

COMPREHENSIVE ANNUAL FINANCIAL REPORT

LITTLE ELM, TEXAS



FISCAL YEAR ENDED SEPTEMBER 30, 2008



TOWN OF LITTLE ELM, TEXAS
ELECTED OFFICIALS
September 30, 2008

Prepared by the
TOWN OF LITTLE ELM
FINANCE DEPARTMENT

CITY COUNCIL

Frank Kastner, Mayor

Brandon Gerard, Mayor Pro Tem, District 5

Beverly Hughes District 4
Brenda Mills, District 6
Dee Dee Lear, District 3
Stephanie Shoemaker, District 2
David Hillock, District 1

TOWN MANAGER

Ivan Langford

DIRECTOR OF FINANCE

Alan R. Dickerson, CGFO

TOWN OF LITTLE ELM, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
September 30, 2008

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Letter of Transmittal (unaudited)		3
Organizational Chart		13
Appointed Officials		15
Financial Section		
Independent Auditors' Report		18 - 19
Management's Discussion and Analysis		21
Basic Financial Statements		
Government-Wide Statements		
Statement of Net Assets	A-1	35
Statement of Activities	B-1	36 - 37
Governmental Fund Financial Statements		
Balance Sheet	C-1	40
Reconciliation of the Governmental Funds Balance Sheet the Statement of Net Assets	C-2	41
Statement of Revenues, Expenditures, and Changes in Fund Balance	C-3	42
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	C-4	43
Proprietary Fund Financial Statements		
Statement of Net Assets	D-1	47

TOWN OF LITTLE ELM, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
September 30, 2008

Table of Contents - Continued

	<u>Exhibit</u>	<u>Page</u>
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Municipal Water and Sewer Fund	D-2	48 - 49
Statement of Cash Flows - Municipal Water and Sewer Fund	D-3	50 - 51
Notes to Financial Statements		55
 Required Supplementary Information (Unaudited)		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	E-1	89
Statement of Revenues, Expenses and Changes in Net Assets Budget and Actual - Enterprise Funds	F-1	91
 Combining Financial Statements		
Combining Statement of Net Assets - Component Units	G-1	94
Combining Statement of Activities - Component Units	G-2	95
 Federal Awards Section		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		99 - 101
 Statistical Section (Unaudited)		
Net Assets By Component - Last Five Fiscal Years	H-1	107
Changes in Net Assets - Last Five Fiscal Years	H-2	108 - 109
Program Revenues By Function/Program - Last Five Fiscal Years	H-3	110
Fund Balances, Governmental Funds - Last Ten Fiscal Years	H-4	111
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years	H-5	112 - 113
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	H-6	114
Direct and Overlapping Property Tax Rates	H-7	115
Principal Property Taxpayers - Current Year and Five Years Ago	H-8	116
Property Tax Levies and Collections - Last Ten Fiscal Years	H-9	117

TOWN OF LITTLE ELM, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
September 30, 2008

Table of Contents - Continued

	<u>Exhibit</u>	<u>Page</u>
Taxable Sales By Category - Last Ten Fiscal Years	H-10	118
Direct and Overlapping Sales Tax Rates - Last 10 Fiscal Years	H-11	119
Ratio of Outstanding Bonded Debt By Type - Last Ten Fiscal Years	H-12	120
Ratio of Net General Obligation Bonded Debt To Assessed Value - Last Ten Fiscal Years	H-13	121
Direct and Overlapping Governmental Activities Debt	H-14	122
Computation of Legal Debt Margin - Last Ten Fiscal Years	H-15	123
Pledged Revenue Coverage - Water and Sewer Revenue Bonds - Last Ten Fiscal Years	H-16	124
Demographic and Economic Statistics - Last Ten Calendar Years	H-17	125
Principal Employers - Current Year and Five Years Ago	H-18	126
Full-Time Equivalent Town Government Employees By Function/Program - Last Ten Fiscal Years	H-19	127
Operating Indicators By Function/Program - Last Ten Fiscal Years	H-20	128
Capital Asset Statistics By Function/Program - Last Ten Fiscal Years	H-21	129

INTRODUCTORY SECTION



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Town of Little Elm
Finance Department
100 West Eldorado Parkway
Little Elm, TX 75068

February 17, 2009

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

The Town of Little Elm Finance Department is pleased to submit the Comprehensive Annual Report (CAFR) for the fiscal year ending September 30, 2008. 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.

This report consists of management's representations concerning the finances of the Town of Little Elm. Consequently, management assumes full responsibility for both the accuracy of the data, and the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the Town. All disclosure necessary to enable the reader to gain an understanding of the Town's financial activities has been included.

To provide a reasonable basis for making these representations, management of the Town of Little Elm 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 in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, , the Town of Little Elm's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by Town management.

THE REPORT

The Town of Little Elm's financial statements have been audited by Freemon, Shapard and Story, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Little Elm for the fiscal year ended September 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Little Elm's financial statements for the fiscal year ended September 30, 2008 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

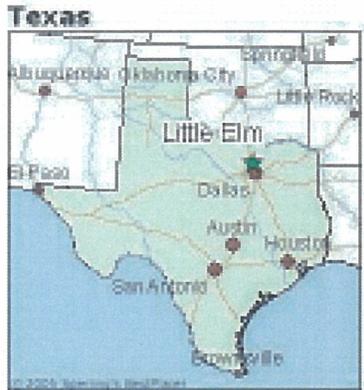
The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The Introductory Section includes this transmittal letter, the Town's organizational chart, and a list of principal officials. The Financial Section includes the independent auditor's report, Management's Discussion and Analysis (MD&A) and basic financial statements. The MD&A is a narrative introduction, overview, and analysis to accompany the financial statements. This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The Town of Little Elm's MD&A immediately follows the independent auditors report. 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 City's performance over a number of years.

