Finance Department



TOWN OF LITTLE ELM, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2009

Prepared by the
TOWN OF LITTLE ELM
FINANCE DEPARTMENT

TOWN COUNCIL

Charles Platt, Mayor

Brandon Gerard, Mayor Pro Tem, District 5

David Hillock, District 1
Stephanie Shoemaker, District 2
Curtis Cornelious, District 3
Beverly Hughes District 4
Vacant, District 6

TOWN MANAGER

Ivan Langford

FINANCE DIRECTOR

Alan R. Dickerson, CGFO

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INTRODUCTORY SECTION



Finance Department Town of Little Elm

April 30, 2010

To the Honorable Mayor and Members of Town Council

The Town of Little Elm Finance Department is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending September 30, 2009. The CAFR is published to provide the Town Council, Management of the Town, our Citizens and other end users with detailed financial and statistical information concerning the financial condition and performance of the Town Government.

Management Responsibility for Financial Information. The Town's Finance Department has prepared the Report and is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To provide a reasonable basis for making these representations, the Finance Department has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Little Elm's financial statements. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Government Accounting Standards Board (GASB) and have been audited by the independent auditors of Rylander, Clay and Opitz, LL in accordance with generally accepted audit standards. The independent auditor's report is located at the front of the financial section of this report.

The Reporting Entity. This report includes all the funds of the Town, as well as, the Town's component units. The Town provides a full range of services, which include police, fire protection and emergency medical services, construction and maintenance of streets and other infrastructure; recreational activities and cultural events. In addition to government activities, the Town also provides water, wastewater, and solid waste which are included in the reporting entity.

Within the basic financial statements are three discretely presented component units as follows: (1) Little Elm Economic Development Corporation, (2) Little Elm Community Development Corporation and, (3) Little Elm Reinvestment Authority (LERA). A discrete component unit is a legally separate entity for which the Town of Little Elm is financially accountable. The boards of each component unit are appointed by the Town Council. The Economic Development 4-A Corporation (EDC) was established in 1993 in accordance with State Civil Statutes Article 5190.6 and is supported by a one-half cent sales tax. The Little Elm Community Development Corporation (CDC) is a 4B Corporation established under the Development Corporation Act of 1979. It is tasked with the promotion and development of new or expanded business enterprises, parks and other community projects. The CDC derives its funding from a one-quarter cent sales tax collected in the Town of Little Elm. The CDC was established in 2007 with tax collections on sales beginning in October 2007. The Little Elm Reinvestment Authority (LERA) was created in 2009 for the purpose of acting on behalf of the Town of Little Elm in the performance of its governmental functions to promote the common good and general welfare of the area including the Tax Increment Reinvestment Zone Numbers One and Two (TIRZ One and TIRZ Two); the TIRZ's purpose is to promote, develop, encourage, and maintain housing, educational facilities, employment, commerce, and economic development in the Town.

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

PROFILE OF THE GOVERNMENT ENTITY



The Town of Little Elm was incorporated on June 7, 1966 and adopted a Home Rule Charter in May, 2001 at which time it adopted the Council/Manager form of government. The Town of Little Elm is a residential community located approximately 10 miles east of the City of Denton and 33 miles north of downtown Dallas on the northeast shore of Lewisville Lake. The Town is governed by the town Council, which consists of the Mayor and six Council Members, who serve for three year staggered terms. The Mayor and Council Members representing districts 1 and 6 are at large seats. The remaining Council Members represent districts 2 through 5. At the time of its incorporation, the population of the Town was 363 and the original town encompassed 1,222 acres. Today, Little Elm has an estimated population of 24,000 with an additional 5,500 within the extra-territorial jurisdiction (ETJ) and is one of the fastest growing cities in Denton County and the north Texas region. The Town has approximately 11,876 acres or (18.5 square miles) within its corporate limits (5,676 acres of land and 6,200 acres of lake).



Little Elm is located on two peninsulas of Lewisville Lake. Lewisville Lake is a 29,592 acre reservoir with a shoreline of over 200 miles 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 creating a wide variety of recreational opportunities. Additionally, the Town is close to major transportation mediums with accessibility to major employers and other venues which open the door to many growth opportunities for residential and commercial development.

In August of 2009, the Lewisville Lake Toll Bridge opened to traffic. The bridge and approaching roadways have provided an east-west connection between Interstate 35, the North Dallas Toll Way and even further east to State Highway 75. The transportation corridor from Interstate 35 to State Highway 75 in Collin County, Eldorado Parkway is under contract to be expanded to six lanes through Little Elm. The Town's ETJ is adjacent to State Highway 380 which is a major east-west corridor providing access to business, retail and industrial developments. Little Elm is one of the fastest growing cities in Denton County and North Texas. The Town currently provides limited services to a portion of its ETJ including building inspections and contract fire services. The Town's total land including its ETJ is over 18,000 acres.

SIGNIFICANT LOCAL ECONOMIC OUTLOOK BOTH CURRENT AND FUTURE

All across the nation, the economic downturn that started in 2007 was not truly pronounced as a recession until December 2008 which was the time when most North Texas towns and cities started to take notice and put into place fiscal restraints and budgetary contingency plans to be prepared. The general economic slowdown provides the Town a unique opportunity for planning initiatives to ensure the Town is prepared when growth trends resume.

While the National economy continues to be mired in a recession, North Texas as a whole has experienced less severe symptoms. Devaluation in the housing market has plagued many parts of the country, with accompanying foreclosures. However, in Little Elm, residential foreclosures have not been a significant factor in housing decline or marked devaluation because the mortgage companies have been able to resale the properties.

With its close proximity to major thoroughfares, employers and quality of life venues, Little Elm offers viable economic opportunities for residential and commercial development. Residential properties make up 72% of the Town's tax base which is why property values are an economic factor for Little Elm. Sustainable residential lot inventory and diverse community of builders has been the benefactor of first time home buyers who have taken advantage of the federal and national stimulus credits. The average new construction value of residential homes being permitted is approximately \$200,000.

There were 286 single-family permits in FY 2009 compared to 246 in FY 2008. Currently, the Town is permitting approximately 40 new residential homes per month. The total construction value added to the tax rolls in 2009 was \$64.5 million compared to \$74.5 million in 2008. There were 150 new residential properties added to the tax rolls in 2009. These new improvement values are a significant portion of Little Elm's annual budget and have the most significant impact on the Town's ability to raise revenues to provide the services and conditions for future growth. Residential construction has remained steady while commercial real estate has been very slow over the last 18 months.

Increased commercial development has certainly enhanced the business and economic outlook for the Town and has begun to shift some of the fiscal impact from residential to commercial values whereby current commercial values make up between 12 – 15% of the Town's total taxable value. Over the past



five to six years, the Town has realized gradual economic development with the addition of the Lowe's Home Improvement Center at the intersection of Eldorado Parkway and FM 423 which was completed in 2005. The development has proved to be a tremendous asset to the community. This Lowe's development site includes other individual retail outlets, restaurants and the branch of a major national bank. Lowe's was the first major retail development in Little Elm whereby stimulating another \$82,000,000 in additional retail development around the perimeters of the store creating more jobs and sales tax growth.

Little Elm Towne Crossing is a 170,000 sq. ft. shopping center at the dominant corner of West Frisco, Eldorado Pkwy & FM 423. Across the street from a Super Wal-Mart and Lowe's store, the Towne Crossing Development includes a Walgreen's, Hobby Lobby, 24-Hour Fitness and many other small to medium size retail and restaurant establishments.

The intersection of F.M. 423 and Eldorado Parkway has proven to be a successful development due to rapid residential developments in both the City of Frisco and Town of Little Elm. In the proximity of this intersection are approximately 55,000 residents with an average household income of \$82,000. The Village at Eldorado Shopping Center at the SE corner of the intersection of Eldorado and F.M. 423 includes several retail and restaurant chains including Palios, Dickies Bar-B-Q and Starbucks and a major national bank.



Other developments for retail and professional office space have materialized with active tenants such as Elm Ridge Crossing at FM 423 and King Road, and a new 7-Eleven convenience store at Eldorado Parkway and Hart Road. Along the western segment of Eldorado Parkway, new tenants in the Lobo Lane shopping center have opened to provide eateries and other retail conveniences to citizens in this western corridor of the Town.

These developments will help to contribute significantly to the economy of Little Elm well into the future. The Town leadership is very optimistic regarding future economic development. The commercial/retail zone located at F.M. 423 and F.M.720 known as the “Y” is a large prime tract of property which has been purchased by the developers for the Kroger grocery chain. The Kroger developer has purchased 22 acres for future retail development and is slated to begin construction in 2010. The 123,000 square foot Marketplace will offer features unique to a Kroger Signature store with expanded variety of grocery and deli products, gourmet and chef-prepared foods, wine shop, a large floral section and fuel center plus home-furnishing section.

The Town has been jointly and aggressively working with its component unit boards (EDC, CDC and LERA), various committees, and statutory board (P&Z) to set in motion tools and incentives to ensure economic development keeps moving forward. Among the economic development projects that are being undertaken by the Town, the Town Center project bears special attention. The Town Center project is a response of the community leadership to take advantage of the changes going on with the town and its immediate environs. These changes include the Dallas North Tollway being extended up to US Highway 380, the NTTA Lewisville Lake toll bridge connecting I.H. 35 East with Eldorado Parkway and the Dallas North Tollway, plus the upgrading of Eldorado Parkway to 6 lanes. Having this greatly improved regional access provides an opportunity to create a unique community focal point of a Town Center at Main Street at Eldorado Parkway. The Town has completed and approved a new community Comprehensive Plan, A Town Center Concept Plan and a comprehensive Streetscape Design Plan for Eldorado Parkway. The Little Elm Economic Development Corporation (EDC) has acquired 19.5 acres of land for Phase One of the Town Center project to be sold later to a Town-approved developer. The developer will be chosen based on past experience at successfully executing a mixed-use development financing capability, and proposals to meet the criteria of the Town Center Concept Plan. It is anticipated that within 3 years the developer will have been selected and the development begun.

While the future of Little Elm is promising, it is certainly with cautious optimism that management continues to monitor the local, regional, and national economies and its impact on jobs and household spendable income

MAJOR INITIATIVES

Long Range Planning. Planning for Little Elm’s future is a major priority, as the Town formally adopted a comprehensive plan in 2008 that will take the Town to build out. The plan provides vision for

the future and is designed to address growth issues to include capital infrastructure for streets, water, wastewater and vertical facilities. While managing growth will continue to challenge Town leaders, the commitment to provide residents with “something special” makes for a truly unique hometown feeling being a lake front community.

Implementation of the 2008 Town of Little Elm Comprehensive Plan continues into its second year. In September 2009, staff conducted its first annual review and status update of the document. Of the 15 first year priorities, 13 were accomplished or experienced significant progress. Notable projects included in the implementation have included adopting the award-winning Commercial Design Standards report, completing the Town Center form based code, progress on the recreation and community center, streetscape implementation, plans for library expansion, and multiple ordinance amendments. It is clear that Town leaders have relied heavily on the Comprehensive Plan in their decisions regarding infrastructure improvements, zoning ordinance amendments, CIP projects, and bond programs.

The Town has adopted a five year capital improvement plan (the “CIP”) that is reviewed and updated on an annual basis. Capital projects to be completed over the next five years total approximately \$50 million and include streets, parks, public safety facilities (fire and police), and recreation/community center facilities. The Town has strategically worked with the community to put together a financing plan for the projects that include interlocal funding sources from Denton County, Texas Department of Transportation and North Texas Tollway Authority. The voters of Little Elm authorized \$19.1 million in general obligation bonds to fund the Town’s five-year CIP and subsequently, the bonds were sold in June 2009 and January 2010. The Town authorized in 2004 and has issued \$2.0 million to fund the community/recreation facilities and has partnered with the Town’s 4-B Corporation to expand the community/recreation center to a \$4.0 million facility to meet the growing demands from citizens both young and aging for recreation and community gathering venues.

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

Utility Rates: The Town continues to review rate requirements for water, sewer, and solid waste annually, as part of the budget process. Environmental mandates and the cost of potable water purchased from North Texas Municipal Water District continue to be the driving factors in rate analysis. Water and wastewater rates were reviewed in the fall of 2008 to ensure rates were funding the costs of providing services and to cover annual debt service requirements for the Utility self-supporting debt. The Town made adjustments based on the findings of the rate analysis in December 2008 which increased the volumetric rates for water by 11% and wastewater by 20%. Minimum charges for the first 2,000 gallons of consumption were increased by 14% for water and 20% for sewer.

Police Public Safety: Improving public safety officer visibility and community interaction has been a major priority and began with an initiative for officers to “get out” of their patrol cars in an effort to visit with community members in neighborhoods and businesses. The Police Department is also working with Home Owner Associations (HOA) to solicit their involvement in crime watch programs. Another initiative requires officers to walk businesses during non-business hours to check doors and windows and affix a notice to the front door of the business letting the owners know LEPD has checked their business. Officers are required to log each of these activities on their daily activity sheets for verification. An agreement with Denton County Sheriff’s Office was negotiated to provide separate dispatch service for

Little Elm providing for improved response time and safety for police officers. The new dispatch service is expected to start up in 2010. Special traffic detail has been stepped up in areas where extra traffic enforcement is warranted due to traffic accidents. During this fiscal year, red light cameras were initiated for a pilot program in three major intersections of the Town to enforce safety in these zones.

Fire Safety and EMS: Emergency response by the Fire Department continues to increase as the Town grows and matures. Plans have been laid for a new rescue engine to meet this demand as well as continued design of a new public safety facility which will replace an aging central fire station. Advancements in training, personal protective equipment, and information technology have helped the fire department overcome some of its deficiencies of the past by enhancing the safety of its personnel on fire ground scenes. EMS personnel continue to meet a high standard of care by attending numerous continuing education classes and learning new advanced skills. Coordinated safety programs and response tactics were put in place in preparation for public works projects developing within in the Town. These measures involve responding to “trench” safety and responses. A new ambulance chassis was purchased during the year and placed in service with improved life support equipment.

Library: The Library received the 2009 Texas Municipal Library Directors Association Achievement of Excellence in Libraries Award. There are over 500 public libraries in Texas and 27 libraries received this award. The Library Director received honorable mention in the Outstanding Library Director category at the North Texas Regional Library System Awards ceremony. In an outreach initiative to the community, the Library partnered with the Association for the Advancement of Retired Persons to provide the AARP safe driver program and free tax assistance services. The Library provides monthly outreach programs to support the Town’s senior citizens. The Library has been successful over many years to receive the Lone Star Grant funds for libraries and archives. These grant funds and other donations have allowed the Library to enhance its computer print/time management system to provide more efficient services to patrons and the community. The Library is supported actively by Friends of the Library and through this initiative the Library was successful in funding a “JOBVIEW” job search subscription that networks globally for jobs. Other initiatives and accomplishments involved partnering with national text messaging reference service MyInfoQuest, and added new marketing venues including Lake Cities Sun, Facebook, a blog, Twitter, and worked with municipal court officials to provide a site for community service volunteers.

Park Improvements: The Parks Department major and ongoing initiatives involved renovating and adding facilities to improve recreational and leisure service activities. In Little Elm Park and Cottonwood Sports Complex, major construction initiatives were begun in prior years with voter approved bonds. The initiatives began and completed during this fiscal year included adding two soccer fields with a concession/restroom, expansion of the Johnny Broyles Trail system, providing a concession/restroom for the swim beach known as the Lighthouse Grill and additional parking.

Other major projects for the department included the following:

- Assuming maintenance of irrigation and landscape systems on Eldorado Parkway once maintained by HOA’s.
- Installation of regulation horseshoe pits in Beard Park to provide play for local, regional, state, and national horseshoe tournaments.
- Cottonwood Park roadway improvements to provide improved lakeside access. A pedestrian split rail fence was installed along the roadway and parking lot to eliminate vehicular trespass into the grassed areas and along the shoreline.
- Worked with Keep Little Elm Beautiful Committee for landscape improvements in Beard Park.
- Treescape and landscape maintenance was performed on the Eldorado Parkway Median from SH 423 to Walker Lane.

The Parks & Recreation Department identified significant facility needs and successfully worked with citizens, Town Council, Bond Committee, and the Parks & Recreation Board to enact a strategic plan for future recreational facility needs. A portion of the voted General Obligation bonds as approved in the May 2009 election are for the construction of a recreation/community center that will expand all recreation and senior citizen activities and programs. The Parks and Recreation Department has successfully partnered with the 4B Community Development Corporation (CDC) whereby the CDC will contribute \$2,500,000 toward parks and recreation programming. The CDC Board enacted agreements with the Town to issue \$2.5 million in Certificates of Obligation in June 2009 to provide the additional \$2 million to expand the recreation/community center project design. In addition, the CDC Board proposes to provide funding to light the Little Elm Park Soccer Fields, improve and renovate Beard Park, make improvements to hike and bike trails, provide for new Little Elm Park entrance features and improve sports practice fields.

Additional emphasis for Parks & Recreation Department for 2008-2009 involved expanding recreation and leisure programs offered in Little Elm with the hiring of an Athletic Coordinator. With growth in participation and interest peaking in recreational and sports programming across the Town, the parks department standardized registration for all programs. The department initiated and completed a full registration process along with advertising and distribution of programming materials.

The Town of Little Elm has had an active volunteer supported Senior Citizen Program for many years. In order to provide enhanced communication and programming, a full-time Senior Programmer was hired during the fiscal year. Communication improvements included a Senior Newsletter and a means of registering for events through the Town's web page.