Within the basic financial statements are two discretely presented component units as follows: (1) Little Elm Economic Development Corporation; (2) Little Elm Community Development Corporation. A discrete component unit is a legally separate entity for which the Town of Little Elm is financially accountable. 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. An independent board appointed by Town Council governs the Corporation.

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. An independent board appointed by Town Council governs the Corporation.

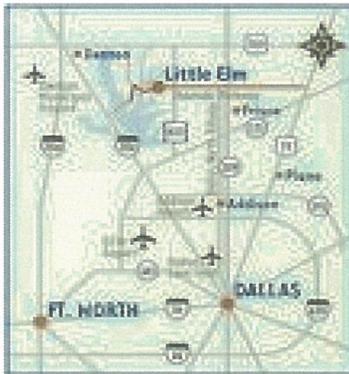
Discretely presented component units are legally separate entities and are not part of the primary government's operations. The Town of Little Elm is financially accountable for its component units. Accordingly, the Little Elm EDC and CDC are included in these financial statements and are explained in more detail in the note disclosures.

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 two council seats are at-large places while three council seats are by district. At the time of its incorporation, the population of the Town was 363 and the original town encompassed 1,222 acres. Today 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).



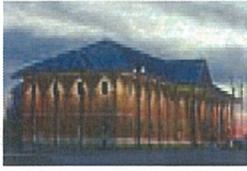
Little Elm is located on two peninsulas of Lewisville Lake. Lewisville Lake is a 29,592 acre reservoir with a shoreline of over 200 miles operated by the U.S. Army Corps of Engineers. The Town has more miles of shoreline on Lewisville Lake than any other community adjacent to the Lake. This geographic positioning provides exceptional water vistas creating a wide variety of recreational opportunities. In addition the Town is close to major transportation mediums with accessibility to major employers and other venues.

The Town will soon be connected (July 2009) to Interstate Highway 35E with a bridge across Lewisville Lake that will provide a new east-west transportation corridor which will provide renewed economic stimuli for the Town of Little Elm and surrounding communities.

The Town's 2000 Census was 3,646. The current estimated population is 22,668, which is a 522% increase since 2000. Beyond the town limits in its extra-territorial jurisdiction (ETJ), Little Elm has the potential of increasing its population by an additional 30,000 area residents. 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. Since 2000, the Town has annexed approximately 3,200 acres of developable land. Highway 380 is a major east-west corridor providing access to business, retail and industrial developments that provide employment and shopping opportunities for the Town's residents.



REPORTING ENTITY AND ITS SERVICES



The Town provides a full range of municipal services, including public safety (police and fire protection), code enforcement, municipal court, street maintenance, engineering, traffic and transportation, water distribution, sewage treatment, sanitation, health inspection, outdoor recreation, library services, public improvements, planning and zoning, and general administrative services. Elementary and secondary education services within the Town are provided by the Little Elm Independent School District (“LEISD”) and the Frisco Independent School District (“FISD”). The University of North Texas (UNT) and Texas Women’s University provide under graduate, graduate and doctoral programs in many disciplines. North Central Texas College has a satellite campus located in facilities leased from Little Elm Independent School District and offers college accredited classes in the evenings and weekends.

The Town works closely with the Little Elm Economic Development Corporation (EDC) and the Community Development Corporation (CDC) to encourage expansion of local business and attract new business and industry as well as quality of life improvements for its residents. Due to favorable economic conditions, excellent business climate, and desirable living conditions, nearby sports and recreation venues and its proximity to major transportation networks, the Town of Little Elm is expected to continue to flourish and remain a desirable place to live, work and play. Being a lake front community with a family focus, Little Elm continues developing many recreational offerings such as the Cottonwood Creek Marina and the recently renovated and renewed Little Elm Park, Beach and lake front pavilion and amphitheater. Little Elm offers other sporting and recreation venues in its active sport ball fields, picnic shelters and lake front walking and bike trails. Many of the community developments offer neighborhood pools, parks and amenity centers. The Town’s neighboring communities offer professional sporting opportunities such as soccer, baseball and hockey.

SIGNIFICANT LOCAL ECONOMIC OUTLOOK BOTH CURRENT AND FUTURE

Little Elm has made tremendous strides at rehabilitating and constructing new transportation thoroughfares, water and sewer infrastructures to improve the quality of municipal services, and enhance the community’s image and to promote economic development. The town’s taxable assessed valuation increased from approximately \$133.7 million in 2000 to approximately \$1.529 billion in 2008. During that period, the Town’s population increased from 3,646 person’s to a 2008 estimated population of approximately 22,668. Within the Town Limits, approximately 70 percent of the land is developed and 30 percent is vacant. The ratio of retail acres in relation to the Town’s population (0.30/100 persons) is relatively low but this ratio is expected to shift in the next few years as single family population growth continues to slow and the growth of commercial development increases. The Town has several major parcels of undeveloped commercially zoned land along its major roadways and thoroughfares such as Eldorado Parkway, F.M. 423 and S.H. 380.

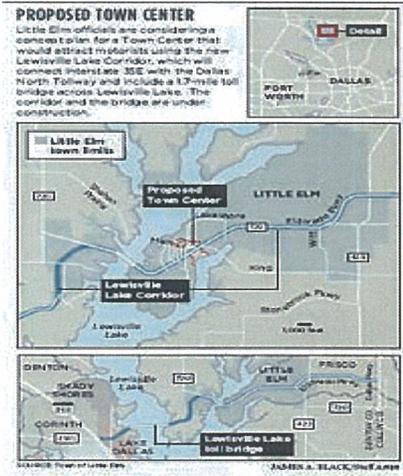
The Town is primarily dependent on property taxes for support of general operating services and programs. While residential taxable values make up 70% of the Town’s taxable values, it is expected that commercial taxable values will continue to increase from the now current 13% of

total taxable values. During the high growth years, the Town was dependent on revenues from building and construction permitting. While the residential building economy has declined rapidly, the Town's commercial activity has remained steady with continued interest from the development community. There were 242 residential permits issued during the year along with 12 commercial permits.

The Town has been jointly and aggressively working with its component unit boards (EDC & CDC), various committees and statutory board (P&Z) to set in motion tools and incentives to ensure economic development keeps moving forward.

The Town authorized and issued \$14,000,000 in voter approved bonds during 2005 and 2006. The projects approved by the voters are substantially completed. The projects completed with the proceeds were Fire Station Number Two, various thoroughfare projects and a major sports center. The Town has adopted a five year capital improvement plan (the "CIP") that is reviewed and updated on an annual basis. The CIP includes the land annexed in 1999 through 2002. A long-range CIP plan is being review by a recently appointed Bond Committee. The projects under review are for parks, streets, municipal service facilities and equipment for approximately \$50,000,000. The Town's Water and Sewer Infrastructure 10-year capital improvement plan (CIP) totals approximately \$59,000,000. These projects primarily compliment the town's present and future growth, including expansion of the wastewater treatment plan, water and wastewater mains and water storage facilities. Of the \$59,000,000, approximately \$17,000,000 in bonds is to be sold in early December 2008. A portion of the \$17,000,000 will fund water and sewer improvements along the Town's commercial corridors including Eldorado Parkway. Eldorado Parkway (FM 720) is to be reconstructed and widened by the Texas Department of Transportation beginning in 2010.

Among the economic development projects that are being undertaken by the Town, the Town Center project bears special note. 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 vicinity.



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 Comprehensive Plan, a Town Center Concept Plan and a Comprehensive Streetscape Design Plan for Eldorado Parkway. The Little Elm Economic Corporation (EDC) has successfully completely the process of acquiring 19.5 acres of land for the Town Center which is noted as a subsequent event in the "notes" of the financial statements.

In cooperation with North Texas Tollway Authority (NTTA), Texas Department of Transportation (TxDot), Denton County and surrounding communities, a transportation corridor

stretching from I.H. 35 to S.H. 75 will bring an increase in daily traffic along Eldorado Parkway. The expectation will be an increase from 8,000 vehicles a day to 40,000 a day in the foreseeable future along this expanded corridor. The Lewisville Lake Corridor will bring more than just thousands of motorists through Little Elm. It also creates opportunities for the town to showcase its lakeside views and become a tourism and recreation destination.

A Lowe’s Home Improvement Center at the intersection of Eldorado Parkway and FM 423 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 continues to be one of the Town’s leading sales tax generators and employs over 125. Since the Lowe’s opening in April of 2005, this business has met all its projected goals: \$15,500,000 development and \$30,000,000 in sales. 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 brand new 170,000 sq. ft. shopping center at the dominant corner of West Frisco, Eldorado Pkwy & FM 423. Across the street from a new Super Wal-Mart and Lowes 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

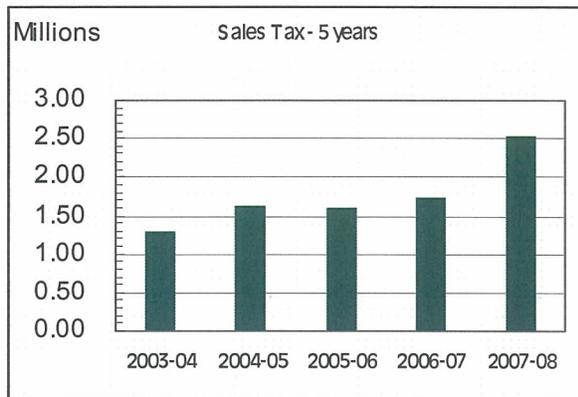
this intersection are approximately 55,000 residents with an average household income of \$82,000. The Village at Eldorado Shopping Center at the SE corner of the intersection of Eldorado and F.M. 423 includes several retail and restaurant chains including Wendy’s, Dickies Bar-B-Q and Starbucks. The theme of The Village at Eldorado retail center is to provide a pedestrian-friendly, open air market which offers customers a variety of restaurants, shops and services. The Village is a beautiful tree-lined boulevard running through the center of the property with oversized brick walkways and spacious patio areas where restaurant patrons can relax.



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 One Elm Place at Eldorado Parkway and Hart Road. Discount Tire Company opened at F.M. 423 and Panther Creek Road during the year.

These new 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. 420 known as the “Y” is a large prime tract of property which could generate additional retail development in the near-term.



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. Sales tax revenues have continued to increase over the last five years with growth in sales tax in excess of 40% over fiscal year 2006-2007. Sales tax and other major revenue sources will be monitored for changes within current economic conditions. The Town of Little Elm collects a

2% local sales tax and with the State of Texas the total sales tax rate is 8.25%. The following is the allocation of sales tax as voted by the citizens of Little Elm with current fiscal year collections:

Purpose	Rate	FY 2007-2008
General Fund- general purposes	1 %	\$1,266,987
Economic Development 4A purposes	½ %	\$ 661,962
Community Development 4B purposes	¼ %	\$ 274,044
Street Maintenance - street rehab purposes	¼ %	\$ 330,981
Total	2 %	\$2,533,974 (Cash Basis)

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, that could be material to the financial statements, are prevented or 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 investment transactions and types were made in accordance with the City'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 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. The following is a summary of the Town’s debt indicators:

Outstanding General Obligation Debt at 9-30-08	\$19,498,450
Estimated Population	22,668
General Obligation Gross Debt per Capita	\$1,910
General Obligation Gross Debt per Assessed Valuation	2.89%

The Town’s Bond underlying ratings at September 30, 2008 were as follows for all bonded debt obligations:

Standard and Poor’s Rating Group	“A2”
Moody’s Investor Services, Inc.	“A+”

OTHER INFORMATION

Independent Audit: The Town Charter requires an annual audit to be made of the accounts, financial records, and transactions of all administrative departments of the Town by independent certified public accountants selected by the Town Council. The report of our Auditors on the general-purpose financial statements and combined and individual fund statements and schedules is included in the financial section of this report.