Utility System Expansion: In 2009, the Town initiated the first phase of the recently updated Utility Capital Improvement Plan. During the year, several utility projects were funded for construction as result growth and the Texas Department of Transportation's plans for widening FM 423 and FM 720. The following projects include expansion and relocation of utility services:

- Expansion of wastewater treatment plant
- Mansel pump station improvements
- Emergency back-up power
- Property acquisition for water storage facilities
- Relocation of water and sewer line adjacent to FM 423 and FM 720
- Installation of lift stations and sewer force mains providing future sewer services to the west side of Little Elm bridge

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

Transportation: In addition to the overwhelming support and approval by voters to pass the 2009 Bond Proposal for Street improvement throughout the Town, several million dollars were secured from Denton County's 2008 bond proposal and the North Central Texas Council of Governments' Regional Transportation Council. This funding included \$9.2 million from Denton County and \$4.5 million from the RTC. This funding will be leveraged with the Town's \$7.1 million 2009 bond proposal to improve and provide capacity improvements for several major streets throughout the Town. The projects include: the widening of Lobo Lane from three to four lanes, reconstruction of west Main Street to concrete, reconstruction of east Main Street to concrete with amenities to enhance the future Town Center, realignment of Lakeshore Drive with Clark Street, realignment of Woodlake Parkway with Witt Road at

Eldorado Parkway, reconstruction of King Road west of Witt Road to concrete, and construction of a new bridge on Witt Road crossing Cottonwood Creek to prevent flooding of the road way. With funding secured in 2009 the Town commenced development of design plans and construction specifications for the projects. The completion of the major street improvement initiated in 2009 will compliment the current plans the Texas Department of Transportation is working on to widen FM 423 and FM 720 and the recently completed NTTA toll bridge across Lewisville Lake. The combined transportation improvements will reduce current congestion, provide improved mobility, and encourage economic development in new areas of the Town.

Facility Planning and Construction: The voter approved bonds as mentioned above provides for the funding of a new joint facility for fire and police services. A Community/Recreation Center and Senior Citizen Center, Animal Control Center, and Library expansion are included in the 2009 voted bonds. All of these facilities with exception of the Library expansion were advanced to the design phase during this fiscal year. Upon completion, these facilities will support the Town public safety departments and provide needed space for expansion of Police and Fire Service. The Animal Control center will provide a permanent home for the Animal Control division which currently operates out of leased space soon to be non-operational due to road expansion. And the leisure services facilities will finally provide the much desired quality of life elements to the Town that a growing family community can use to provide activities and entertainment for young and old alike.

FINANCIAL INFORMATION

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

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

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

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

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

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

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 (FDIC) or collateralized at 102% of balances beyond FDIC limits. All securities and collateral are held in the name of the Town at a third party bank with the Town holding in safekeeping an original certificate for each security. All investment transactions and types were made in accordance with the Town's investment policies and rules as adopted by the governing body. The Town's Investment Policies have been updated in accordance with the Public Funds Investment Act as amended and the Town is in compliance with the "Act". All current investments have a one-day maturity.

Risk Management: The Town is a member of the Texas Municipal League Intergovernmental Risk Pool and is permitted by law and its home rule charter to insure itself against the various risks of liability and loss to which it is exposed. Management's strategic plans call for a risk analysis to assess current risk exposures to prioritize risk management opportunities including but not limited to risk assumption, risk transfer, and risk reduction programs. The management of the Town's fixed assets includes coverage of potential property losses. The Texas Municipal League Intergovernmental Risk Pool (the insurer) insures the Town for potential claims for liability and property damage. The Town reviews its exposures annually for liability and estimated replacement values on an annual basis.

The Town maintains an employee health, dental and vision plan for employees and dependents, which is benchmarked annually and reviewed for cost containment strategies. The Town retains a professional insurance brokerage firm for assistance and guidance in health care benefits planning as well as other employee health care benefits to reduce health care costs.

Retirement System: The Town of Little Elm provides pension benefits to all full-time employees through a non-traditional, joint contributory defined benefit plan administered by the Texas Municipal Retirement System, an agent multi-employer public retirement system. The pension plan is a two-to-one (2:1) matching plan. The Town of Little Elm does not provide post employment health and dental benefits for retirees.

Debt Administration: Various ratios are traditionally used to analyze the debt capacity and structure of a municipality which are presented below. Revenue debt has been excluded since system charges are used to retire the debt. The Town has never defaulted on any of its bonded indebtedness and has continually maintained an above average credit rating on all of its current and outstanding bonded indebtedness.

OTHER INFORMATION

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

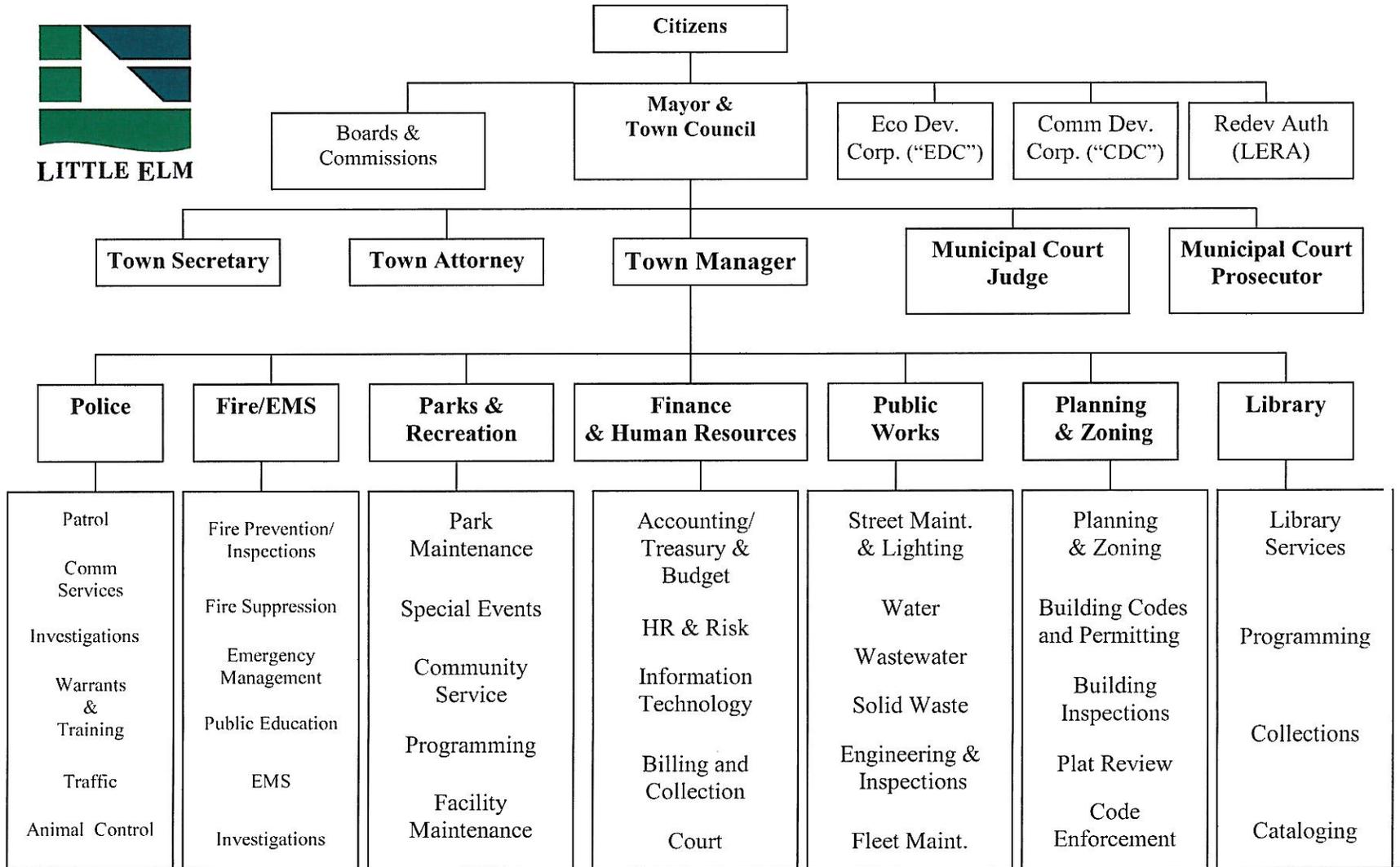
Certificate of Achievement for Financial Reporting: The Government Finance Officers Association of the United States and Canada (GFOA) conducts a financial review program to provide recognition to governmental entities that produce annual financial reports that meet their high standards of disclosure, adherence to Generally Accepted Accounting Principles, adherence to the requirements of the Government Accounting Standards Board, and applicable legal requirements. The Finance Department continues to work toward conforming to the requirements of the program.

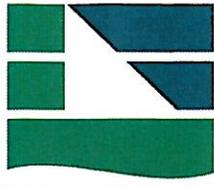
Acknowledgements: The presentation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the Finance Department who assisted and contributed to its presentation.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

Respectfully submitted,

Alan R. Dickerson

TOWN OF LITTLE ELM, TEXAS ORGANIZATIONAL CHART





LITTLE ELM

**TOWN OF LITTLE ELM, TEXAS
PRINCIPAL OFFICIALS
September 30, 2009**

Ivan Langford.....Town Manager
Alan Dickerson.....Finance Director
Kathy Phillips.....Town Secretary
Doug Peach.....Public Works Director
Waylan Rhodes.....Chief of Police
Joe Florentino.....Fire Chief
Tony Chrisman.....Parks Director
Tina Hager.....Library Director
John Taylor.....Community Development Director
Robert Brown.....Town Attorney

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Little Elm, Texas (the "Town") as of and for the year ended September 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Little Elm, Texas as of September 30, 2009, and the respective changes in financial position and cash flows thereof, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2010, on our consideration of the Town's internal control structure and compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, the budgetary comparison information, and schedules of funding progress for Texas Municipal Retirement Systems is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund statements and schedules, as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The information in the introductory and statistical sections, as listed in the table of contents, was not audited by us and, accordingly, we do not express an opinion thereon.

Rylander, Clay & Opitz, LLP

April 30, 2010

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2009

(unaudited)

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

FINANCIAL HIGHLIGHTS

Entity-Wide

- Fiscal Year 2009 beginning Net Asset balances were restated to reflect fund type classifications and prior period error corrections. See Note 10 to the Basic Financial Statements for a complete analysis of prior period adjustments. Our Management Discussion & Analysis reflects these adjustments.
- The Town's total net assets on a government-wide basis totaled \$70,538,397 at September 30, 2009, a 9.7% increase over September 30, 2008. Of this balance, 79% or \$55,933,793 is invested in capital assets while \$7,921,860 is unrestricted and may be used to meet the Town's ongoing obligations.
- On a government-wide basis, the Town had expenses net of program revenue of \$7,806,458. General revenues and transfers totaled \$14,014,875, resulting in an increase in net assets of \$6,208,417. This increase is primarily attributable to an infusion of revenues from capital grants and contributions for infrastructure and property and other taxes,
- The Town received \$4,398,954 in capital grants and contributions in FY 2009 for thoroughfare and bridge improvements.

Governmental Activities

- On a government-wide basis for governmental activities, the Town had expenses net of program revenue of \$9,572,151. General revenue and transfers totaled \$14,233,968 resulting in an increase in net assets of \$4,661,817.
- As of September 30, 2009, the Town's governmental activities reported combined ending net asset balances of \$48,733,767. The largest element of this balance, \$42,980,036, is the value of the Town's investment in capital assets, such as streets, parks and facilities, net of related debt.
- During the fiscal year ended September 30, 2009, the Town issued \$12,500,000 in General Obligation bonds and Certificates of Obligation. The debt issuance was for the purpose of funding general capital projects for streets and facilities as identified in the Town's Comprehensive General Capital Improvement Plan. The Town's general obligation debt is rated A2 by Moody's and A+ by Standard and Poor's.

Business-Type Activities

- The net assets of the Town's business-type activities had a current year increase of \$1,546,600. The current year increase is primarily due to impact fees as well as an increase in rates and charges for services. During the year there were no capital contributions from developers for commercial or residential development.
- During the fiscal year ended September 30, 2009, the Town issued \$16,500,000 in self-supporting Certificates of Obligation. The debt issuance was to fund easements, design and construction of water and wastewater improvements as identified in the Town's Water and Wastewater Capital Improvement Plan.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2009
(unaudited)

The Town's revenue and other self-supporting indebtedness carry the same credit rating as the Town's general obligation debt.

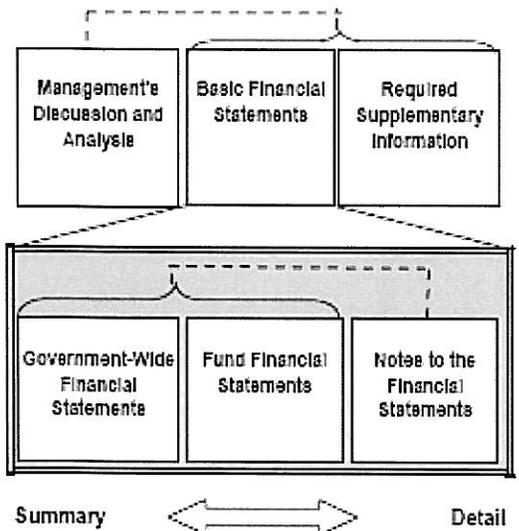
General Fund

- At the end of this fiscal year, unreserved and undesignated fund balance (net assets) for the general fund was \$4,265,589 or approximately 35% of the total general fund expenditures. The Town's General Fund Net Assets beginning of the year balance was restated from \$7,418,420 to \$3,930,726. The restatement included prior period adjustments of \$1,465,185 for municipal court and ambulance receivables and in addition, there was a reclassification of funds to capital projects in the amount of \$2,022,509.
- General fund revenues were under expenditures by \$512,858 before transfers. This deficiency was a planned draw down for one-time uses of reserves to purchase various capital outlays. After transfers, the General fund at the end of this fiscal year realized a net change in fund balance of \$334,863.
- General fund expenditures decreased by \$2,074,142 or 14% over fiscal year 2008 due to a reduction in capital outlay for infrastructure.
- The Town's total debt increased by \$12,500,000. The proceeds are for general capital projects approved by the voters including infrastructure and facilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Figure A-1. Required Components of the City's Annual Financial Report





MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2009

(unaudited)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2009

(unaudited)

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

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

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

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

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

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

OTHER FINANCIAL RELATED INFORMATION

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

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



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2009
 (unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the Town's Financial Position

As of September 30, 2009, the Town's assets exceeded liabilities by \$70,583,397. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets:

	Governmental Activities		Business-type Activities		Totals	
	2009	2008 ¹	2009	2008 ¹	2009	2008 ¹
Current and other assets	\$ 26,107,597	\$ 13,324,248	\$ 26,434,265	\$ 9,621,631	\$ 52,541,862	\$ 22,945,879
Capital assets	56,131,423	52,328,207	28,383,750	26,366,070	84,515,173	78,694,277
Total assets	82,239,020	65,652,455	54,818,015	35,987,701	137,057,035	101,640,156
Long-term liabilities	30,514,813	20,477,680	30,480,801	15,395,484	60,995,614	35,873,164
Other liabilities	2,990,440	1,102,825	2,532,584	334,187	5,523,024	1,437,012
Total liabilities	33,505,253	21,580,505	33,013,385	15,729,671	66,518,638	37,310,176
Net assets:						
Invested in capital assets, net of related debt	42,980,036	34,946,833	12,953,757	11,108,371	55,933,793	46,055,204
Restricted	456,110	2,020,133	6,226,634	3,739,824	6,682,744	5,759,957
Unrestricted	5,297,621	7,104,984	2,624,239	5,409,835	7,921,860	12,514,819
Total net assets	\$ 48,733,767	\$ 44,071,950	\$ 21,804,630	\$ 20,258,030	\$ 70,538,397	\$ 64,329,980

¹ Fiscal year 2008 net assets were restated for prior period adjustments and reclassification of funds.

As stated earlier in the opening highlights of this discussion, the fiscal year 2008 ending net asset balances were restated for a net total \$13,040,807. For additional detail of the prior period adjustments see Note 10. The restatement was primarily for the addition of street infrastructure not previously capitalized. The largest portion of the Town of Little Elm's net assets (79% or \$55,933,793) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, improvements, construction in progress, and infrastructure), less any related debt used to acquire capital assets still outstanding. The Town of Little Elm uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. Restricted net assets are for (1) use of impact fees for construction purposes \$1,967,386 and (2) debt service \$4,715,358. Unrestricted net assets of \$7,921,860 (11%) may be used to meet the Town's ongoing obligations to citizens and creditors.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2009

(unaudited)

For fiscal year-end 2009, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. As seen in the table above, the total change in net assets over fiscal year 2008 was \$6,208,417 or 10%.

- Included in unrestricted net assets are fund balances that are earmarked for particular purposes, such as park improvements, street maintenance, water and sewer system maintenance, and other operational expenses.
- Net assets increased primarily as a result of increases in capital assets and construction in progress. Major projects completed and or in progress during the year included:
 - Cottonwood Marina Park Improvements
 - Lakeshore Drive
 - Land and ROW acquired for new projects in progress
 - Little Elm Park Improvements (Construction in progress)
 - Witt/King Road Improvements (Construction in progress)
 - Wastewater Treatment Plant Expansion (Construction in progress)
 - Eldorado Parkway Water and Wastewater Improvements (Construction in Progress)

Analysis of the Town's operations

Governmental activities - Governmental activities increased the Town's net assets by \$4,661,817. Significant reasons for this increase are as follows: The Town had a \$3,422,946 increase in capital asset acquisitions, while long-term liabilities increased by \$11,599,693. See the "capital assets and debt administration" section of the MD&A for more information. The Town continues to see positive gains in net assets.