Certificate of Achievement for Financial Reporting: The Government Finance Officers Association of the United States and Canada (GFOA) conducts a financial review program to provide recognition to governmental entities that produce annual financial reports that meet their high standards of disclosure, adherence to Generally Accepted Accounting Principles, adherence to the requirements of the Government Accounting Standards Board, and applicable legal requirements. Attainment of this recognition is a valuable step in the professional management of a municipality’s finances and is a key item looked for by credit examiners.

In previous years, the Town’s Finance Department has not submitted the CAFR for consideration for the nationally recognized “certificate” program. However, the Town’s Finance Department will submit this year’s CAFR to be reviewed and graded by GFOA reviewers for the nationally recognized “Certificate of Achievement in Financial Reporting” program.

ACKNOWLEDGEMENTS

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

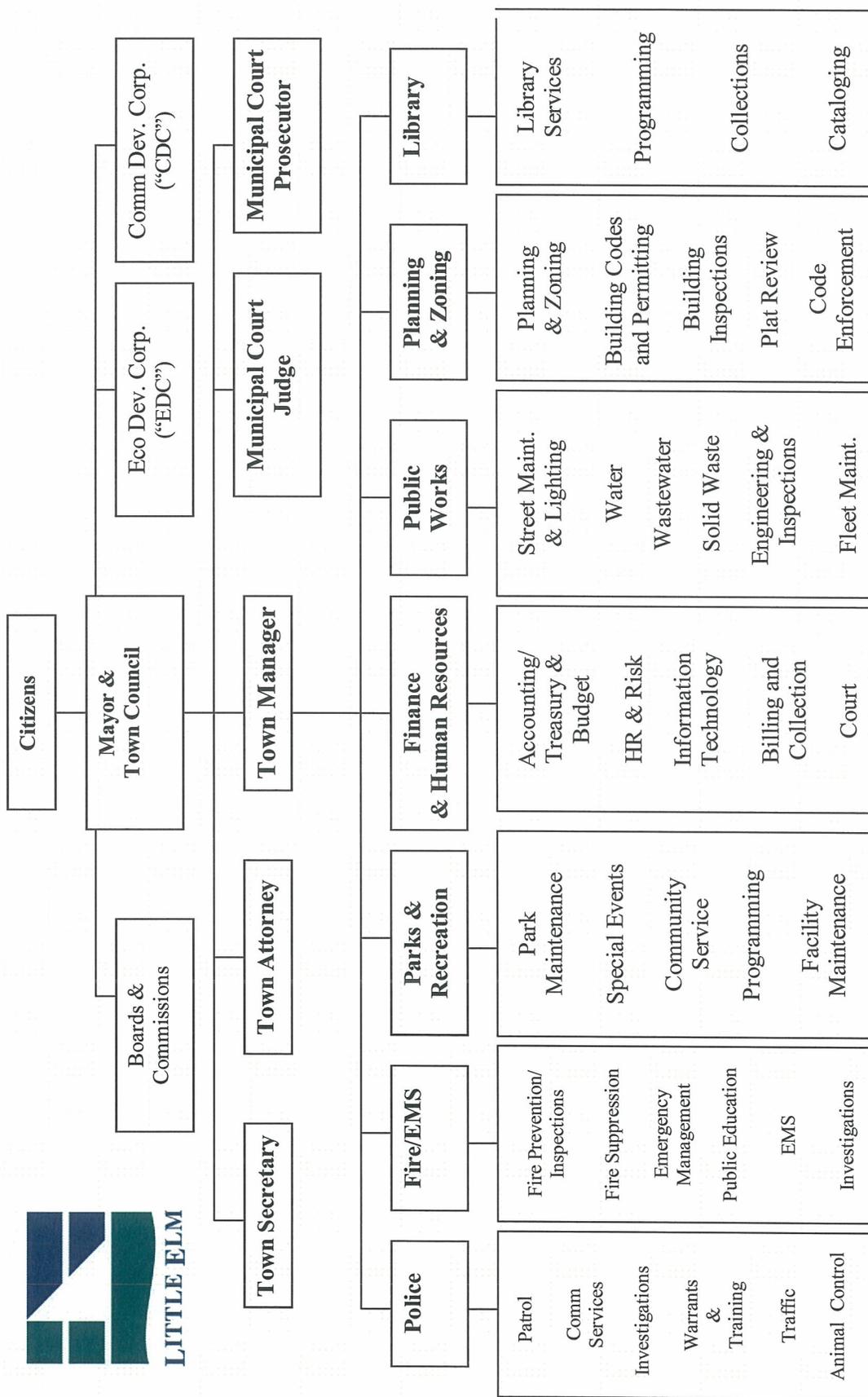
We would also like to thank the Mayor and the members of the Town Council for their leadership, encouragement and support in strengthening and improving the fiscal policies of the Town of Little Elm, Texas.