Business-type activities - Business-type activities increased the Town's net assets by \$1,546,600 after prior period adjustments and reclassification of funds. The Town's business-type capital assets increased by \$1,572,981 while long-term liabilities increased by \$16,455,708. The Town sold Certificates of Obligation for \$16,500,000 for infrastructure improvements.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2009
 (unaudited)

The following table provides a summary of the Town's operations for the year ended September 30, 2009:

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues						
Charges for services	\$ 2,061,115	\$ 4,431,562	\$ 10,410,399	\$ 6,694,244	\$ 12,471,514	\$ 11,125,806
Operating grants and contributions	182,174	304,349	-	-	182,174	304,349
Capital grants and contributions	4,398,954	8,360	-	-	4,398,954	8,360
General Revenues						
Property taxes	8,828,874	7,563,027	-	-	8,828,874	7,563,027
Sales taxes	1,804,818	1,814,759	-	-	1,804,818	1,814,759
Franchise taxes	1,099,550	1,384,438	-	-	1,099,550	1,384,438
Interest	334,206	539,838	455,159	288,977	789,365	828,815
Other	1,148,956	1,614,934	307,312	596,409	1,456,268	2,211,343
Total revenues	\$19,858,647	\$17,661,267	\$11,172,870	\$7,579,630	\$31,031,517	\$25,240,897
Expenses:						
General government	2,286,941	1,880,759	-	-	2,286,941	1,880,759
Community service	1,086,952	937,464	-	-	1,086,952	937,464
Public safety	6,431,906	5,756,355	-	-	6,431,906	5,756,355
Public works	3,990,855	4,155,141	-	-	3,990,855	4,155,141
Culture and recreation	1,358,796	1,091,693	-	-	1,358,796	1,091,693
Interest expense	1,058,944	908,921	-	-	1,058,944	908,921
Water and sewer services	-	-	6,817,172	6,474,575	6,817,172	6,474,575
Solid waste services	-	-	1,827,534	-	1,827,534	-
Total expenses:	\$16,214,394	\$14,730,333	\$8,644,706	\$6,474,575	\$24,859,100	\$21,204,908
Increase in net assets before transfers	3,644,253	2,930,934	2,528,164	1,105,055	6,172,417	2,063,555
Transfers	1,017,564	897,379	(981,564)	(867,379)	36,000	1,135,055
Change in net assets	4,661,817	3,828,313	1,546,600	237,676	6,208,417	23,592,170
Net assets, beginning of year¹	31,287,640	27,783,919	20,001,533	19,763,857	51,289,173	27,783,919
Prior Period Adjustment	12,784,310	(324,592)	256,497	-	13,040,807	(324,592)
Net assets, beginning of year (restated)	44,071,950	27,459,327	20,258,030	19,763,857	64,329,980	47,223,184
Net assets, end of year	\$48,733,767	\$31,287,640	\$21,804,630	\$20,001,533	\$70,538,397	\$51,289,173

Fiscal Year 2009 beginning Net Asset balances were restated to reflect fund type classifications and prior period error corrections. Note 10 to the Basic Financial Statements provide an explanation of adjustments.

The primary government's expenses exceeded program revenues by \$7,806,458. Program revenues of \$6,642,243 are specific to the functions(s) of the primary government such as fees and charges for services, grants, and capital contributions. The expenses of the primary government were \$24,859,100 with water and sewer operations' comprising the largest expense category at 35% or \$8,644,706. Public safety activities comprised 26% or \$6,431,906 which includes fire, police and animal control. The Town's general revenue sources from property tax, sales taxes, franchise taxes, interest, and miscellaneous revenues provides 68% of total revenue sources to support the primary government's governmental and business-type activities.

The Town's total governmental and business type activity revenues (program and general) increased by \$5,790,620 or 23% over prior year. This increase is attributable to property taxes and charges for services which include permit fees as well as rates and charges of the utility. The Town received capital contributions for thoroughfare improvements in an amount of \$4,398,954. The total cost of all governmental programs and

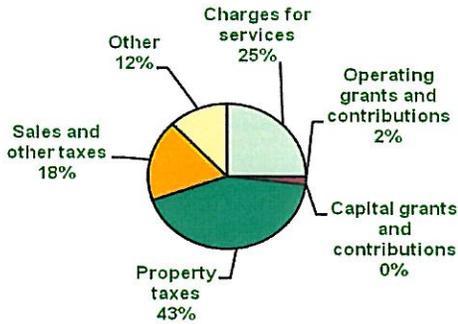


MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2009
(unaudited)

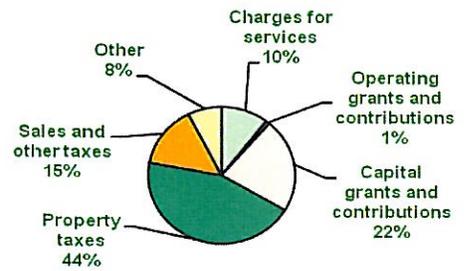
services have increased by \$3,654,192 or 17% over prior year. The increase in expenses is principally due to wage and benefit costs and costs associated with infrastructure maintenance. The following graphs are presented to reflect the ratio of revenues that support the primary government's activities for 2009 and 2008:

**Revenues by Source - Government Activities
9/30/2008**



2008 Total: \$17,661,267

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

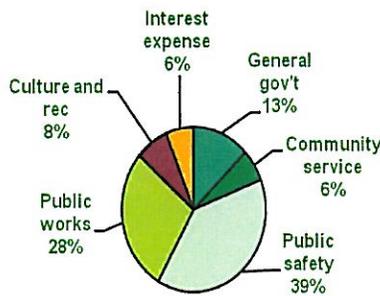


2009 Total: \$19,858,647

Total revenues of governmental activities were \$19,858,647 before transfers for fiscal year 2009. A significant portion (44%) of the Town's revenues came from property taxes with 15% attributable to sales and other taxes. Sales and other taxes reflect a reduction over the prior year by 3% or approximately \$295,000. This reduction is primarily a result of a decrease in electric franchise taxes.

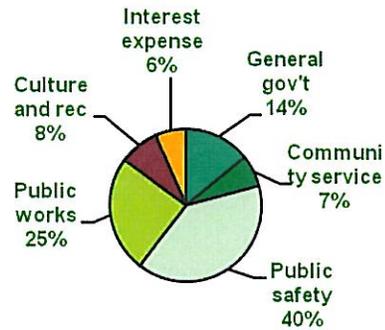
The total cost of all governmental programs was \$16,214,394 for fiscal year 2009. Of these costs, \$6,431,906 or 40% was for public safety activities. The following graphs present the ratio of each major expense by government activity:

**Governmental Activity Expenses
9/30/2008**



Total Expenses: \$14,730,333

Governmental Activity Expenses

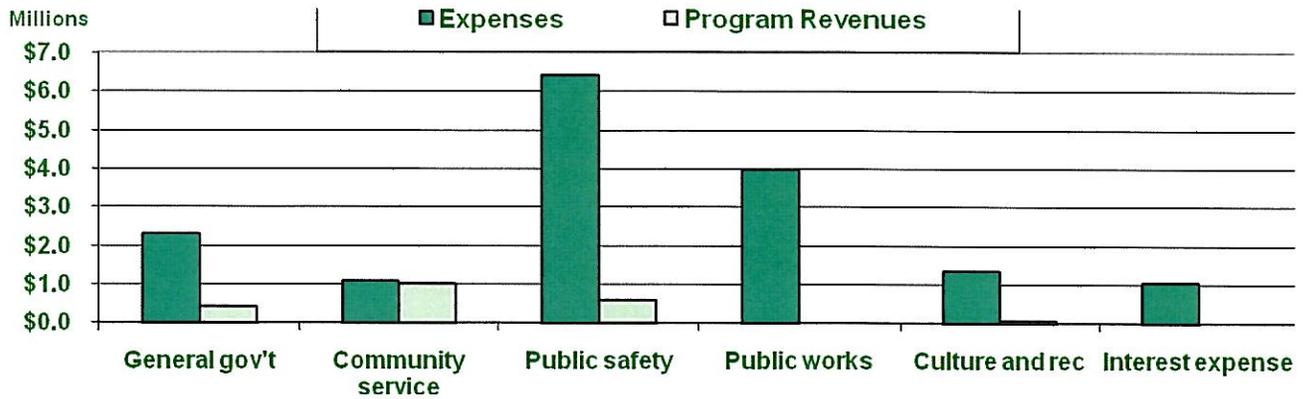


Total Expenses: \$16,214,394



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2009
 (unaudited)

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

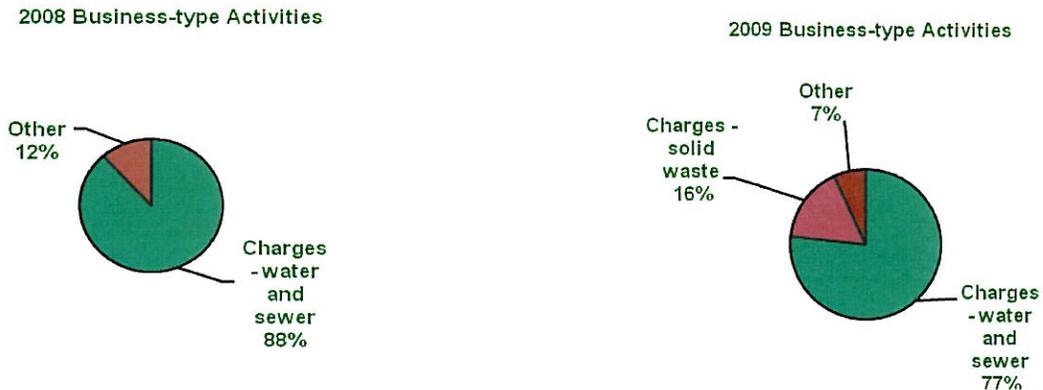


The primary government's expenses total \$16,214,394 for which only 13% is supported by user fees, licenses, and other charges. The balance of funding is supported by property and other taxes.

Expenses and Program Revenues - Business-type activities highlights –

- Business-type activities net assets increased by \$1,546,600 (after transfers) for the year which primarily means that the rates and charges of the system covered operational and debt related costs.
- Total business-type expenses for the year were \$8,644,706.
- Business-type revenues from operations increased by 36% or \$3,716,155 primarily due to a rate increase and a reclassification of the Solid Waste Fund program from the General Fund.
- Water and Wastewater operation expenses increased by 34% or \$2,170,131 primarily due to a continuation of the meter replacement program and reclassification of expenses of the Solid Waste Program.

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





MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2009

(unaudited)

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds – As of the end of the current fiscal year, the Town of Little Elm's governmental funds reported combined ending fund balances of \$24,448,547, an increase of \$10,968,830 compared with the prior year (before adjustments and reclassification of funds). The breakdown of the total fund balances at fiscal yearend is as follows:

- 17% or \$4,265,586 for General fund operating and maintenance purposes
- 78% or \$19,148,321 for General capital project commitments
- 4% or \$1,034,637 for Debt service commitments, special revenues, and street maintenance

There were various restatements and reclassifications impacting the beginning fund balance for the fiscal year. These were for prior period adjustments primarily for municipal court receivables, ambulance receivables, and related revenues that were recorded in error in prior years. There was also a reclassification of funds to the appropriate accounting groups or fund types from the General Fund. The General Fund Balance before being adjusted was \$7,418,420 and after adjustments the restated fund balance is \$3,930,726.

Proprietary Funds – The Town of Little Elm's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the proprietary funds have already been addressed in the discussion of the Town of Little Elm's business-type activities. The Proprietary Fund had net cash from operating activities at September 30, 2009 of \$4,114,710.

General Fund Budgetary Highlights

The Town of Little Elm adopts its budget by ordinance at the fund level. The original budget was amended by ordinance in September 2009 with the General Fund Budget being amended downwards by \$386,000. The primary reduction was in Public Safety.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets -The Town of Little Elm's investment in capital assets for its governmental and business type activities amounts to \$83,539,786 (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 \$4,995,925. Note 4 in the Financial Statement Section provide additional detail regarding the Town's capital assets. A summary of the Town's capital assets is as follows:

	Governmental Activities		Business-type Activities		Total	
	2009	2008 ¹	2009	2008 ¹	2009	2008
Land	\$ 2,479,696	\$ 1,290,806	\$ 923,892	\$ 327,918	\$ 3,403,588	\$ 1,618,724
Construction in progress	6,124,174	4,091,658	2,605,262	2,204,682	8,729,436	6,296,340
Buildings	5,704,588	5,459,906	78,277	2,626	5,782,865	5,462,532
Infrastructure	35,911,343	36,127,782	23,347,355	23,204,608	59,258,698	59,332,390
Other improvements	3,544,553	3,641,529	-	-	3,544,553	3,641,529
Machinery and equipment	1,986,862	1,716,591	833,785	475,756	2,820,646	2,192,347
Total capital assets:	\$ 55,751,216	\$ 52,328,272	\$ 27,788,571	\$ 26,215,590	\$ 83,539,786	\$ 78,543,862

¹ The capital asset balances were restated for fiscal year 2008.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2009

(unaudited)

The Town prepared a complete inventory of street infrastructure during the year and assigned a value to the inventory based upon the age of the street and construction. This established a base line for inventory reporting under the full accrual approach for GASB 34 reporting. The inventory resulted in an addition to street infrastructure of \$27,073,422 and corresponding depreciation of \$12,897,725 for a net adjustment to the beginning balance for fiscal year 2009 of \$14,175,697.

The Town budgets approximately \$750,000 annually for street maintenance from a combination of funds including the General Fund and Street Maintenance Sales Tax Fund. The Street Maintenance inventory is maintained by the public works department. All other infrastructure and facility maintenance is budgeted through the appropriate fund.

Long-term Debt - At year-end, the Town had \$63,165,972 of long-term debt and other liabilities. Of this amount, \$49,395,000 is backed by the full faith and credit of the Town and \$11,670,000 represents bonds secured solely by specific revenue sources from the Proprietary Fund. The Town issued \$29,000,000 in tax-backed debt during the year for which \$10,000,000 was voted general obligation bonds. For more detailed information, please see Note 5 in the financial statements.

The following is a summary of the Town's outstanding debt and other long-term obligations at fiscal year end September 30, 2009:

	Governmental activities		Business-type activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Gross bonded debt:						
General obligation	\$ 22,885,000	\$ 13,350,000	\$ -	\$ -	\$22,885,000	\$ 13,350,000
Certificates of obligation	7,749,300	5,513,450	18,760,700	2,401,550	26,510,000	7,915,000
Revenue bonds	-	-	11,670,000	12,095,000	11,670,000	12,095,000
Total bonded debt	30,634,300	18,863,450	30,430,700	14,496,550	61,065,000	33,360,000
Other long-term debt:						
Capital leases	247,496	478,569	-	-	247,496	478,569
Tax notes	410,000	635,000	-	-	410,000	635,000
Unamortized premiums	228,213	87,215	234,135	-	462,348	87,215
Compensated absences	555,920	412,002	155,208	137,785	711,128	549,787
Capital appreciation	-	-	270,000	-	270,000	-
Total other long-term	1,441,629	1,612,786	659,343	137,785	2,100,972	1,750,571
Total	\$32,075,929	\$20,476,236	\$31,090,043	\$14,634,335	\$63,165,972	\$35,110,571



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2009

(unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Town Utility customer growth slowed in the early part of the fiscal year but continued to climb back up to over 225 new connects. This represents continued growth in the Town limits.

In the initial budget planning process, the Town projected slower residential development that mirrored the regional and national economies. However, the Town of Little Elm has experienced a surge in residential housing starts as a result of the Federal Stimulus Program for first time home buyers. Retail and commercial development has been very slow but interest continues to surface from the development community. The most recent development has been the purchase of a 20 acre tract of property by the Kroger Grocery Chain. The development is in the platting stage and is expected to be in construction by the fall of 2010.

DISCRETELY PRESENTED COMPONENT UNITS

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

The long-term debt obligations of the Little Elm Economic Development Corporation at fiscal year end were \$7,704,098. The purpose of this debt was to finance the acquisition of land for the proposed Town Center project. The land is being held for resale inventory. The Town Council authorized and issued certificates of obligation of \$2,500,000 and approved a reimbursement agreement with the Little Elm Community Development Corporation (CDC) to reimburse from proceeds of sales tax to repay related annual debt service on the certificates of obligation.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

**BASIC
FINANCIAL STATEMENTS**

TOWN OF LITTLE ELM, TEXAS

STATEMENT OF NET ASSETS

September 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 12,277,711	\$ 14,442,876	\$ 26,720,587	\$ 1,763,442
Cash restricted for revenue bond reserve	-	447,021	447,021	-
Investments	11,195,000	10,000,000	21,195,000	-
Net receivables	2,608,769	1,467,759	4,076,528	212,435
Inventories	26,117	76,609	102,726	-
Land available for sale	-	-	-	7,322,952
Total current assets	26,107,597	26,434,265	52,541,862	9,298,829
Noncurrent assets:				
Land	2,479,696	923,892	3,403,588	-
Depreciable assets, net	47,147,346	24,259,417	71,406,763	-
Construction in progress	6,124,174	2,605,262	8,729,436	-
Total capital assets	55,751,216	27,788,571	83,539,787	-
Debt issuance costs	380,207	595,179	975,386	-
Total noncurrent assets	56,131,423	28,383,750	84,515,173	-
Total assets	\$ 82,239,020	\$ 54,818,015	\$ 137,057,035	\$ 9,298,829
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	\$ 995,841	\$ 896,608	\$ 1,892,449	\$ 20,040
Due to (from) other funds	(9,489)	(5,811)	(15,300)	15,300
Accrued interest payable	226,830	229,812	456,642	39,576
Retainage payable	216,142	44,886	261,028	-
Deposits and unearned revenue	-	757,847	757,847	-
Current portion of long-term debt	1,561,116	609,242	2,170,358	48,177
Total current liabilities	2,990,440	2,532,584	5,523,024	123,093
Bonds and other long-term debt	30,514,813	30,480,801	60,995,614	7,655,921
Total liabilities	33,505,253	33,013,385	66,518,638	7,779,014
NET ASSETS				
Invested in capital assets, net of related debt	42,980,036	12,953,757	55,933,793	-
Restricted for:				
Debt service	254,702	4,460,656	4,715,358	346,285
Impact fees	201,408	1,765,978	1,967,386	-
Economic and physical development	-	-	-	1,173,530
Unrestricted	5,297,621	2,624,239	7,921,860	-
Total net assets	48,733,767	21,804,630	70,538,397	1,519,815
Total liabilities and net assets	\$ 82,239,020	\$ 54,818,015	\$ 137,057,035	\$ 9,298,829

See notes to basic financial statements.