Respectfully submitted,


Ivan Langford, Town Manager


Alan R. Dickerson, Finance Director

TOWN OF LITTLE ELM, TEXAS ORGANIZATIONAL CHART





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TOWN OF LITTLE ELM, TEXAS
APPOINTED OFFICIALS
September 30, 2008

Ivan Langford..... Town Manager
Alan Dickerson..... Finance/HR Director
Kathy Phillips..... Town Secretary
Doug PeachPublic Works Director
Waylan Rhodes..... Chief of Police
Joe Florentino.....Fire Chief
Tony Chrisman.....Park Director
Tina Hager..... Library Director
John Taylor Planning and Development Director
Robert Browne Town Attorney



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FINANCIAL SECTION

FREEMON, SHAPARD & STORY
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2008, and the respective changes in financial position and, where applicable cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2009, on our consideration of the Town of Little Elm, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

The management's discussion and analysis and budgetary comparison information on pages 21 through 30 and 89 through 91, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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


Freemon, Shapard and Story
Wichita Falls, Texas

February 5, 2009



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MANAGEMENT’S DISCUSSION & ANALYSIS
 For the year ended September 30, 2008
 (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 of the financial activities of the Town of Little Elm for the fiscal year ended September 30, 2008. 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.

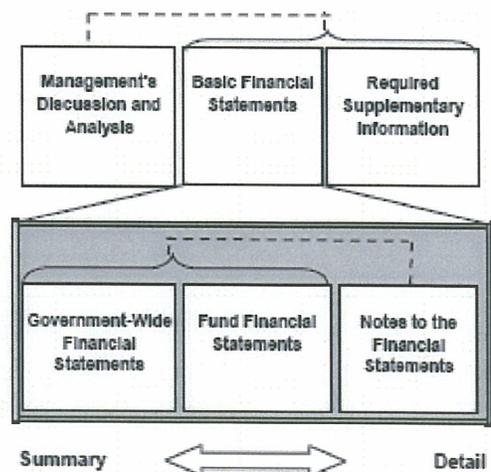
FINANCIAL HIGHLIGHTS

- The combined assets of the Town of Little Elm exceeded its liabilities at the close of the most recent fiscal year by \$51,289,173. Of this amount, \$12,514,819 is unrestricted and may be used to meet the Town’s ongoing obligations. The restricted assets of \$5,685,794 are for debt payments and capital projects.
- The Town’s net assets increased by 3,741,397. The majority of the Town’s net assets are invested in capital assets and/or restricted for specific purposes. This increase is primarily attributable to contributions from developers for infrastructure improvements.
- During the year, the Town had expenses that were \$4,065,989 less than the \$25,487,465 generated in tax and other revenues for governmental programs and business-type activities.
- At the end of this fiscal year, unreserved fund balance for the general fund was \$7,418,420 or approximately 48% of the total general fund expenditures and transfers out.
- The resources available for appropriation were \$1,070,872 more than budgeted for the General Fund.
- The Town’s total outstanding bonds and certificates of obligation (excluding enterprise self-supporting bonds) decreased by \$698,000. There were no new debt issuances during the year. More detail information is presented in the notes section.

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 statement 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, reporting the Town’s operations in more detail than the government-wide statements. The government 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 the government operates like businesses. 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

Figure A-1, Required Components of the City’s Annual Financial Report





MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2008
(unaudited)

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.

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. The statements provide both long-term and short-term information about the Town's overall financial status. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (Exhibit A-1 and B-1) and are on pages 35-37.

The Statement of Net Assets presents information on all of the Town of Little Elm's assets and liabilities, with the difference between the two reported as net assets. 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. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. 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.

The Statement of Activities presents information showing how the Town's net assets changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences).

Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis. And, these two government-wide financial statements also distinguish between functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) 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 two discretely presented component units. The Town's sales tax corporations are the Little Elm Economic Development Corporation and Little Elm Community Development Corporation. Although legally separate, these component units are important because the Town is financially accountable for each. The Town Council appoints the board of directors, sets the budget and approves any debt issuances.



MANAGEMENT'S DISCUSSION & ANALYSIS
For the year ended September 30, 2008
(unaudited)

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund financial statements - Fund financial statements, Exhibits C-1 through C-4; report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. 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. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on resources available for future spending at fiscal year end. The governmental fund statement provides a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources than can be spent in the near future to finance the Town's programs. In short, this information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation on page 41 explains the relationships or differences between the Governmental Funds Balance Sheet to the Statement of Net Assets as reported for governmental activities.

The Town maintains two major governmental funds – the General Fund and Capital Projects Fund. Information is presented separately in the Governmental Funds Balance Sheet. In the governmental fund financial statements, the Town maintains three major funds: General, Debt Service and Capital Projects. Other funds in the governmental fund group are considered Special Revenue. The basic governmental funds financial statements can be found on pages 40-43.

Enterprise Fund/Proprietary Fund - The Town maintains only one proprietary fund or enterprise fund. Enterprise 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. The Town uses an enterprise fund to account for its water, sewer and sanitation operations. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The Town's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise. Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund since it is considered a major fund of the Town. The basic proprietary fund financial statements can be found on pages 47-51 of this report.

Component Units – The Town maintains the accounting and financial statements for two component units reported and presented discretely on the government wide financial statements. The separate entity information is included in the notes to the financial statements on page 55. The Combining Statement of Net Assets for the Component Units can be found on page 94-95.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2008
 (unaudited)

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 55.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information highlighting budgetary information in Exhibits E1 – F1 on pages 89 – 91. Budgetary information for the Town's major funds is included as other supplementary information on page 89 and 91. The exhibits present budget basis information for governmental funds that have legally adopted budgets. The statistical section of the report provides additional historical data, trends and ratios which the reader may find helpful to understand in more detail the Town's financial operations.

CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of the fiscal year 2008, the town's net assets (assets exceeding liabilities) total \$51,289,173. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A summary of the Town of Little Elm's net assets follows:

Town of Little Elm - Net Assets

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 14,715,635	\$ 16,368,949	\$ 9,547,468	\$ 10,299,194	\$ 24,263,103	\$ 26,668,143
Capital assets	38,152,510	33,801,702	26,183,736	25,629,477	64,336,246	59,431,179
Total assets	52,868,145	50,170,651	35,731,204	35,928,671	88,599,349	86,099,322
Long-term liabilities	20,477,680	21,604,480	15,395,484	15,808,459	35,873,164	37,412,939
Other liabilities	1,102,825	782,252	334,187	356,355	1,437,012	1,138,607
Total liabilities	21,580,505	22,386,732	15,729,671	16,164,814	37,310,176	38,551,546
Net assets:						
Invested in capital assets, net of related debt	22,162,523	19,470,253	10,926,037	10,616,127	33,088,560	30,086,380
Restricted	2,020,133	2,714,442	3,665,661	3,986,202	5,685,794	6,700,644
Unrestricted	7,104,984	5,599,224	5,409,835	5,161,528	12,514,819	10,760,752
Total net assets	\$ 31,287,640	\$ 27,783,919	\$ 20,001,533	\$ 19,763,857	\$ 51,289,173	\$ 47,547,776

By far the largest portion (73%) of the Town's net assets reflects its investment in capital assets (i.e. land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town of Little Elm uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town'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 (11%) represents resources restricted for purposes other than operations such as debt service and infrastructure commitments. The remaining balance of unrestricted net assets of \$12,514,819 may be used to meet the Town's ongoing obligations to citizens and creditors. As of September 30, 2008 the Town is able to report positive balances in all categories of net assets. The total change in net assets was \$4,065,989. More detailed information concerning the Town of Little Elm's net assets is found on Exhibit A-1 of the government-wide financial statements.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2008
 (unaudited)

Governmental and Business-Type Activities – The primary government's net assets from governmental and business-type activities have increased by \$4,035,989 before transfers as noted in the following table:

Town of Little Elm's - Change in Net Assets

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 4,431,562	\$ 4,071,544	\$ 6,694,244	\$ 5,851,486	\$ 11,125,806	\$ 9,923,030
Operating grants and contributions	304,349	294,769			304,349	294,769
Capital grants and contributions	8,360	28,528			8,360	28,528
General revenues:						
Property taxes	7,563,027	3,879,232			7,563,027	3,879,232
Other taxes	3,210,605	4,458,257			3,210,605	4,458,257
Grants and contributions not restricted to specific programs		1,800				1,800
Other	2,246,076	4,472,209	1,029,242	2,857,982	3,275,318	7,330,191
Total revenues	17,763,979	17,206,339	7,723,486	8,709,468	25,487,465	25,915,807
Expenses:						
General government	2,430,898	2,097,813			2,430,898	2,097,813
Public safety	5,558,832	4,869,853			5,558,832	4,869,853
Highways/streets	3,531,148	2,792,188			3,531,148	2,792,188
Economic development		176,853				176,853
Culture and recreation	957,377	893,132			957,377	893,132
Interest on long-term debt	908,921	950,346			908,921	950,346
Reimbursement to Developers	102,712	384,713	143,856	501,022	246,568	885,735
Amortization	7,840	7,840			7,840	7,840
Depreciation	1,335,317	1,181,290			1,335,317	1,181,290
Water/Wastewater			6,474,575	5,796,003	6,474,575	5,796,003
Total Expenses	14,833,045	13,354,028	6,618,431	6,297,025	21,451,476	19,651,053
Increase in net assets before transfers	2,930,934	3,852,311	1,105,055	2,412,443	4,035,989	6,264,754
Transfers	897,379	445,840	(867,379)	(445,840)	30,000	
Increase in net assets	3,828,313	4,298,151	237,676	1,966,603	4,065,989	6,264,754
Net assets - 10/01/07	27,783,919	23,485,768	19,763,857	17,797,254	47,547,776	41,283,022
Restatement	(324,592)				(324,592)	
Net assets - 09/30/08	\$ 31,287,640	\$ 27,783,919	\$ 20,001,533	\$ 19,763,857	\$ 51,289,173	\$ 47,547,776

The primary government's expenses exceeded program revenues by \$10,012,961. Program revenues 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 \$21,451,476 with water and sewer operations' comprising the largest expense category at 30% or \$6,474,575. Public safety activities comprised 26% or \$5,558,832 which includes fire, police and animal control.

The Town's total governmental and business type activity revenues have decreased by \$428,342 from 2007. The total cost of all governmental programs and services have increased by \$1,800,423 over last year. The increase in expenses is principally due to wage and benefit costs and costs associated with infrastructure maintenance and costs associated with maintaining public safety.