TOWN OF LITTLE ELM, TEXAS

STATEMENT OF ACTIVITIES Year Ended September 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government:			
Functions/Programs:			
Governmental activities:			
General government	\$ 2,286,941	\$ 413,046	\$ -
Community service	1,086,952	1,028,110	-
Public safety	6,431,906	576,564	138,540
Public works	3,990,855	-	-
Culture and recreation	1,358,796	43,395	43,634
Interest expense	1,058,944	-	-
Total governmental activities	<u>16,214,394</u>	<u>2,061,115</u>	<u>182,174</u>
Business-type activities:			
Water and sewer services	6,817,172	8,565,303	-
Solid waste services	1,827,534	1,845,096	-
Total business-type activities	<u>8,644,706</u>	<u>10,410,399</u>	<u>-</u>
Total primary government	<u>\$ 24,859,100</u>	<u>\$ 12,471,514</u>	<u>\$ 182,174</u>
Component Units:			
Component Units	\$ 868,181	\$ -	\$ -

General revenues:
 Property taxes, penalty, and interest
 Sales taxes
 Franchise taxes
 Interest
 Miscellaneous
 Transfers
 Total general revenues
Change in net assets

Net assets at beginning of year, as
 previously reported

Prior period adjustment
 Reclassification of funds

Net assets at beginning of year, as restated

Net assets, end of year

See notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
\$ -	\$ (1,873,895)	\$ -	\$ (1,873,895)	
-	(58,842)	-	(58,842)	
-	(5,716,802)	-	(5,716,802)	
4,398,954	408,099	-	408,099	
-	(1,271,767)	-	(1,271,767)	
-	(1,058,944)	-	(1,058,944)	
<u>4,398,954</u>	<u>(9,572,151)</u>	<u>-</u>	<u>(9,572,151)</u>	
-	-	1,748,131	1,748,131	
-	-	17,562	17,562	
-	-	<u>1,765,693</u>	<u>1,765,693</u>	
<u>\$ 4,398,954</u>	<u>(9,572,151)</u>	<u>1,765,693</u>	<u>(7,806,458)</u>	
<u>\$ -</u>				<u>\$ (868,181)</u>
	8,828,874	-	8,828,874	-
	1,804,818	-	1,804,818	1,086,799
	1,099,550	-	1,099,550	-
	334,206	455,159	789,365	41,388
	1,148,956	307,312	1,456,268	108,269
	1,017,564	(981,564)	36,000	(36,000)
	<u>14,233,968</u>	<u>(219,093)</u>	<u>14,014,875</u>	<u>1,200,456</u>
	<u>4,661,817</u>	<u>1,546,600</u>	<u>6,208,417</u>	<u>332,275</u>
	31,287,640	20,001,533	51,289,173	1,187,540
	12,858,473	182,334	13,040,807	-
	(74,163)	74,163	-	-
	<u>44,071,950</u>	<u>20,258,030</u>	<u>64,329,980</u>	<u>1,187,540</u>
	<u>\$ 48,733,767</u>	<u>\$ 21,804,630</u>	<u>\$ 70,538,397</u>	<u>\$ 1,519,815</u>

TOWN OF LITTLE ELM, TEXAS

**GOVERNMENTAL FUNDS
BALANCE SHEET**

September 30, 2009

	General Fund	Capital Projects		Nonmajor Governmental Funds	Total
		2005 GO Bonds	2009 GO & CO Bonds		
ASSETS					
Cash and cash equivalents	\$ 3,789,418	\$ 3,274,994	\$ 4,062,297	\$ 1,151,002	\$ 12,277,711
Investments	-	-	11,195,000	-	11,195,000
Receivables					
Taxes	363,508	-	-	97,937	461,445
Other	749,133	545,579	846,947	5,665	2,147,324
Inventories	26,117	-	-	-	26,117
Total assets	\$ 4,928,176	\$ 3,820,573	\$ 16,104,244	\$ 1,254,604	\$ 26,107,597
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other accrued items	\$ 436,700	\$ 4,617	\$ 406,164	\$ 148,360	\$ 995,841
Due to (from) other funds	(164,754)	286,134	(136,561)	5,692	(9,489)
Accrued interest payable	-	-	-	37,439	37,439
Retainage payable	-	109,640	106,502	-	216,142
Deferred revenue	390,641	-	-	28,476	419,117
Total liabilities	662,587	400,391	376,105	219,967	1,659,050
Fund balances:					
Reserved for inventory	26,117	-	-	-	26,117
Unreserved, reported in					
Capital projects	-	3,420,182	15,728,139	48,661	19,196,982
Special revenue	-	-	-	759,750	759,750
General fund	4,239,472	-	-	-	4,239,472
Debt service	-	-	-	226,226	226,226
Total fund balances	4,265,589	3,420,182	15,728,139	1,034,637	24,448,547
Total liabilities and fund balances	\$ 4,928,176	\$ 3,820,573	\$ 16,104,244	\$ 1,254,604	\$ 26,107,597

See notes to basic financial statements.

TOWN OF LITTLE ELM, TEXAS

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

September 30, 2009

Total governmental fund balances	\$ 24,448,547
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	55,751,216
Accrued interest on governmental activities debt is not reported in the funds until paid.	(189,391)
The ambulance receivable revenue is not reported in the funds because it is not available for current period expenditures.	146,419
Deferred property taxes are not reported in the funds because they are not available for current period expenditures.	111,215
Municipal fines receivable are not reported in the funds because they are not available for current period expenditures.	161,483
Bond issuance costs on governmental activity debt are included in expenditures in the funds when paid.	380,207
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(496,805)
Bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(31,579,124)</u>
Net assets of governmental activities	<u><u>\$ 48,733,767</u></u>

See notes to basic financial statements.

TOWN OF LITTLE ELM, TEXAS

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

Year Ended September 30, 2009

	General Fund	Capital Projects		Nonmajor Governmental Funds	Total
		2005 GO Bonds	2009 GO & CO Bonds		
Revenues:					
Taxes:					
Property taxes, penalty, and interest	\$ 6,827,171	\$ -	\$ -	\$ 1,890,488	\$ 8,717,659
General sales and use taxes	1,424,843	-	-	362,266	1,787,109
Other taxes and franchise fees	1,117,259	-	-	-	1,117,259
Licenses and permits	966,645	-	-	-	966,645
Intergovernmental revenue and grants	262,991	-	4,269,666	51,305	4,583,962
Charges for services	535,005	-	-	-	535,005
Fines	251,563	-	-	-	251,563
Interest	141,309	59,413	73,889	59,594	334,205
Other revenues	304,943	601,699	-	239,481	1,146,123
Total revenues	11,831,729	661,112	4,343,555	2,603,134	19,439,530
Expenditures:					
Current:					
General government	2,160,346	-	-	10,339	2,170,685
Community services	1,157,728	-	-	-	1,157,728
Public safety	6,347,799	-	-	17,243	6,365,042
Public works	1,349,074	-	-	98,577	1,447,651
Culture and recreation	1,329,640	-	-	8,468	1,338,108
Debt service:					
Principal retirement	-	-	-	1,185,222	1,185,222
Interest and fiscal agent fees	-	-	-	874,526	874,526
Capital outlay	-	4,594,738	1,262,007	199,801	6,056,546
Total expenditures	12,344,587	4,594,738	1,262,007	2,394,176	20,595,508
Excess (deficiency) of revenues over (under) expenditures	(512,858)	(3,933,626)	3,081,548	208,958	(1,155,978)
Other financing sources (uses):					
Transfers in	1,115,211	1,837,000	-	175,654	3,127,865
Issuance of debt	-	-	12,500,000	-	12,500,000
Premium on bond issuance	-	-	145,911	-	145,911
Transfers out	(267,490)	-	-	(1,842,811)	(2,110,301)
Total other financing sources (uses)	847,721	1,837,000	12,645,911	(1,667,157)	13,663,475
Net change in fund balances	334,863	(2,096,626)	15,727,459	(1,458,199)	12,507,497
Net assets, beginning of year, as previously reported	7,418,420	5,614,493	680	446,805	13,480,398
Prior period adjustment	(1,465,185)	-	-	-	(1,465,185)
Reclassification of funds	(2,022,509)	(97,685)	-	2,046,031	(74,163)
Net assets at beginning of year, as restated	3,930,726	5,516,808	680	2,492,836	11,941,050
Net assets, end of year	\$ 4,265,589	\$ 3,420,182	\$ 15,728,139	\$ 1,034,637	\$ 24,448,547

See notes to basic financial statements.

TOWN OF LITTLE ELM, TEXAS

RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE CHANGE IN NET ASSETS IN THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2009

Net change in fund balances - total governmental funds	\$ 12,507,497
Amounts reported for governmental funds in the statement of activities are different because:	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	419,117
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	(2,833,720)
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is capitalized.	6,357,948
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.	(12,645,911)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,185,222
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(184,418)
Some expenses reported in the statements of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(143,918)
Change in net assets of governmental activities	<u>\$ 4,661,817</u>

See notes to basic financial statements.

TOWN OF LITTLE ELM, TEXAS

PROPRIETARY FUNDS STATEMENT OF NET ASSETS September 30, 2009

	Water and Sewer	Solid Waste	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14,396,910	\$ 45,966	\$ 14,442,876
Cash restricted for revenue bond reserve	447,021	-	447,021
Investments	10,000,000	-	10,000,000
Receivables (net of allowance for uncollectible accounts of \$122,710)	1,213,697	254,062	1,467,759
Inventories	76,609	-	76,609
Total current assets	26,134,237	300,028	26,434,265
Noncurrent assets:			
Bond issuance costs	595,179	-	595,179
Land	923,892	-	923,892
Depreciable assets, net	24,259,417	-	24,259,417
Construction in progress	2,605,262	-	2,605,262
Total property and equipment	27,788,571	-	27,788,571
Total noncurrent assets	28,383,750	-	28,383,750
Total assets	\$ 54,517,987	\$ 300,028	\$ 54,818,015
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and other accrued items	\$ 684,421	\$ 212,187	\$ 896,608
Due to (from) other funds	(5,811)	-	(5,811)
Accrued interest payable	229,812	-	229,812
Retainage payable	44,886	-	44,886
Customer deposits	757,847	-	757,847
Current portion of long-term debt	609,242	-	609,242
Total current liabilities	2,320,397	212,187	2,532,584
Long-term debt, net of current portion	30,480,801	-	30,480,801
Total liabilities	32,801,198	212,187	33,013,385
Net assets:			
Invested in capital assets, net of related debt	12,953,757	-	12,953,757
Restricted for:			
Debt service	4,460,656	-	4,460,656
Impact fees	1,765,978	-	1,765,978
Unrestricted	2,536,398	87,841	2,624,239
Total net assets	21,716,789	87,841	21,804,630
Total liabilities and net assets	\$ 54,517,987	\$ 300,028	\$ 54,818,015

See notes to basic financial statements.

TOWN OF LITTLE ELM, TEXAS

**PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
Year Ended September 30, 2009**

	Water and Sewer	Solid Waste	Total
Operating revenues:			
Water sales	\$ 4,548,342	\$ -	\$ 4,548,342
Charges for sewer services	3,378,310	-	3,378,310
Tap, connections, and other fees	478,310	-	478,310
Charges for solid waste	-	1,845,096	1,845,096
Other revenue	160,341	-	160,341
Total operating revenues	8,565,303	1,845,096	10,410,399
Operating expenses:			
Peronnel services	1,458,353	9,912	1,468,265
Contractual services	190,029	1,694,990	1,885,019
Repairs and maintenance	177,716	122,632	300,348
Supplies	2,231,466	-	2,231,466
Depreciation and amortization	1,070,829	-	1,070,829
Other operating expenses	411,787	-	411,787
Total operating expenses	5,540,180	1,827,534	7,367,714
Operating income	3,025,123	17,562	3,042,685
Non-operating revenues (expenses):			
Developer reimbursement	(97,200)	-	(97,200)
Impact fees	307,312	-	307,312
Interest income	453,908	1,251	455,159
Interest expense	(1,179,792)	-	(1,179,792)
Total non-operating revenue (expenses)	(515,772)	1,251	(514,521)
Income before transfers	2,509,351	18,813	2,528,164
Transfers in	445,649	31,285	476,934
Transfers out	(1,255,906)	(202,592)	(1,458,498)
Change in net assets	1,699,094	(152,494)	1,546,600
Net assets, beginning of year, as previously reported	19,955,597	45,936	20,001,533
Prior period adjustment	182,334	-	182,334
Reclassification of funds	(120,236)	194,399	74,163
Net assets at beginning of year, as restated	20,017,695	240,335	20,258,030
Net assets, end of year	\$ 21,716,789	\$ 87,841	\$ 21,804,630

See notes to basic financial statements.

TOWN OF LITTLE ELM, TEXAS

**PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
Year Ended September 30, 2009**

	Water and Sewer	Solid Waste	Total
Cash flow from operating activities:			
Receipts from customers and users	\$ 7,910,028	\$ 1,785,433	\$ 9,695,461
Payments to suppliers	(2,414,016)	(1,743,854)	(4,157,870)
Payments to employees	(1,412,969)	(9,912)	(1,422,881)
Net cash provided by operating activities	<u>4,083,043</u>	<u>31,667</u>	<u>4,114,710</u>
Cash flow from noncapital financing activities:			
Transfers in	445,649	31,285	476,934
Transfers out	(1,255,906)	(202,592)	(1,458,498)
Received from other funds	190,654	-	190,654
Net cash used for noncapital financing activities	<u>(619,603)</u>	<u>(171,307)</u>	<u>(790,910)</u>
Cash flow from capital financing activities:			
Proceeds from long-term debt	17,011,021	-	17,011,021
Acquisition of capital assets	(2,616,903)	-	(2,616,903)
Impact fees	307,312	-	307,312
Principal paid on capital debt	(572,747)	-	(572,747)
Developer reimbursement	(97,200)	-	(97,200)
Interest paid on capital debt	(1,519,253)	-	(1,519,253)
Net cash provided by capital financing activities	<u>12,512,230</u>	<u>-</u>	<u>12,512,230</u>
Cash flow from investing activities:			
Purchase of investments	(10,000,000)	-	(10,000,000)
Interest and dividends on investments	410,529	1,251	411,780
Net cash provided (used) by investing activities	<u>(9,589,471)</u>	<u>1,251</u>	<u>(9,588,220)</u>
Net increase (decrease) in cash and cash equivalents	6,386,199	(138,389)	6,247,810
Cash and cash equivalents, beginning of year	8,457,732	184,355	8,642,087
Cash and cash equivalents, end of the year	<u>\$ 14,843,931</u>	<u>\$ 45,966</u>	<u>\$ 14,889,897</u>
Reconciliation to Statement of Net Assets			
Cash and cash equivalents	\$ 14,396,910	\$ 45,966	\$ 14,442,876
Cash restricted to revenue bond reserve	447,021	-	447,021
	<u>\$ 14,843,931</u>	<u>\$ 45,966</u>	<u>\$ 14,889,897</u>

(Continued)

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 3,025,123	\$ 17,562	\$ 3,042,685
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,070,829	-	1,070,829
(Increase) decrease in:			
Receivables	(651,973)	(59,663)	(711,636)
Inventory	170	-	170
Increase (decrease) in:			
Accounts payable and accrued liabilities	642,196	73,768	715,964
Customer deposits	(3,302)	-	(3,302)
Net cash provided by operating activities	<u>\$ 4,083,043</u>	<u>\$ 31,667</u>	<u>\$ 4,114,710</u>

See notes to basic financial statements.

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

These financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. The discretely presented component units are combined in a single column in the government-wide financial statements, although legally separate entities are, in substance, part of the Town’s operations. A combining schedule is included in the supplemental information.

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

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

Little Elm Reinvestment Authority was created in February 2009 for the purpose of aiding, assisting, and acting on behalf of the Town of Little Elm in the performance of its governmental functions to promote the common good and general welfare of the area including the Reinvestment Zone Numbers One and

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (continued)

Two and neighboring areas in Little Elm; to promote, develop, encourage, and maintain housing, educational facilities, employment, commerce, and economic development in the Town.

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

Government-Wide and Fund Financial Statements

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

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

Interfund activities between governmental funds and proprietary funds appear as due to/due from on the governmental fund balance sheet and proprietary fund statement of net assets and as other resources and other uses on the governmental fund and proprietary fund statements of revenues, expenditures, and change in fund balances. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide statements of net assets as internal balances and on the statements of activities as interfund transfers.

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

Fund Financial Statements

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

Governmental Funds

All Governmental funds are used to account for the Town's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (continued)

to accrual (i.e. when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liabilities are incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

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

The major governmental funds are:

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

Capital Projects Funds: The Town’s major capital project funds are used to account for bond proceeds to be used for the acquisition or construction of major capital facilities (other than those funded by proprietary funds).

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

2009 Bonds: To account for proceeds of general obligation bonds sold in June 2009 for street improvements, public safety facilities, and a recreation and senior citizen facility.

Proprietary Funds

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

proprietary fund's principal ongoing operations. The principal operating revenues of the Proprietary Funds are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses. The Town's policy is to apply all private sector guidance issued before November 30, 1989 to its proprietary funds unless they conflict with GASB guidance. The Town has elected not to follow subsequent private sector guidance.

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

Solid Waste Fund accounts for the collection of trash and recyclables.

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

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value, defined as the price at which two willing parties would complete an exchange.

Inventories

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

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.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure such as roads, bridges, drainage systems, and lighting systems are reported at historical cost except for contributed assets which are recorded at their estimated fair market value at the date received. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

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

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (continued)

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

Compensated Absences

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

Interfund Transactions

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

Long-term Debt

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Subsequent Events

Management evaluates subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

NOTE 2. CASH 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.

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

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, 2009 the Town's carrying amount of deposits in financial institutions is \$24,333,785 and the bank balance of deposits is \$23,443,093. The bank balance is completely covered by federal depository insurance or by collateral held by the pledging financial institution in the Town's name.

The carrying amount of deposits for the EDC, presented as a discrete component unit, is \$1,130,396 and the bank balance is \$1,131,766. The bank balance is covered by federal depository insurance or by collateral held by the pledging financial institution in the EDC's name.

The carrying amount and bank balance for the CDC, presented as a discrete component unit, was \$632,333, covered by FDIC insurance or fully collateralized.

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

Cash on hand	\$	2,500
Deposits with financial institutions		23,443,093
Deposits with TexPool		<u>3,722,015</u>
Total	\$	<u>27,167,608</u>
Cash and cash equivalents	\$	26,720,587
Cash and cash equivalents - restricted		<u>447,021</u>
Total	\$	<u>27,167,608</u>

The investments of the Town at September 30, 2009 follows:

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

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

The Town's investment in investment pools at September 30, 2009, represents an investment in Texpool. Texpool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Texpool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in Texpool is the same as the value of Texpool shares, respectively. The State Comptroller oversees Texpool, with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller.

GASB Statement No 40. requires a determination as to whether the Town was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's holdings in Texpool are rated AAAM by Standard & Poor's Corporation.

b. Custodial Credit Risk

The Town's deposits with financial institutions are fully insured or are collateralized with securities held by the pledging financial institution in the Town's name.

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

NOTE 3. 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.