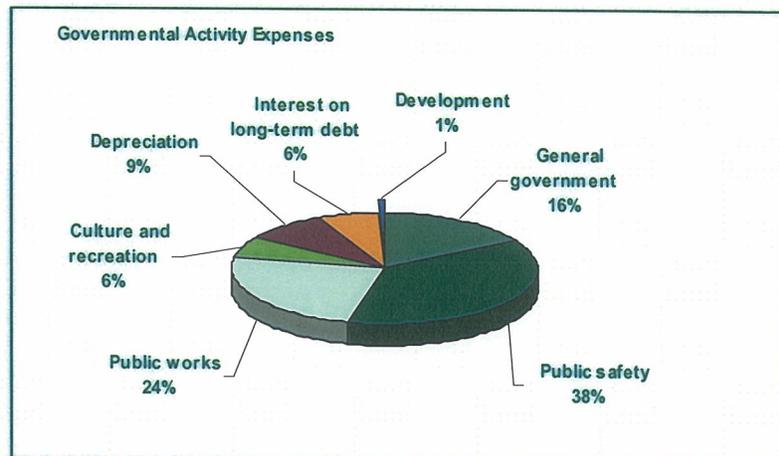
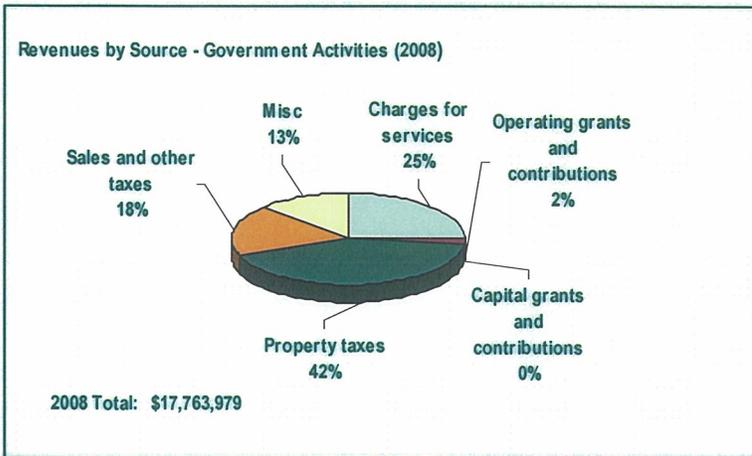


MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2008
 (unaudited)

Expenses and Program Revenues – Governmental Activities highlights–

- Program revenues increased over 2007 by 12% or \$1,192,188
- Charges for services (fees and user charges and rates) increase by 23% or \$1,202,776
- Property and other taxes increased over 2007 by 29% or \$2,436,143
- Net increase in governmental assets was \$2,930,934
- General governmental activity expenses of the primary government increased 16% or \$333,085
- Public safety expenses increased by 14% or \$688,979 due to personnel and operational costs
- Public Works (streets and highways) increased by 26% or \$738,960 for maintenance costs

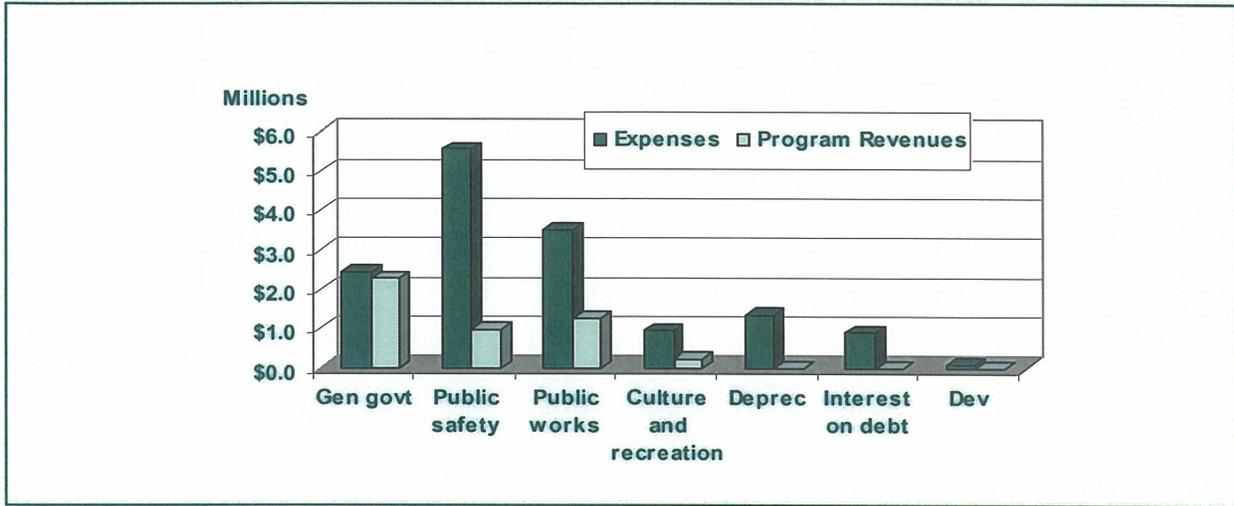
The purpose of the following graphs is to show the distribution of revenues that finance all governmental activities of the primary government for 2008:



Total revenues of governmental activities were \$17,763,979. A significant portion, 43%, of the Town's revenues came from property taxes. Another 18% came from sales and franchise taxes. Ad valorem property tax revenues continue to increase each year primarily due to the addition of new property (commercial) and increased valuation across the Town. Assessed taxable property values have increased by 19% or approximately \$224 million. The Town's adopted tax rate for the year is \$.5358 which is a \$.07 cent tax increase over the 2007 tax rate. Sales tax revenue continues to show a marked increase as the Town is seeing the results of economic development in various areas of the Town. The total cost of all governmental programs was \$14,833,045. Of these costs, \$5,558,832 or 38% was for public safety activities. The pie-charts above reflect the revenue and expenses by percent of total governmental activities. The purpose of the following graph is to show the relationship of program revenues to governmental activities before property taxes and other general revenues. Expenses for governmental activities exceed program revenues by \$9,986,062. For more detail please refer to Exhibit B-1, page 36 to see that governmental activities rely on property and other taxes for payment of services.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2008
 (unaudited)