The total assessed value upon which the fiscal 2009 levy was based was approximately \$1,471,000,000. Such assessed value was computed based on 100% appraised values.

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. PROPERTY TAXES (Continued)

General property taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation and by the Town's Home Rule Charter to \$1.50 per \$100 of assessed valuation. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2009, was \$0.569960 per \$100 of assessed valuation.

Property taxes attach as an enforceable lien on property as of January 1 following the levy date. Taxes are due by January 31 following the levy date. Current tax collections for the year ended September 30, 2009, were approximately 99% of the tax levy.

NOTE 4. CAPITAL ASSETS

A summary of changes in governmental activity capital assets follows:

	Restated Balance October 1, 2008	Additions	Retirements and Transfers	Balance September 30, 2009
Capital assets not being depreciated:				
Land	\$ 1,290,806	\$ 396,614	\$ 792,276	\$ 2,479,696
Construction in progress	4,091,658	4,076,896	(2,044,380)	6,124,174
Total non-depreciable assets	<u>5,382,464</u>	<u>4,473,510</u>	<u>(1,252,104)</u>	<u>8,603,870</u>
Capital assets being depreciated:				
Infrastructure	51,580,233	1,028,100	855,667	53,464,000
Buildings	6,003,753	-	396,437	6,400,190
Improvements other than buildings	4,020,256	61,793	-	4,082,049
Machinery and equipment	4,359,085	676,181	(39,369)	4,995,897
Total depreciable	<u>65,963,327</u>	<u>1,766,074</u>	<u>1,212,735</u>	<u>68,942,136</u>
Less accumulated depreciation				
Infrastructure	15,452,451	2,100,206	-	17,552,657
Buildings	543,847	151,755	-	695,602
Improvements other than buildings	378,727	158,769	-	537,496
Machinery and equipment	2,642,494	405,910	(39,369)	3,009,035
Total accumulated depreciation	<u>19,017,519</u>	<u>2,816,640</u>	<u>(39,369)</u>	<u>21,794,790</u>
Total depreciable, net	<u>46,945,808</u>	<u>(1,050,566)</u>	<u>1,252,104</u>	<u>47,147,346</u>
Total	<u>\$ 52,328,272</u>	<u>\$ 3,422,944</u>	<u>\$ -</u>	<u>\$ 55,751,216</u>

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS (Continued)

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 117,697
Community service	9,020
Public safety	313,688
Public works	2,220,525
Culture and recreation	155,710
	<u>\$ 2,816,640</u>

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

	Restated Balance October 01, 2008	Additions	Retirements and Transfers	Balance September 30, 2009
Capital assets not being depreciated:				
Land	\$ 327,918	\$ 382,737	\$ 213,237	\$ 923,892
Construction in progress	2,204,682	1,509,408	(1,108,828)	2,605,262
Total non-depreciable assets	<u>2,532,600</u>	<u>1,892,145</u>	<u>(895,591)</u>	<u>3,529,154</u>
Capital assets being depreciated:				
Buildings	95,402	78,277	-	173,679
Water system improvements	12,162,361	180,350	820,121	13,162,832
Sewer system improvements	15,645,601	39,995	-	15,685,596
Machinery and equipment	921,517	426,135	15,462	1,363,114
Total depreciable	<u>28,824,881</u>	<u>724,757</u>	<u>835,583</u>	<u>30,385,221</u>
Less accumulated depreciation				
Buildings	92,776	2,626	-	95,402
Water system improvements	1,714,667	496,944	-	2,211,611
Sewer system improvements	2,888,687	400,775	-	3,289,462
Machinery and equipment	445,761	143,576	(60,008)	529,329
Total accumulated depreciation	<u>5,141,891</u>	<u>1,043,921</u>	<u>(60,008)</u>	<u>6,125,804</u>
Total depreciable, net	<u>23,682,990</u>	<u>(319,164)</u>	<u>895,591</u>	<u>24,259,417</u>
Total capital assets	<u>\$ 26,215,590</u>	<u>\$ 1,572,981</u>	<u>\$ -</u>	<u>\$ 27,788,571</u>

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT

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

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

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

Bonds payable at September 30, 2009, is comprised of the following individual issues:

Primary Government

Governmental Activities:

Certificates of Obligation:

	<u>Outstanding</u>	<u>Due next year</u>
\$598,000 Series 2000 Combination Tax and Revenue Certificates of Obligation (issued in conjunction with business-type debt; total issuance of \$2,600,000) due in annual installments of \$25,300 to \$50,600 through August 2021, plus interest at 5.25% to 6.75%	\$ 439,300	\$ 25,300
\$3,700,000 Series 2001 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$155,000 to \$295,000 through August 2022, plus interest at 4.50% to 6.00%	2,825,000	155,000

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Certificates of Obligation:

	<u>Outstanding</u>	<u>Due next year</u>
\$2,500,000 Series 2002 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$100,000 to \$190,000 through August 2023, plus interest at 4.40% to 4.80%	1,985,000	100,000
\$2,500,000 Series 2009A Combination Tax and Revenue Certificates of Obligation due in annual installments of \$75,000 to \$190,000 through August 2019, plus interest at 1% to 4.45 %	2,500,000	75,000
	<u>7,749,300</u>	<u>355,300</u>

General Obligation:

\$3,380,000 Series 2005 General Obligation Bond due in annual installments of \$90,000 to \$200,000 through August 2029, plus interest at 2.25% to 5.25%	2,670,000	90,000
\$4,750,000 Series 2005 General Obligation Bond due in annual installments of \$145,000 to \$360,000 through August 2026, plus interest at 3.50% to 5.00%	4,355,000	145,000
\$6,250,000 Series 2006 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$210,000 to \$475,000 through August 2027, plus interest at 4.00% to 4.50%	5,860,000	210,000
\$10,000,000 Series 2009 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$305,000 to \$765,000 through August 2029, plus interest at 2.75% to 5.25%	10,000,000	305,000
	<u>22,885,000</u>	<u>750,000</u>

Tax Notes:

\$560,000 Series 2005 Tax Anticipation Notes due in annual installments of \$70,000 to \$90,000 through August 2012, plus interest at 4.05%	260,000	85,000
\$685,000 Series 2005A Tax Anticipation Notes due in annual installments of \$125,000 to \$150,000 through August 2010, plus interest at 3.59% to 4.12%	150,000	150,000
	<u>410,000</u>	<u>235,000</u>

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

	<u>Outstanding</u>	<u>Due next year</u>
Capital Leases:		
\$478,405 capital lease due in annual installments of \$63,393 including interest of 5.74% through February 2011	116,260	56,283
\$342,167 capital lease due in semi-annual installments of \$30,062 to \$75,783, including interest at 5.10%, through August 2010	57,902	57,902
\$178,905 capital lease due in annual installments of \$39,219 including interest of 4.47%, through February 2011	73,334	35,843
	<u>247,496</u>	<u>150,026</u>
	31,291,769	1,490,326
Net bond premium	228,213	11,674
Compensated absences	555,920	59,116
	<u>\$ 32,075,929</u>	<u>\$ 1,561,116</u>
Business-type Activities:		
Water and Sewer Fund Bonds:		
	<u>Outstanding</u>	<u>Due next year</u>
With revenues pledged:		
Certificates of Obligation		
\$1,220,000 Series 1999 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$60,000 to \$100,000 through August 2019, plus interest at 4.50% to 6.00%	\$ 790,000	\$ 60,000
\$2,002,000 Series 2000 Combination Tax and Revenue Certificates of Obligation (issued in conjunction with governmental long-term debt; total issuance of \$2,600,000) due in annual installments of \$84,700 to \$169,400 through August 2021, plus interest at 5.25% to 6.75%	1,470,700	84,700
\$6,500,000 Series 2008 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$160,000 to \$455,000 through August 2034, plus interest at 4.15% to 5.20%	6,500,000	-
\$10,000,000 Series 2009 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$145,000 to \$735,000 through August 2034, plus interest at 3.00% to 5.00%	10,000,000	-
	<u>18,760,700</u>	<u>144,700</u>

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

	<u>Outstanding</u>	<u>Due next year</u>
Revenue Bonds		
\$4,900,000 Series 2002 Revenue Refunding and Improvement Bond due in annual installments of \$185,000 to \$380,000 through August 2024, plus interest at 4.40% to 5.50%	4,100,000	185,000
\$4,600,000 Series 2003 Revenue Bond due in annual installments of \$155,000 to \$720,000 through August 2025, plus interest at 4.35% to 5.63%	4,055,000	155,000
\$3,800,000 Series 2004 Revenue Bond due in annual installments of \$105,000 to \$270,000 through August 2029, plus interest at 3.90% to 5.00%	3,515,000	105,000
	<u>11,670,000</u>	<u>445,000</u>
Capital Appreciation Certificate:		
\$270,000 Series 2009 Capital Appreciation Certificates due in two annual installments of \$315,000, including interest, on August 2012 and 2013	270,000	-
Grand total	30,700,700	589,700
Net bond premium	234,135	9,438
Compensated absences	155,208	10,104
Total debt serviced by the Water and Sewer Fund	<u>\$31,090,043</u>	<u>\$ 609,242</u>

Total interest incurred for the year ended September 30, 2009 is \$1,264,758 in the Proprietary Funds; of this amount, \$82,339 is capitalized as a component of the cost of capital assets constructed during the year and \$1,179,792 is charged to expense.

The annual requirements including interest to amortize all primary government bonds outstanding at September 30, 2009, follow:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 1,490,326	\$ 1,334,257	\$ 589,700	\$ 765,876
2011	1,340,070	1,279,217	627,400	719,638
2012	1,308,750	1,226,583	971,250	676,562
2013	1,311,050	1,176,352	993,950	630,763
2014	1,377,200	1,123,626	1,227,800	579,287
2015-2019	7,991,650	4,670,939	7,028,350	2,102,270
2020-2024	9,157,750	2,725,871	7,737,250	896,222
2025-2029	7,315,000	881,439	6,145,000	202,385
2030-2034	-	-	5,380,000	866,728
Total	<u>\$ 31,291,796</u>	<u>\$ 14,418,284</u>	<u>\$ 30,700,700</u>	<u>\$ 7,439,731</u>

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Component Unit

Little Elm Economic Development Corporation

	<u>Outstanding</u>	<u>Due next year</u>
Notes Payable		
\$517,553 promissory note due in monthly installments of \$5,738 through October 2016, which includes interest at 5.85% and secured by sales tax revenue	\$ 394,509	\$ 48,177
\$3,400,000 promissory note due at maturity on December 2011, with interest payments due monthly at 4.65% and secured with sales tax revenue and real property	3,400,000	-
\$1,000,000 promissory note with principal and interest due December 2011, which may be extended for a three-year period, interest rate of 4% and secured by real property	1,000,000	-
\$2,909,589 promissory note due at maturity on November 2011, with interest payments due monthly at 4.06% and secured by real property	2,909,589	-
	<u>\$ 7,704,098</u>	<u>\$ 48,177</u>

The annual requirements including interest to amortize all notes outstanding in the EDC at September 30, 2009, follow:

Year Ending September 30,	Economic Development Corporation	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 48,177	\$ 298,107
2011	49,639	295,293
2012	7,362,211	145,599
2013	55,784	12,798
2014	59,137	9,446
2015-2019	129,150	8,016
Total	<u>\$ 7,704,098</u>	<u>\$ 769,259</u>

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. EMPLOYEE RETIREMENT SYSTEM

Plan Description

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

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

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

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

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

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. EMPLOYEE RETIREMENT SYSTEM (Continued)

Contributions

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

The Town contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the Town make contributions monthly. Since the Town needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The Town contributes at the full retirement rate each year. The amount contributed for the year ended September 30, 2009 is \$631,180.

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2008 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the Unit Credit actuarial funding method for determining the Town's contribution rate. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a Town. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2008 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits, and annuity increase that are adopted on an annually repeating basis. In addition, the board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustees rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in a amount greater than 0.5%, the amortization period will be increased to 30 years, unless a Town request that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate or their required contribution rate).

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. EMPLOYEE RETIREMENT SYSTEM (Continued)

Actuarial Assumptions

	<u>December 31, 2006</u>	<u>December 31, 2007</u>	<u>December 31, 2008</u>
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 Years- Open Period	25 Years- Closed Period	24 Years- Closed Period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Investment Rate of Return	7%	7%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation At Cost-of-Living Adjustments	3.0% None	3.0% 2.1%	3.0% 2.1%

The funded status as of December 31, 2008, the most recent actuarial valuation date follows:

	<u>December 31, 2008</u>
Actuarial Valuation Date	
Actuarial Value of Assets	\$ 4,848,286
Actuarial Accrued Liability	6,986,469
Percentage Funded	69.4%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	2,138,183
Annual Covered Payroll	7,106,339
UAAL as a Percentage of Covered Payroll	30.1%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Town is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of 1,821 individual governmental units located within Texas. The Town pays an annual premium to the funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$1,000,000 per occurrence with a \$2,000,000 annual aggregate. There is a deductible of \$5,000 due from the Town per claim for all liability claims with no deductible for general liability.

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

NOTE 8. INTERFUND BALANCES

All interfund receivables and payables are considered short term and, at September 30, 2009, consist of the following:

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

Interfund balances are primarily used as resources are loaned between funds and are repaid in October of the subsequent year.

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8. INTERFUND BALANCES (Continued)

Transfers to and from other funds during the year ended September 30, 2009 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Primary Government</u>		
General fund	\$ 1,115,211	\$ 267,490
2005 GO Bonds	1,837,000	-
Nonmajor governmental funds	175,654	1,842,811
Water and Sewer Fund	445,649	1,255,906
Solid Waste Fund	31,285	202,592
	<u>3,604,799</u>	<u>3,568,799</u>
<u>Component Units</u>		
Economic Development	48,611	24,000
Nonmajor component units	-	60,611
	<u>48,611</u>	<u>84,611</u>
Grand total	<u>\$ 3,653,410</u>	<u>\$ 3,653,410</u>

Transfers are used to move expenses or revenue from the fund that paid the expense to the one that incurred it and the fund that received the revenue to the fund that earned it.

NOTE 9. 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 total amount included in operating expense for the year ended September 30, 2009 is approximately \$1,350,000.

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10. PRIOR PERIOD ADJUSTMENT

At September 30, 2009, the Town recorded the following prior period adjustments to account for the change in reporting and correction of an error.

<u>Government-Wide</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary Government			
Beginning net assets, as previously reported	\$ 31,287,640	\$ 20,001,533	\$ 51,289,173
Addition of infrastructure	27,073,422	-	27,073,422
Related accumulated depreciation on infrastructure	(12,897,725)	-	(12,897,725)
Capitalization of bond issuance costs	-	182,334	182,334
Various other adjustments need to properly state prior period	147,961	-	147,961
Governmental funds adjustment	(1,465,185)	-	(1,465,185)
Total prior period adjustment	12,858,473	182,334	13,040,807
Reclassification of funds	(74,163)	74,163	-
Beginning net assets, as restated	<u>\$ 44,071,950</u>	<u>\$ 20,258,030</u>	<u>\$ 64,329,980</u>
<u>Governmental Funds</u>	<u>General Fund</u>	<u>2005 GO Bond Capital Project</u>	<u>Nonmajor Governmental Fund</u>
Beginning fund balance, as previously reported	\$ 7,418,420	\$ 5,614,493	\$ 446,805
Defer ambulance fees, not measurable and available	(414,812)	-	-
Defer court fees not measurable and available	(1,050,373)	-	-
Total prior period adjustment	(1,465,185)	-	-
Reclassification of funds	(2,022,509)	(97,685)	2,046,031
Beginning fund balance, as restated	<u>\$ 3,930,726</u>	<u>\$ 5,516,808</u>	<u>\$ 2,492,836</u>

TOWN OF LITTLE ELM, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 11. SUBSEQUENT EVENTS

The Town has awarded various contracts for capital improvements totaling approximately \$6,000,000.

The Town issued General Obligation Refunding and Improvement bonds in the amount of \$11,655,000. These bonds will refund the 1999 series Certificates of Obligation bonds which have outstanding balances of \$2,700,000 at year-end. The new issuance bears interest of 2% to 5% with principal payments of \$380,000 to \$655,000 beginning September 2011 and maturing in 2030.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF LITTLE ELM, TEXAS

REQUIRED SUPPLEMENTAL INFORMATION

Texas Municipal Retirement System Schedule of Funding Progress (unaudited)

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)
12/31/06	\$ 2,696,139	\$ 3,168,372	\$ 472,233	85.1%	\$ 5,187,881	9.1%
12/31/07	3,662,834	5,452,368	1,789,534	67.2%	6,323,238	28.3%
12/31/08	4,848,286	6,986,469	2,138,183	69.4%	7,106,339	30.1%

TOWN OF LITTLE ELM, TEXAS

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GAAP BASIS Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Property taxes, penalty and interest	\$ 6,688,569	\$ 6,730,137	\$ 6,827,171	\$ 97,034
General sales and use taxes	1,425,000	1,433,794	1,424,843	(8,951)
Other taxes and franchise fees	1,193,412	1,165,614	1,117,259	(48,355)
Licenses and permits	781,795	844,932	966,645	121,713
Intergovernmental revenue and grants	232,200	264,787	262,991	(1,796)
Charges for services	425,500	475,266	535,005	59,739
Fines	250,200	289,609	251,563	(38,046)
Interest	131,800	139,454	141,309	1,855
Miscellaneous	274,250	272,258	304,943	32,685
Total revenues	11,402,726	11,615,851	11,831,729	215,878
Expenditures:				
General government:				
Town Council	74,050	33,850	35,366	(1,516)
Town Manager	220,799	222,967	225,596	(2,629)
Town Secretary	128,439	127,948	124,335	3,613
Tax	210,000	222,801	225,724	(2,923)
Municipal court	170,281	173,579	156,021	17,558
Finance	495,676	453,451	443,647	9,804
Information technology	358,872	331,927	411,001	(79,074)
Human resources	261,239	292,374	304,597	(12,223)
Town attorney	200,200	225,200	234,059	(8,859)
Total general government	2,119,556	2,084,097	2,160,346	(76,249)
Community services:				
Inspections	742,054	739,327	655,487	83,840
Planning and zoning	515,935	502,592	502,241	351
Total community services	1,257,989	1,241,919	1,157,728	84,191
Public safety:				
Police	3,098,488	2,910,851	2,897,359	13,492
Fire	3,183,621	3,078,829	3,326,434	(247,605)
Animal control	146,721	124,984	124,006	978
Total public safety	6,428,830	6,114,664	6,347,799	(233,135)
Public works:				
Streets	894,504	842,113	794,857	47,256
Fleet maintenance	175,881	162,510	164,592	(2,082)
Facility maintenance	306,570	373,001	389,625	(16,624)
Total public works	1,376,955	1,377,624	1,349,074	28,550

TOWN OF LITTLE ELM, TEXAS

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - GAAP BASIS - Continued
Year Ended September 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Culture and recreation:				
Library	284,157	256,083	251,776	4,307
Parks and recreation	1,074,524	1,079,173	1,077,864	1,309
Total culture and recreation	1,358,681	1,335,256	1,329,640	5,616
Total expenditures	12,542,011	12,153,560	12,344,587	(191,027)
Excess (deficiency) of revenues over (under) expenditures	(1,139,285)	(537,709)	(512,858)	(24,851)
Other financing sources (uses):				
Transfers in	1,023,375	1,159,375	1,115,211	44,164
Transfers out	-	(2,375)	(267,490)	265,115
Total other financing sources (uses)	1,023,375	1,157,000	847,721	309,279
Revenues and other financing sources over (under) expenditures and other financing uses	(115,910)	619,291	334,863	284,428
Net assets at beginning of year, as restated	3,930,726	3,930,726	3,930,726	-
Net assets, end of year	\$ 3,814,816	\$ 4,550,017	\$4,265,589	\$ 284,428

See notes to basic financial statements.

TOWN OF LITTLE ELM, TEXAS

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE 1. BUDGETARY INFORMATION

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

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

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

NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the period ended September 30, 2009, current expenditures exceed appropriations in the following funds. This excess is funded by available fund balance.

<u>Fund</u>	<u>Expenditures in Excess of Appropriations</u>
General Fund	\$ 191,027
Debt Service Fund	144,416
Street Maintenance Fund	96,571
Donations	2,154

**COMBINING STATEMENTS AND INDIVIDUAL
FUND SCHEDULES**

**TOWN OF LITTLE ELM
FUND DESCRIPTIONS**

NON-MAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

NON-MAJOR CAPITAL PROJECTS FUNDS

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

Texas Capital Grants: to account for grant funds for economic stimulus purposes related to improving street infrastructure for a major manufacturer in the Town.

DEBT SERVICE FUND

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

COMPONENT UNITS

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

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

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

TOWN OF LITTLE ELM, TEXAS

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

September 30, 2009

	Special Revenue	Capital Projects	Debt Service	Total
ASSETS				
Cash and cash equivalents	\$ 790,220	\$ 98,629	\$ 262,153	\$ 1,151,002
Investments	-	-	-	-
Receivables (net of allowance for uncollectibles)				
Taxes	62,257	-	35,680	97,937
Other	5,665	-	-	5,665
Total assets	<u>\$ 858,142</u>	<u>\$ 98,629</u>	<u>\$ 297,833</u>	<u>\$ 1,254,604</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ 98,392	\$ 49,968	\$ -	\$ 148,360
Due to (from) other funds	-	-	5,692	5,692
Accrued interest payable	-	-	37,439	37,439
Deferred revenue	-	-	28,476	28,476
Total liabilities	<u>98,392</u>	<u>49,968</u>	<u>71,607</u>	<u>219,967</u>
Fund balances:				
Unreserved and undesignated				
Reported in the Special Revenue Fund	759,750	-	-	759,750
Reported in the Capital Projects Fund	-	48,661	-	48,661
Reported in the Debt Service Fund	-	-	226,226	226,226
Total fund balances	<u>759,750</u>	<u>48,661</u>	<u>226,226</u>	<u>1,034,637</u>
Total liabilities and fund balances	<u>\$ 858,142</u>	<u>\$ 98,629</u>	<u>\$ 297,833</u>	<u>\$ 1,254,604</u>

TOWN OF LITTLE ELM, TEXAS

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE Year Ended September 30, 2009

	Special Revenue	Capital Projects	Debt Services	Total
Revenues:				
Taxes				
Property taxes	\$ -	\$ -	\$ 1,890,488	\$ 1,890,488
General sales and use taxes	362,266	-	-	362,266
Intergovernmental revenue and grants	23,877	27,428	-	51,305
Interest	14,244	20,622	24,728	59,594
Other revenues	46,607	192,874	-	239,481
Total revenues	<u>446,994</u>	<u>240,924</u>	<u>1,915,216</u>	<u>2,603,134</u>
Expenditures:				
Current:				
General government	10,339	-	-	10,339
Public safety	17,243	-	-	17,243
Public works	98,577	-	-	98,577
Culture and recreation	8,468	-	-	8,468
Debt service:				
General debt service	-	-	1,185,222	1,185,222
Debt interest	-	-	874,526	874,526
Capital outlay	9,891	189,910	-	199,801
Total expenditures	<u>144,518</u>	<u>189,910</u>	<u>2,059,748</u>	<u>2,394,176</u>
Excess (deficiency) of revenues over (under) expenditures	302,476	51,014	(144,532)	208,958
Other financing sources (uses):				
Transfers in	23,740	-	151,914	175,654
Transfers out	-	(1,842,811)	-	(1,842,811)
Total other financing sources (uses)	<u>23,740</u>	<u>(1,842,811)</u>	<u>151,914</u>	<u>(1,667,157)</u>
Net change in fund balances	326,216	(1,791,797)	7,382	(1,458,199)
Fund balances, beginning of year, as previously reported	227,961	-	218,844	446,805
Reclassification of funds	205,573	1,840,458	-	2,046,031
Fund balances, at beginning of year, as restated	<u>433,534</u>	<u>1,840,458</u>	<u>218,844</u>	<u>2,492,836</u>
Fund balances, end of year	<u>\$ 759,750</u>	<u>\$ 48,661</u>	<u>\$ 226,226</u>	<u>\$ 1,034,637</u>

TOWN OF LITTLE ELM, TEXAS

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
September 30, 2009**

	<u>Donations</u>	<u>Grants</u>	<u>Forfeitures</u>	<u>Street Maintenance</u>	<u>Park Development</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 68,425	\$ 27,523	\$ 7,745	\$ 533,780	\$ 152,747	\$ 790,220
Receivables (net of allowance for uncollectibles)						
Taxes	-	-	-	62,257	-	62,257
Other	5,665	-	-	-	-	5,665
Total assets	<u>\$ 74,090</u>	<u>\$ 27,523</u>	<u>\$ 7,745</u>	<u>\$ 596,037</u>	<u>\$ 152,747</u>	<u>\$ 858,142</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	\$ 37	\$ 1,784	\$ -	\$ 96,571	\$ -	\$ 98,392
Total liabilities	<u>37</u>	<u>1,784</u>	<u>-</u>	<u>96,571</u>	<u>-</u>	<u>98,392</u>
Fund balances	<u>74,053</u>	<u>25,739</u>	<u>7,745</u>	<u>499,466</u>	<u>152,747</u>	<u>759,750</u>
Total liabilities and fund balances	<u>\$ 74,090</u>	<u>\$ 27,523</u>	<u>\$ 7,745</u>	<u>\$ 596,037</u>	<u>\$ 152,747</u>	<u>\$ 858,142</u>

TOWN OF LITTLE ELM, TEXAS

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended September 30, 2009

	Donations	Grants	Forfeitures	Street Maintenance	Park Development	Total
Revenues:						
Taxes						
General sales and use taxes	\$ -	\$ -	\$ -	\$ 362,266	\$ -	\$ 362,266
Support from other governmental entities	14,879	8,998	-	-	-	23,877
Interest	493	417	137	7,816	5,381	14,244
Other revenues	46,607	-	-	-	-	46,607
Total revenues	<u>61,979</u>	<u>9,415</u>	<u>137</u>	<u>370,082</u>	<u>5,381</u>	<u>446,994</u>
Expenditures:						
Current:						
General government	10,339	-	-	-	-	10,339
Public safety	14,142	3,101	-	-	-	17,243
Public works	-	-	-	98,577	-	98,577
Culture and recreation	6,746	1,722	-	-	-	8,468
Capital outlay	-	-	-	-	9,891	9,891
Total expenditures	<u>31,227</u>	<u>4,823</u>	<u>-</u>	<u>98,577</u>	<u>9,891</u>	<u>144,518</u>
Excess (deficiency) of revenues over (under) expenditures	30,752	4,592	137	271,505	(4,510)	302,476
Other financing sources:						
Transfers in	23,740	-	-	-	-	23,740
Total other financing sources	<u>23,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,740</u>
Excess (deficiency) of revenue and other financing sources over (under) expenditures	54,492	4,592	137	271,505	(4,510)	326,216
Net assets, beginning of year, as previously reported	-	-	-	227,961	-	227,961
Reclassification of funds	19,561	21,147	7,608	-	157,257	205,573
Net assets at beginning of year, as restated	<u>19,561</u>	<u>21,147</u>	<u>7,608</u>	<u>227,961</u>	<u>157,257</u>	<u>433,534</u>
Net assets, end of year	<u>\$ 74,053</u>	<u>\$ 25,739</u>	<u>\$ 7,745</u>	<u>\$ 499,466</u>	<u>\$ 152,747</u>	<u>\$ 759,750</u>

TOWN OF LITTLE ELM, TEXAS

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENTS OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL

Year Ended September 30, 2009

	Donations				Grants			
	Original Budget	Final Budget	Actual	Variance from Budget	Original Budget	Final Budget	Actual	Variance from Budget
Revenues:								
Taxes								
General sales and use taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Support from other governmental entities	750,000	2,777	14,879	12,102	5,050	5,050	8,998	3,948
Interest	-	-	493	493	-	-	417	417
Other revenues	-	26,296	46,607	20,311	50	50	-	(50)
Total revenues	750,000	29,073	61,979	32,906	5,100	5,100	9,415	4,315
Expenditures:								
Current:								
General government	-	-	10,339	10,339	-	-	-	-
Public safety	-	29,073	14,142	(14,931)	100	100	3,101	3,001
Public works	49,706	-	-	-	-	-	-	-
Culture and recreation	-	-	6,746	6,746	10,000	10,000	1,722	(8,278)
Capital outlay	700,000	-	-	-	-	-	-	-
Total expenditures	749,706	29,073	31,227	2,154	10,100	10,100	4,823	(5,277)
Excess (deficiency) of revenues over (under) expenditures	294	-	30,752	30,752	(5,000)	(5,000)	4,592	9,592
Other financing uses:								
Transfers in	-	-	23,740	23,740	-	-	-	-
Total other financing uses	-	-	23,740	23,740	-	-	-	-
Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses	294	-	54,492	54,492	(5,000)	(5,000)	4,592	9,592
Fund balances, beginning of year as restated	19,561	19,561	19,561	-	21,147	21,147	21,147	-
Fund balances, end of year	\$ 19,855	\$ 19,561	\$ 74,053	\$ 54,492	\$ 16,147	\$ 16,147	\$ 25,739	\$ 9,592

Forfeitures				Street Maintenance			
Original Budget	Final Budget	Actual	Variance from Budget	Original Budget	Final Budget	Actual	Variance from Budget
\$ -	\$ -	\$ -	\$ -	\$ 356,250	\$ 360,092	\$ 362,266	\$ 2,174
5,050	5,050	-	(5,050)	-	-	-	-
-	-	137	137	560	8,235	7,816	(419)
50	50	-	(50)	-	-	-	-
<u>5,100</u>	<u>5,100</u>	<u>137</u>	<u>(4,963)</u>	<u>356,810</u>	<u>368,327</u>	<u>370,082</u>	<u>1,755</u>
-	-	-	-	-	-	-	-
100	100	-	(100)	-	-	-	-
-	-	-	-	500,000	2,006	98,577	96,571
10,000	10,000	-	(10,000)	-	-	-	-
-	-	-	-	-	-	-	-
<u>10,100</u>	<u>10,100</u>	<u>-</u>	<u>(10,100)</u>	<u>500,000</u>	<u>2,006</u>	<u>98,577</u>	<u>96,571</u>
(5,000)	(5,000)	137	5,137	(143,190)	366,321	271,505	(94,816)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(5,000)	(5,000)	137	5,137	(143,190)	366,321	271,505	(94,816)
7,608	7,608	7,608	-	227,961	227,961	227,961	-
<u>\$ 2,608</u>	<u>\$ 2,608</u>	<u>\$ 7,745</u>	<u>\$ 5,137</u>	<u>\$ 84,771</u>	<u>\$ 594,282</u>	<u>\$ 499,466</u>	<u>\$ (94,816)</u>

(Continued)

TOWN OF LITTLE ELM, TEXAS

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENTS OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL (Continued)

Year Ended September 30, 2009

	Park Development				Total Special Revenue Funds Budget and Actual			
	Original Budget	Final Budget	Actual	Variance from Budget	Original Budget	Final Budget	Actual	Variance from Budget
Revenues:								
Taxes								
General sales and use taxes	\$ -	\$ -	\$ -	\$ -	\$ 356,250	\$ 360,092	\$362,266	\$ 2,174
Support from other governmental entities	-	-	-	-	760,100	12,877	23,877	11,000
Interest	14,500	14,500	5,381	(9,119)	15,060	22,735	14,244	(8,491)
Other revenues	20,000	20,000	-	(20,000)	20,100	46,396	46,607	211
Total revenues	34,500	34,500	5,381	(29,119)	1,151,510	442,100	446,994	4,894
Expenditures:								
Current:								
General government	-	-	-	-	-	-	10,339	10,339
Public safety	-	-	-	-	200	29,273	17,243	(12,030)
Public works	-	-	-	-	549,706	2,006	98,577	96,571
Culture and recreation	-	-	-	-	20,000	20,000	8,468	(11,532)
Capital outlay	122,057	122,057	9,891	(112,166)	822,057	122,057	9,891	(112,166)
Total expenditures	122,057	122,057	9,891	(112,166)	1,391,963	173,336	144,518	(28,818)
Excess (deficiency) of revenues over (under) expenditures	(87,557)	(87,557)	(4,510)	83,047	(240,453)	268,764	302,476	33,712
Other financing uses:								
Transfers in	-	-	-	-	-	-	23,740	23,740
Total other financing uses	-	-	-	-	-	-	23,740	23,740
Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses	(87,557)	(87,557)	(4,510)	83,047	(240,453)	268,764	326,216	57,452
Fund balances, beginning of year as restated	157,257	157,257	157,257	-	433,534	433,534	433,534	-
Fund balances, end of year	\$ 69,700	\$ 69,700	\$152,747	\$ 83,047	\$ 193,081	\$ 702,298	\$759,750	\$ 57,452

TOWN OF LITTLE ELM, TEXAS

**NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEETS
September 30, 2009**

	Street/ Drainage Improvements	Texas Capital Grants	Total
ASSETS			
Cash and cash equivalents	\$ 98,629	\$ -	\$ 98,629
Total assets	\$ 98,629	\$ -	\$ 98,629
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 49,968	\$ -	\$ 49,968
Total liabilities	49,968	-	49,968
FUND BALANCES			
Unreserved and undesignated:			
Reported in the Capital Projects Fund	48,661	-	48,661
Total fund balances	48,661	-	48,661
Total liabilities and fund balances	\$ 98,629	\$ -	\$ 98,629

TOWN OF LITTLE ELM, TEXAS

**NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENTS OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended September 30, 2009**

	Street/ Drainage Improvements	Texas Capital Grants	Total
Revenues:			
Intergovernmental revenue and grants	\$ -	\$ 27,428	\$ 27,428
Interest	20,622	-	20,622
Other revenues	192,873	1	192,874
Total revenues	<u>213,495</u>	<u>27,429</u>	<u>240,924</u>
Expenditures:			
Capital outlay	162,481	27,429	189,910
Total expenditures	<u>162,481</u>	<u>27,429</u>	<u>189,910</u>
Excess of revenues over expenditures	51,014	-	51,014
Other financing uses:			
Transfers out	<u>(1,837,000)</u>	<u>(5,811)</u>	<u>(1,842,811)</u>
Total other financing uses	<u>(1,837,000)</u>	<u>(5,811)</u>	<u>(1,842,811)</u>
Net change in fund balances	(1,785,986)	(5,811)	(1,791,797)
Net assets, beginning of year, as previously reported	-	-	-
Reclassification of funds	<u>1,834,647</u>	<u>5,811</u>	<u>1,840,458</u>
Net assets at beginning of year, as restated	<u>1,834,647</u>	<u>5,811</u>	<u>1,840,458</u>
Net assets, end of year	<u>\$ 48,661</u>	<u>\$ -</u>	<u>\$ 48,661</u>

TOWN OF LITTLE ELM, TEXAS

**DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2009**

	DEBT SERVICE			Variance from Budget
	Original Budget	Final Budget	Actual	
Revenues:				
Property taxes	\$ 2,012,006	\$ 1,893,686	\$ 1,890,488	\$ (3,198)
Interest	30,000	24,985	24,728	(257)
Total revenues	<u>2,042,006</u>	<u>1,918,671</u>	<u>1,915,216</u>	<u>(3,455)</u>
Expenditures:				
Principal retirement	993,649	1,042,103	1,185,222	143,119
Interest and fiscal charges	839,997	873,229	874,526	1,297
Total expenditures	<u>1,833,646</u>	<u>1,915,332</u>	<u>2,059,748</u>	<u>144,416</u>
Excess (deficiency) of revenues over (under) expenditures	208,360	3,339	(144,532)	(147,871)
Other financing sources:				
Transfers in	-	93,983	151,914	57,931
Total other financing sources	<u>-</u>	<u>93,983</u>	<u>151,914</u>	<u>57,931</u>
Revenues over expenditures and other financing uses	208,360	97,322	7,382	(89,940)
Fund balances, beginning	<u>218,844</u>	<u>218,844</u>	<u>218,844</u>	<u>-</u>
Fund balances, ending	<u>\$ 427,204</u>	<u>\$ 316,166</u>	<u>\$ 226,226</u>	<u>\$ (89,940)</u>

TOWN OF LITTLE ELM, TEXAS

**COMPONENT UNITS
COMBINING STATEMENTS FUND BALANCES
September 30, 2009**

	Major Fund	Nonmajor Funds		Total
	Economic Development Corporation	Community Development Corporation	Little Elm Redevelopment Authority	
ASSETS				
Cash and cash equivalents	\$ 1,130,396	\$ 633,046	\$ -	\$ 1,763,442
Receivables	124,514	62,257	25,664	212,435
Land available for sale	7,322,952	-	-	7,322,952
Total assets	\$ 8,577,862	\$ 695,303	\$ 25,664	\$ 9,298,829
LIABILITIES				
Accounts payable	\$ 19,720	\$ 320	\$ -	\$ 20,040
Due to (from) other funds	(133,634)	-	148,934	15,300
Accrued interest payable	5,738	-	-	5,738
Total liabilities	(108,176)	320	148,934	41,078
FUND BALANCES				
Reserved for:				
Land held for sale	7,322,952	-	-	7,322,952
Debt service	346,285	-	-	346,285
Unrestricted	1,016,801	694,983	(123,270)	1,588,514
Total fund balances	8,686,038	694,983	(123,270)	9,257,751
Total liabilities and fund balances	\$ 8,577,862	\$ 695,303	\$ 25,664	\$ 9,298,829

**RECONCILIATION OF TOTAL COMPONENT UNIT FUND BALANCES
TO NET ASSETS OF COMPONENT UNITS
September 30, 2009**

Total component unit fund balances	\$ 9,257,751
Accrued interest on governmental activities debt is not reported in the funds until paid.	(33,838)
Notes payable are not due and payable in the current period and therefore are not reported in the funds.	(7,704,098)
Net assets of component units	<u>\$ 1,519,815</u>

See Note 5.

TOWN OF LITTLE ELM, TEXAS

COMPONENT UNITS
COMBINING STATEMENTS OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended September 30, 2009

	Major	Nonmajor		Total
	Economic Development Corporation	Community Development Corporation	Little Elm Redevelopment Authority	
Revenues:				
Taxes				
General sales and use taxes	\$ 724,533	\$ 362,266	\$ -	\$ 1,086,799
Interest	27,295	14,093	-	41,388
Other revenues	108,269	-	-	108,269
Total revenues	<u>860,097</u>	<u>376,359</u>	<u>-</u>	<u>1,236,456</u>
Expenditures:				
Current:				
Economic and physical development	513,579	1,326	74,659	589,564
Debt service:				
General debt service	44,506	-	-	44,506
Debt interest	244,779	-	-	244,779
Total expenditures	<u>802,864</u>	<u>1,326</u>	<u>74,659</u>	<u>878,849</u>
Excess (deficiency) of revenues over (under) expenditures	57,233	375,033	(74,659)	357,607
Other financing sources (uses):				
Transfers in	48,611	-	-	48,611
Transfers out	(24,000)	(12,000)	(48,611)	(84,611)
Issuance of debt	7,309,589	-	-	7,309,589
Total other financing sources (uses)	<u>7,334,200</u>	<u>(12,000)</u>	<u>(48,611)</u>	<u>7,273,589</u>
Net change in fund balances	7,391,433	363,033	(123,270)	7,631,196
Fund balance, beginning of year	1,294,604	331,950	-	1,626,554
Fund balance, end of year	<u>\$ 8,686,037</u>	<u>\$ 694,983</u>	<u>\$ (123,270)</u>	<u>\$ 9,257,750</u>

RECONCILIATION OF CHANGES IN FUND BALANCES OF
COMPONENT UNITS TO THE CHANGE IN NET ASSETS IN THE
STATEMENT OF ACTIVITIES
Year Ended September 30, 2009

Net change in fund balances - total component units	\$ 7,631,196
Amounts reported for component unit funds in the statement of activities are different because:	
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.	(7,309,589)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	44,506
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(33,838)
Change in net assets of component unit activities	<u>\$ 332,275</u>

**STATISTICAL SECTION
(UNAUDITED)**

TABLE OF CONTENTS STATISTICAL SECTION

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

<u>Contents</u>	<u>Table #s</u>
<p>Financial Trends</p> <p>These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</p>	<p>A-1 to A-4</p>
<p>Revenue Capacity</p> <p>These tables contain information to help the reader assess the Town's two most significant local revenue sources, the property and sales taxes.</p>	<p>B-1 to B-6</p>
<p>Debt Capacity</p> <p>These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the City's ability to issue additional debt in the future.</p>	<p>C-1 to C-5</p>
<p>Economic and Demographic Information</p> <p>These tables offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.</p>	<p>D-1 to D-2</p>
<p>Operating Information</p> <p>These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides.</p>	<p>E-1 to E-3</p>

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

TOWN OF LITTLE ELM, TEXAS

TABLE A-1

NET ASSETS BY COMPONENT
Last Six Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year					
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008^b</u>	<u>2009</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 18,434,495	\$ 11,459,359	\$ 17,666,776	\$ 19,470,253	\$ 34,946,833	\$ 42,980,036
Restricted	581,765	2,531,729	2,531,729	2,714,442	2,020,133	456,110
Unrestricted	5,859,985	6,027,986	3,287,263	5,599,224	7,104,984	5,297,621
Total governmental activities net assets ^a	<u>\$ 24,876,245</u>	<u>\$ 20,019,074</u>	<u>\$ 23,485,768</u>	<u>\$ 27,783,919</u>	<u>\$ 44,071,950</u>	<u>\$ 48,733,767</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 13,229,275	\$ 5,892,867	\$ 8,246,435	\$ 10,616,127	\$ 11,108,371	\$ 12,953,757
Restricted	-	3,832,517	4,421,129	4,026,887	3,739,824	6,226,634
Unrestricted	0	5,430,243	5,129,690	5,120,843	5,409,835	2,624,239
Total business-type activities net assets	<u>\$ 13,229,275</u>	<u>\$ 15,155,627</u>	<u>\$ 17,797,254</u>	<u>\$ 19,763,857</u>	<u>\$ 20,258,030</u>	<u>\$ 21,804,630</u>
Primary government						
Invested in capital assets, net of related debt	\$ 31,663,770	\$ 17,352,226	\$ 25,913,211	\$ 30,086,380	\$ 46,055,204	\$ 55,933,793
Restricted	581,765	6,364,246	6,952,858	6,741,329	5,759,957	6,682,744
Unrestricted	5,859,985	11,458,229	8,416,953	10,720,067	12,514,819	7,921,860
Total primary governmental net assets	<u>\$ 38,105,520</u>	<u>\$ 35,174,701</u>	<u>\$ 41,283,022</u>	<u>\$ 47,547,776</u>	<u>\$ 64,329,980</u>	<u>\$ 70,538,397</u>

Source: Comprehensive Annual Financial Report

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

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

TOWN OF LITTLE ELM, TEXAS

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

	Fiscal Year					
	2004	2005	2006	2007 ^b	2008	2009
Expenses						
Governmental activities:						
General government	\$ 1,002,901	\$ 1,746,332	\$ 2,046,546	\$ 1,165,132	\$ 1,880,759	\$ 2,286,941
Public safety	2,534,609	3,817,912	3,904,491	4,735,242	5,756,355	6,431,906
Public works	1,533,972	2,870,899	3,652,686	3,334,704	4,155,141	3,990,855
Culture and recreation	432,751	815,792	811,641	1,033,235	1,091,693	1,358,796
Community services	568,348	612,772	658,666	1,231,869	937,464	1,086,952
Interest on long-term debt	704,666	260,137	235,890	217,332	908,921	1,058,944
Total governmental activities expenses	\$ 6,777,247	\$ 10,123,844	\$ 11,309,920	\$ 11,717,514	\$ 14,730,333	\$ 16,214,394
Business-type activities:						
Water and sewer	\$ 4,160,706	\$ 4,645,710	\$ 4,616,233	\$ 4,641,202	\$ 6,474,575	\$ 6,817,172
Solid waste	-	-	-	-	-	1,827,534
Total business-type activities expenses	4,160,706	4,645,710	4,616,233	4,641,202	6,474,575	8,644,706
Total primary government expenses	\$ 10,937,953	\$ 14,769,554	\$ 15,926,153	\$ 16,358,716	\$ 21,204,908	\$ 24,859,100
Program Revenues						
Governmental activities:						
Charges for Services:						
General government	\$ 265,761	\$ 461,562	\$ 679,877	\$ 472,491	\$ 2,268,637	\$ 413,046
Public safety	144,158	412,446	793,118	883,435	898,538	576,564
Public works	49,279	215,455	185,928	129,384	1,264,387	-
Culture and recreation	48,245	38,205	49,412	47,779	-	43,395
Community services	2,548,099	456,953	498,279	288,518	-	1,028,110
Operating grants and contributions	198,653	14,951	27,540	149,774	304,349	182,174
Capital grants and contributions	-	4,708,563	4,141,707	2,478,539	8,360	4,398,954
Total governmental activities program revenues	\$ 3,254,195	\$ 6,308,135	\$ 6,375,861	\$ 4,449,920	\$ 4,744,271	\$ 6,642,243
Business-type activities:						
Charges for services:						
Water and sewer	\$ 3,741,867	\$ 4,429,192	\$ 5,218,473	\$ 4,385,488	\$ 6,694,244	\$ 8,565,303
Solid waste	-	-	-	-	-	1,845,096
Operating grants and contributions	-	55,299	-	-	-	-
Capital grants and contributions	-	1,514,799	741,816	1,900,735	-	-
Total business-type activities program revenues	\$ 3,741,867	\$ 5,999,290	\$ 5,960,289	\$ 6,286,223	\$ 6,694,244	\$ 10,410,399
Total primary government program revenues	\$ 6,996,062	\$ 12,307,425	\$ 12,336,150	\$ 10,736,143	\$ 11,438,515	\$ 17,052,642

(continued)

TABLE A-2

Net (Expenses) Revenue						
Governmental activities	\$ (3,523,052)	\$ (3,815,709)	\$ (4,934,060)	\$ (7,267,594)	\$ (9,986,062)	\$ (9,572,151)
Business-type activities	(418,839)	1,353,580	1,344,056	1,645,021	219,669	1,765,693
Total primary government net expenses	<u>\$ (3,941,891)</u>	<u>\$ (2,462,129)</u>	<u>\$ (3,590,004)</u>	<u>\$ (5,622,573)</u>	<u>\$ (9,766,393)</u>	<u>\$ (7,806,458)</u>

General Revenues and other Changes in Net Assets

Governmental activities:

Taxes:

Property taxes	\$ 3,082,183	\$ 4,842,770	\$ 5,154,268	\$ 5,790,305	\$ 7,563,027	\$ 8,828,874
Sales & Other taxes	508,695	1,992,412	1,735,286	3,310,322	3,199,197	2,904,368
Penalties and interest	21,792	44,256	50,504	-	-	-
Unrestricted investment earnings	79,314	213,359	388,712	367,476	539,838	334,206
Gains on sale of assets	-	-	78,482	(7,805)	-	-
Developer contributions	12,252,588	-	-	-	-	-
Impact Fees	993,346	-	-	-	-	-
Miscellaneous	275,569	85,503	100,660	94,695	1,614,934	1,148,956
Transfers	(358,824)	210,932	263,260	367,145	897,379	1,017,564
Total governmental activities	<u>\$ 16,854,663</u>	<u>\$ 7,389,232</u>	<u>\$ 7,771,172</u>	<u>\$ 9,922,138</u>	<u>\$ 13,814,375</u>	<u>\$ 14,233,968</u>

Business-type activities:

Unrestricted investment earnings	\$ 90,823	\$ 77,650	\$ 144,682	\$ 204,514	\$ 288,977	\$ 455,159
Gains on sale of assets	-	-	-	9,694	-	-
Miscellaneous	136,522	-	-	-	596,409	307,312
Developer contributions	7,008,101	-	-	-	-	-
Transfers	358,824	(210,932)	(263,260)	(367,145)	(867,379)	(981,564)
Total business-type activities	<u>\$ 7,594,270</u>	<u>\$ (133,282)</u>	<u>\$ (118,578)</u>	<u>\$ (152,937)</u>	<u>\$ 18,007</u>	<u>\$ (219,093)</u>
Total primary government	<u>\$ 24,448,933</u>	<u>\$ 7,255,950</u>	<u>\$ 7,652,594</u>	<u>\$ 9,769,201</u>	<u>\$ 13,832,382</u>	<u>\$ 14,014,875</u>

Change in Net Assets

Governmental activities	\$ 13,331,611	\$ 3,573,523	\$ 2,837,112	\$ 2,654,544	\$ 3,828,313	\$ 4,661,817
Business-type activities	7,175,431	1,220,298	1,225,478	1,492,084	237,676	1,546,600
Total primary government	<u>\$ 20,507,042</u>	<u>\$ 4,793,821</u>	<u>\$ 4,062,590</u>	<u>\$ 4,146,628</u>	<u>\$ 4,065,989</u>	<u>\$ 6,208,417</u>

Source: Comprehensive Annual Financial Report

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

b General Revenue classifications modified.

TOWN OF LITTLE ELM, TEXAS

TABLE A-3

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved ^a	\$ -	\$ 3,700,000	\$ 6,715,210	\$ 5,398,701	\$ -	\$ 2,545,432	\$ 2,552,744	\$ 2,793,187	\$ 2,020,133	\$ 26,117
Unreserved	323,000	234,622	7,926	1,205,621	5,859,985	2,328,596	3,283,945	3,356,355	5,398,287	4,239,472
Total general fund	\$ 323,000	\$ 3,934,622	\$ 6,723,136	\$ 6,604,322	\$ 5,859,985	\$ 4,874,028	\$ 5,836,689	\$ 6,149,542	\$ 7,418,420	\$ 4,265,589
All Other Governmental Funds										
Reserved for:										
Debt service	55,794	76,675	48,202	123,578	100,743	-	10,363	76,933	-	-
Unreserved, reported in:										
Special revenue funds	140,724	185,112	292,902	430,112	481,022	662,364	1,131,265	1,447,159	227,961	759,750
Debt service	-	-	-	-	-	-	-	-	218,843	226,226
Capital projects funds	-	-	-	-	-	2,996,670	10,111,140	7,855,095	5,614,493	19,196,982
Total all other governmental funds	\$ 196,518	\$ 261,787	\$ 341,104	\$ 553,690	\$ 581,765	\$ 3,659,034	\$ 11,252,768	\$ 9,379,187	\$ 6,061,297	\$ 20,182,958

Source: Comprehensive Annual Financial Report

Notes: a Includes impact fees

TOWN OF LITTLE ELM, TEXAS

TABLE A-4

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
REVENUES										
Property taxes, penalties and interest	\$ 384,633	\$ 607,249	\$ 1,088,300	\$ 1,820,583	\$ 2,493,573	\$ 2,962,576	\$ 3,952,201	\$ 5,644,249	\$ 7,678,109	\$ 8,717,659
Sales tax	245,810	290,609	386,513	627,316	1,308,251	1,667,422	1,554,438	1,751,857	1,814,759	1,787,109
Franchise and other taxes	119,072	216,687	214,757	461,843	508,695	614,367	868,904	971,299	1,395,846	1,117,259
Licenses and permits	1,011,261	1,334,393	1,484,869	1,661,194	1,579,673	1,926,686	2,065,029	1,542,637	1,264,387	966,645
Charges for services	245,317	229,150	273,838	442,001	554,173	1,232,031	1,504,403	1,905,967	2,268,637	535,005
Fines and forfeitures	98,578	104,334	168,687	174,174	265,761	250,796	698,938	622,940	898,538	251,563
Intergovernmental revenue and grants	279,930	128,352	140,649	177,221	198,652	342,532	618,983	323,297	312,709	4,583,962
Interest earnings	16,779	61,610	118,661	90,247	79,314	243,196	729,047	951,392	539,838	334,205
Other revenue	198,987	217,932	234,182	356,936	199,413	177,674	513,296	300,864	266,466	1,146,123
Total revenues	2,600,367	3,190,316	4,110,456	5,811,515	7,187,505	9,417,280	12,505,239	14,014,502	16,439,289	19,439,530
EXPENDITURES										
General government	387,568	531,214	620,458	630,234	679,693	1,302,788	1,694,438	2,067,815	2,410,803	2,170,685
Public safety	821,348	1,164,755	1,509,973	2,069,348	2,459,182	2,902,564	3,684,917	4,827,076	5,527,997	6,365,042
Public works	453,321	495,751	528,279	777,881	1,220,266	2,304,509	2,359,076	2,763,980	3,530,078	1,447,651
Culture and recreation	64,491	101,113	157,025	241,350	369,049	479,282	670,386	891,579	951,798	1,338,108
Community services	-	87,845	167,277	230,654	561,531	363,251	442,312	176,853	-	1,157,728
Capital outlay	1,198,837	1,209,881	1,738,340	2,767,840	2,564,167	3,749,115	7,236,375	6,424,139	5,686,126	6,056,546
Debt service										
Principal retirement	173,612	21,000	214,061	217,074	450,804	464,655	955,245	863,504	1,132,700	1,185,222
Interest and fiscal charges	31,199	50,653	296,660	358,749	533,777	445,811	683,790	943,950	921,717	874,526
Total expenditures	3,130,376	3,662,212	5,232,073	7,293,130	8,838,469	12,011,975	17,726,539	18,958,896	20,161,219	20,595,508
Excess (deficiency) of revenues over (under) expenditures	(530,009)	(471,896)	(1,121,617)	(1,481,615)	(1,650,964)	(2,594,695)	(5,221,300)	(4,944,394)	(3,721,930)	(1,155,978)
OTHER FINANCING SOURCES (USES)										
Proceeds from bonds	598,000	3,700,000	2,500,000	-	300,000	3,914,080	12,136,709	-	-	12,645,911
Proceeds from capital lease obligation	241,734	478,405	-	-	-	-	-	178,905	342,168	-
Developer fees and contributions	16,292	61,838	542,275	1,392,217	993,526	944,595	1,389,369	2,758,921	1,240,467	-
Operating transfer from component units	-	-	-	-	-	-	-	-	30,000	-
Operating transfer to component units	-	-	-	-	-	-	-	-	-	-
Transfer from other funds	-	-	-	183,170	459,350	299,672	796,918	931,123	1,837,105	3,127,865
Transfer to other funds	(166,613)	(91,456)	(250,950)	-	(818,174)	(472,343)	(545,301)	(485,283)	(969,725)	(2,110,301)
Total other financing sources (uses)	689,413	4,148,787	2,791,325	1,575,387	934,702	4,686,004	13,777,695	3,383,666	2,480,015	13,663,475
NET CHANGE IN FUND BALANCES	\$ 159,404	\$ 3,676,891	\$ 1,669,708	\$ 93,772	\$ (716,262)	\$ 2,091,309	\$ 8,556,395	\$ (1,560,728)	\$ (1,241,915)	\$ 12,507,497
Debt service as a percentage of noncapital expenditures	10.6%	2.9%	14.6%	12.7%	15.7%	11.0%	15.6%	14.4%	14.2%	14.2%

Source: Comprehensive Annual Financial Report

TOWN OF LITTLE ELM, TEXAS

TABLE B-1

**APPRAISED VALUE OF PROPERTY
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Market Valuation		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2000	70,828,363	8,071,158	8,477,315	70,422,206	0.50513
2001	148,266,356	8,141,614	23,715,817	132,692,153	0.43297
2002	243,539,051	10,910,337	15,236,472	239,212,916	0.44453
2003	417,145,722	12,600,204	21,197,478	408,548,448	0.43380
2004	662,839,264	8,973,042	65,932,546	605,879,760	0.39980
2005	829,864,748	19,728,820	62,170,135	787,423,433	0.35750
2006	1,011,635,024	27,648,064	50,140,143	989,142,945	0.39902
2007	1,248,468,966	23,323,625	87,911,083	1,183,881,508	0.47000
2008	1,511,223,287	36,738,700	140,574,678	1,407,387,309	0.53580
2009	1,634,323,354	52,518,511	166,456,684	1,520,385,181	0.56996

Source: Town of Little Elm Documents
Denton County Appraisal District

TOWN OF LITTLE ELM, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES (per \$100 of assessed value)

Last Ten Fiscal Year

(Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates		Total Direct and Overlapping Rates
	Operating Rate	Debt Service Rate	Total City Rate	Little Elm Independent School District	Denton County	
2000	0.37607	0.12906	0.50513	1.58450	0.23504	2.32467
2001	0.31940	0.11357	0.43297	1.53000	0.23193	2.19490
2002	0.28422	0.16031	0.44453	1.59900	0.25193	2.29546
2003	0.28848	0.14532	0.43380	1.71120	0.24897	2.39397
2004	0.29250	0.10730	0.39980	1.73000	0.24717	2.37697
2005	0.28740	0.07010	0.35750	1.82000	0.25480	2.43230
2006	0.28252	0.11650	0.39902	1.84000	0.24648	2.48550
2007	0.32363	0.14637	0.47000	1.74000	0.23192	2.44192
2008	0.39625	0.13955	0.53580	1.46000	0.23589	2.23169
2009	0.44636	0.12360	0.56996	1.53000	0.23577	2.33573

Source: Town, Denton County and ISD

TOWN OF LITTLE ELM, TEXAS

TABLE B-3

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

FY 2008-2009 (2008 Certified Tax Roll)			FY 2003-2004 (2003 Certified Tax Roll)		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Scarborough Sunset III LP	22,320,299	1.47%	Eldorado West LLC	\$ 13,270,744	2.19%
Retractable Technologies, Inc.	17,562,828	1.16%	Centex Homes P/S	12,559,478	2.07%
Village at Eldorado/CMC LP	12,997,978	0.85%	Pulte Home Texas LP	5,436,464	0.90%
Little Elm Towne Crossing LTD	12,157,943	0.80%	Gehan Homes LTD	5,161,658	0.85%
Lowes Home Centers, Inc.	10,931,304	0.72%	Retractable Technologies Inc.	4,261,297	0.70%
Sunset Pointe I, LTD	8,691,764	0.57%	LSR Developments Inc.	3,951,011	0.65%
NWC FM 423 and Eldorado Pkwy LTD	8,502,708	0.56%	CMH Parks Inc.	3,918,622	0.65%
Brighton King LLC & KEV King LLC	6,154,385	0.40%	Little Elm/2000, LTD	3,732,478	0.62%
CoServ Electric CO-OP	6,058,710	0.40%	RH of Texas LTD	3,190,705	0.53%
Paloma Creek All Storage LTD	5,433,952	0.36%	Highland Homes LTD	2,737,940	0.45%
Total	\$ 110,811,871	7.29%	Total	\$ 58,220,397	9.61%
Total Assessed Valuation	1,520,385,181	100.00%	Total Assessed Valuation	605,879,760	100.00%

Source: Denton Central Appraisal District

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

TOWN OF LITTLE ELM, TEXAS

TABLE B-4

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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
2000	369,422	363,260	98.3%	21,373	384,633	104.12%	38,215	10.345%
2001	597,847	577,468	96.6%	29,781	607,249	101.57%	40,503	6.775%
2002	1,066,727	1,035,923	97.1%	36,339	1,072,262	100.52%	56,735	5.319%
2003	1,782,169	1,745,788	98.0%	53,089	1,798,877	100.94%	62,736	3.520%
2004	2,486,808	2,438,311	98.0%	33,469	2,471,780	99.40%	112,018	4.504%
2005	2,842,365	2,786,851	98.0%	128,540	2,915,391	102.57%	74,954	2.637%
2006	3,906,167	3,836,765	98.2%	54,980	3,891,745	99.63%	126,531	3.239%
2007	5,461,711	5,446,283	99.7%	162,310	5,608,593	102.69%	160,379	2.936%
2008	7,499,616	7,395,195	98.6%	163,871	7,559,066	100.79%	104,420	1.392%
2009	8,654,872	8,506,674	98.3%	428,969	8,935,643	103.24%	179,590	2.075%

Source: Denton County Tax Office

TOWN OF LITTLE ELM, TEXAS

TABLE B-5

MUNICIPAL SALES TAX AND RATIO TO AD VALOREM TAX LEVY
AND AD VALOREM TAX RATE

Last Ten Years
(Unaudited)

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

Fiscal Year Ended	Total Collected	1¼% ^(b) City	% of Ad Valorem Tax Levy	(\$) ^(c) Equivalent of Ad Valorem Tax Rate	0.50% 4A EDC	0.25% 4B CDC
2000	\$ 237,052	\$ 158,035	42.78%	\$0.21609	\$ 79,017	N/A
2001	300,858	200,572	33.55%	0.14526	100,286	N/A
2002	385,919	257,279	24.12%	0.10721	128,640	N/A
2003	691,080	460,720	25.85%	0.11214	230,360	N/A
2004	1,347,342	898,228	36.12%	0.14441	449,114	N/A
2005	1,661,170	1,107,447	38.96%	0.13929	553,723	N/A
2006 ^(a)	1,584,272	1,131,623 ^(b)	28.95%	0.11552	452,649	N/A
2007	1,787,182	1,276,559 ^(b)	23.37%	0.10985	510,624	N/A
2008 ^(c)	2,688,878	1,680,549 ^{(b)(c)}	22.83%	0.12231	672,220	336,110
2009	2,898,131	1,811,332	21.50%	0.12256	724,533	362,266

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

^(b) The City's portion of the sales tax collections increased from 1% to 1¼% beginning October 1, 2005 as the result of the May 2005 authorization for an additional ¼% for street maintenance.

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

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

TOWN OF LITTLE ELM, TEXAS

TABLE B-6

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

Name of Customer	2009			2004 ^a		
	Water Usage	Rank	Percent of Total Water Usage	Water Usage	Rank	Percent of Total Water Usage
YES Companies Utility BPCC ^b	23,970,000	1	2.9%	N/A	1	N/A
Little Elm Independent School District	9,881,004	2	1.2%	N/A	2	N/A
Lakeside Manor Senior Community	8,394,000	3	1.0%	N/A	3	N/A
Little Elm Towne Crossing, Ltd.	5,133,000	4	0.6%	N/A	4	N/A
NWC 423 & Eldorado Pkwy Ltd	4,404,000	5	0.5%	N/A	5	N/A
Villages of Eldorado Shopping Center	3,890,004	6	0.5%	N/A	6	N/A
Two Sunset Ponte Home Owners Association	3,752,004	7	0.5%	N/A	7	N/A
Eldorado West Home Owners Association	3,156,000	8	0.4%	N/A	8	N/A
Glen Cove Home Owners Association	2,955,996	9	0.4%	N/A	9	N/A
Frisco Independent School District	2,486,004	10	0.3%	N/A	10	N/A
	<u>68,022,012</u>		<u>8.4%</u>	<u>-</u>		<u>0.0%</u>
Total Water Usage	<u><u>814,288,000</u></u>		<u><u>100.0%</u></u>	<u><u>N/A</u></u>		<u><u>100.0%</u></u>

Source: Town Utility

^(a) Information not available

^(b) Mobile home park

TOWN OF LITTLE ELM, TEXAS

TABLE C-1

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income ^b	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Other Obligations ^a	Revenue Bonds	Certificates of Obligation	Other Obligations ^a			
2000	10,000	733,000	378,900	2,068,000	1,930,000	62,289	5,182,189	192.68	1,421
2001	9,000	4,413,000	703,138	2,062,000	3,822,000	114,807	11,123,945	400.83	2,199
2002	8,000	6,876,900	526,177	4,900,000	3,638,100	72,349	16,021,526	562.71	2,151
2003	7,000	6,734,650	452,352	4,900,000	3,445,350	40,680	15,580,032	545.69	1,391
2004	6,000	6,507,400	698,602	4,900,000	7,817,600	20,340	19,949,942	679.22	1,415
2005	3,290,000	6,239,000	1,158,346	8,555,000	7,376,000	0	26,618,346	819.98	1,552
2006	9,340,000	10,758,300	1,836,354	8,405,000	7,131,700	0	37,471,354	988.90	1,881
2007	13,795,000	5,766,450	1,688,606	8,155,000	6,878,550	0	36,283,606	838.79	1,665
2008	13,350,000	5,513,450	1,113,569	7,820,000	6,676,550	0	34,473,569	685.62	1,521
2009	22,885,000	7,749,300	657,496	11,670,000	18,760,700	0	61,722,496	1,037.96	2,572

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

^aIncludes Tax Notes and Capital Leases

^bSee Table D-14 for personal income and population data.

TOWN OF LITTLE ELM, TEXAS

TABLE C-2

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

<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding</u>			<u>Percentage of Actual Taxable Value of Property^a</u>	<u>Per Capita^b</u>
	<u>General Obligation Bonds</u>	<u>Certificates of Obligation</u>	<u>Total</u>		
2000	10,000	733,000	743,000	1.06%	204
2001	9,000	4,413,000	4,422,000	3.33%	874
2002	8,000	6,876,900	6,884,900	2.88%	924
2003	7,000	6,734,650	6,741,650	1.65%	602
2004	6,000	6,507,400	6,513,400	1.08%	462
2005	3,290,000	6,239,000	9,529,000	1.21%	556
2006	9,340,000	10,758,300	20,098,300	2.03%	1,009
2007	13,795,000	5,766,450	19,561,450	1.65%	898
2008	13,350,000	5,513,450	18,863,450	1.34%	832
2009	22,885,000	7,749,300	30,634,300	1.94%	1,276

Note:

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

^aSee Table D-7 for property value data.

^bSee Table D-14 for population data.

TOWN OF LITTLE ELM, TEXAS

TABLE C-3

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2009

(Unaudited)

Governmental Unit	As of	Gross Bonded Debt Principal	Percentage of Debt Applicable to Area	Town of Little Elm Share of Overlapping Debt
Debt repaid with property taxes				
Frisco I.S.D.	Dec-09	\$ 1,178,615,745	1.68%	\$ 19,800,745
Little Elm I.S.D.	Dec-09	138,133,809	89.10%	123,077,224
Denton County	Dec-09	<u>389,891,003</u>	<u>2.85%</u>	<u>11,111,894</u>
Subtotal, overlapping debt		\$ 1,706,640,557		<u>153,989,862</u>
Town of Little Elm Direct Debt ^a	Sep-09	\$ 49,805,000	100.00%	<u>49,805,000</u>
Total direct and overlapping debt				<u>\$ 203,794,862</u>
Ratio of direct and overlapping debt principal to taxable values				14.48%
Ratio of direct and overlapping debt principal to actual market values				13.17%
Per capita direct and overlapping debt principal				\$ 8,990

Source: Municipal Advisory Council of Texas
Town of Little Elm "Official Statement: Dated January 20, 2009"

^a Includes the self-supporting debt

**LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS
(Unaudited)**

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Maximum Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total Tax Rate	0.50513	0.4330	0.44453	0.433800	0.399800	0.3575	0.39902	0.470000	0.535800	0.56996
Legal Debt Margin	1.9949	2.0670	2.0555	2.0662	2.1002	2.1425	2.1010	2.0300	1.9642	1.9300

TOWN OF LITTLE ELM, TEXAS

TABLE C-5

**PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years
(Unaudited)**

Water and Sewer System Revenue Bonds

<u>Fiscal Year</u>	<u>Total Revenues^a</u>	<u>Less: Operating Expenses^b</u>	<u>Net Available Revenue</u>	<u>Annual Requirement^c</u>	<u>Times Coverage</u>
2000	1,154,853	801,914	352,939	228,766	1.54
2001	1,551,020	1,127,938	423,082	309,552	1.37
2002	2,573,355	1,542,144	1,031,211	515,779	2.00
2003	3,222,153	2,297,093	925,060	682,073	1.36
2004	3,969,212	2,991,245	977,967	947,934	1.03
2005	5,390,762	3,488,294	1,902,468	1,236,386	1.54
2006	7,295,428	4,291,128	3,004,300	1,388,991	2.16
2007	6,354,101	4,321,359	2,032,742	1,447,980	1.40
2008	7,041,071	5,862,757	1,178,314	1,400,696	0.84
2009	9,326,523	5,725,257	3,601,266	1,009,520	3.57

Note: ^aIncludes operating and non-operating revenues.

^bIncludes operating expenses minus depreciation plus transfers out.

^cIncludes annual debt service requirements for all bonds paid from system revenues

TOWN OF LITTLE ELM, TEXAS

TABLE D-1

**DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
(Unaudited)**

Year	Estimated Population ^a	Personal Income	Per Capita Personal Income ^b	School Enrollment ^c	Denton County
					Unemployment Rate ^d
2000	3,646	98,059,170	26,895	1,686	1.9%
2001	5,059	140,397,368	27,752	1,989	3.2%
2002	7,450	212,116,400	28,472	2,473	4.9%
2003	11,200	319,771,200	28,551	2,989	5.5%
2004	14,100	414,145,200	29,372	3,472	3.6%
2005	17,150	556,723,300	32,462	4,070	4.2%
2006	19,925	754,998,100	37,892	4,643	3.8%
2007	21,793	942,699,801	43,257	5,147	4.0%
2008	22,668	1,139,769,708	50,281	5,371	5.1%
2009	24,000	1,427,160,000	59,465	5,855	7.2%

Sources: ^aEstimated population provided by the Town of Little Elm Comprehensive Plan 2008.

^bPer Capita Income provided by Zoomprospector.com

^cLittle Elm Independent School Districts.

^dTexas Workforce Commission.

TOWN OF LITTLE ELM, TEXAS

TABLE D-2

**PRINCIPAL EMPLOYERS
Current Year and Five Years Ago
(Unaudited)**

<u>2009</u>			<u>2004</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Little Elm ISD	645	19.82%	Little Elm ISD	348	23.64%
Town of Little Elm	165	5.07%	Retractable Technologies	137	9.31%
Retractable Technologies	160	4.92%	G.P.E.	50	3.40%
Lowe's Home Center	125	3.84%	Town of Little Elm	49	3.33%
Sonic Drive-in	45	1.38%	Sonic Drive-in	40	2.72%
Independent Bank	20	0.61%	Animal Quackers	22	1.49%
Hobby Lobby	20	0.61%	Key's Supermarket	20	1.36%
Key's Supermarket	16	0.49%	U.S. Post Office	17	1.15%
Network Distribution Int.	15	0.46%	Chef Jeff	15	1.02%
Javelina	10	0.31%	Dollar General	14	0.95%
Total	1,221	37.52%		712	48.37%

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

TOWN OF LITTLE ELM, TEXAS

TABLE E-1

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government and Administration	N/A	N/A	N/A	8.00	9.00	11.00	14.00	14.00	14.50	15.00
Public Safety	N/A	N/A	N/A	28.00	39.00	50.00	57.00	65.00	69.00	74.00
Public Works	N/A	N/A	N/A	6.00	8.00	9.00	11.00	12.00	13.00	16.00
Culture and Recreational	N/A	N/A	N/A	9.00	12.50	15.50	16.00	17.50	21.00	24.50
Planning and Development	N/A	N/A	N/A	4.00	6.00	10.00	10.00	10.00	10.50	11.00
Water and Sewer	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>15.00</u>	<u>18.50</u>	<u>20.00</u>	<u>23.00</u>	<u>29.00</u>	<u>29.00</u>	<u>30.00</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>70.00</u>	<u>93.00</u>	<u>115.50</u>	<u>131.00</u>	<u>147.50</u>	<u>157.00</u>	<u>170.50</u>

TOWN OF LITTLE ELM, TEXAS

TABLE E-2

**OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Five Fiscal Years
(Unaudited)**

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

Source:

Notes:

City Departments

N/A - Data not Available

^a Fire Department Administration and EMS Staff

^b Parks Programs organized in 2004

^c Stated in millions of gallons

TOWN OF LITTLE ELM, TEXAS

TABLE E-3

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

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	6	6	7	8	8	9	10	11	13	16
Fire Stations	1	1	1	1	1	1	1	2	2	2
Police Motorcycle Units	0	0	0	0	0	0	2	2	2	2
Public Works										
Streets-Paved	23	46	85	103	120	126	128	134	140	140
Cultural and Recreational										
Parks (acres)	300	300	300	400	400	400	400	400	400	400
Playgrounds ^a	3	3	3	3	5	5	5	5	5	5
Library	0	0	0	1	1	1	1	1	1	1
Senior Center	0	0	0	0	0	0	0	0	0	0
Water and Sewer										
Fire Hydrants	431	471	550	667	667	754	784	883	902	908
Ground Storage Facilities	5	3	3	4	4	4	6	6	6	6
Elevated Storage Facilities	2	2	2	2	2	2	2	2	2	2
Lift Stations	9	9	10	12	14	16	16	18	18	18

Source: City Departments

Notes: ^a Does not include HOA playgrounds