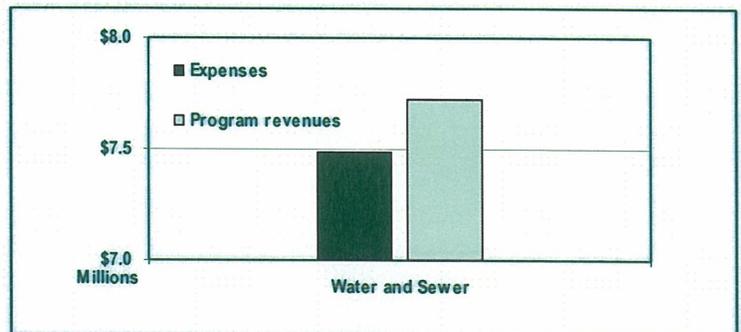
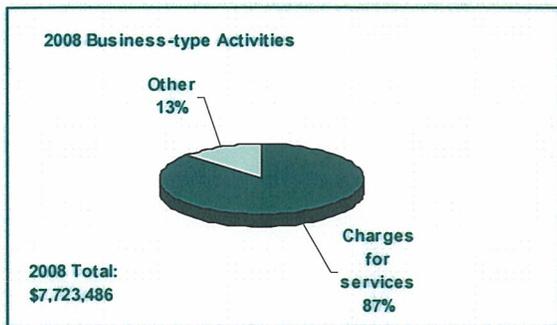


The overall economy in the Town continues to show improvement in 2008 and beyond. With the regional and global economy, the Town is cautiously and conservatively planning for the near-term. However, at this time the revenues of the Town are stable and being monitored for potential fluctuations.

Expenses and Program Revenues - Business-type Activities highlights –

- Business-type activities net assets increased by \$237,676 (after transfers) for the year which primarily means that the rates and charges of the system covered operational and debt related costs
- Business-type revenues decreased by 13% or \$985,982 primarily from a reduction in impact fees
- Charges for services (rates and charges) increased by 14% or \$842,758 due to growth and a dryer season
- Water and Wastewater operation expenses increased by 12% or \$678,572 due to contract water supply and costs of operations

Water sales were stronger in 2008 than 2007 due to weather patterns favorable for water production and distribution. While sales are important to operations, the Town encourages conservation and has mechanisms in place to monitor the same. The Town's utility plans to issue bonded debt in 2009 to fund planned infrastructure for future development and to provide adequate water and sewer services to the Town's residents.





MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2008
 (unaudited)

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds, as presented in the balance sheet on Exhibit C-1, page 40, reported a combined fund balance of \$13,479,717 which is \$2,049,012 less than last year's total of \$15,528,729.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At September 30, 2008, the Town of Little Elm's investment in capital assets for its governmental and business type activities amounts to \$64,336,246 (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 \$4,908,067. A summary of the Town's capital assets follows:

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

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 1,225,957	\$ 864,409	\$ 327,918	\$ 225,382	\$ 1,553,875	\$ 1,089,791
Infrastructure	19,346,306	18,249,874			19,346,306	18,249,874
Buildings	6,003,753	5,970,775	95,402	95,402	6,099,155	6,066,177
Improvements other than buildings	9,893,349	9,357,109	27,807,961	27,325,449	37,701,310	36,682,558
Machinery and equipment	3,711,281	3,311,393	921,517	753,722	4,632,798	4,065,115
Construction in progress	4,091,658	832,618	2,204,682	1,619,008	6,296,340	2,451,626
Subtotal	44,272,304	38,586,178	31,357,480	30,018,963	75,629,784	68,605,141
Accumulated depreciation	(6,119,794)	(4,784,476)	(5,173,744)	(4,392,486)	(11,293,538)	(9,176,962)
Total	<u>\$ 38,152,510</u>	<u>\$ 33,801,702</u>	<u>\$ 26,183,736</u>	<u>\$ 25,626,477</u>	<u>\$ 64,336,246</u>	<u>\$ 59,428,179</u>

Long-term Debt - At year-end, the Town had \$33,995,000 in bonds payable, notes payable, and capital lease obligations of \$478,569.

Town of Little Elm - Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 13,350,000	\$ 9,170,000	\$	\$	\$ 13,350,000	\$ 9,170,000
Revenue bonds	5,513,450	10,391,450	14,496,550	15,033,550	20,010,000	25,425,000
Tax notes	635,000	845,000			635,000	845,000
Notes payable		482,504				482,504
Capitalized leases	478,569	361,102			478,569	361,102
Customer deposits			761,149	665,750	761,149	665,750
Compensated absences	412,002	354,424	137,785	109,159	549,787	463,583
	<u>\$ 20,389,021</u>	<u>\$ 21,604,480</u>	<u>\$ 15,395,484</u>	<u>\$ 15,808,459</u>	<u>\$ 35,784,505</u>	<u>\$ 37,412,939</u>



MANAGEMENT'S DISCUSSION & ANALYSIS
For the year ended September 30, 2008
(unaudited)

The Town's total debt has decreased by \$1,628,434 during the current fiscal year. The Town issued new debt obligation for the purchase of new equipment for the Fire Department of \$342,168. More detailed information about the Town's long-term liabilities is presented in Notes 7 and 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials have worked diligently to direct available resources to the highest priority service needs of a community that is one of the fastest growing of all communities in the Dallas/Fort Worth metropolitan area. The local economy has seen double digit population growth for the past several years with a commensurate growth in the property value base and commercial sales tax base. However, budgeted growth estimates for sales tax revenues have been very conservative so as to avoid the pitfalls of over-reliance on this single revenue source. The Town has realized significant decreases in building permit related revenue and as a result have worked diligently for years to bring in commercial development to offset this revenue stream with new sales tax revenue. This new revenue has been realized with the development of four major commercial districts which accomplishes the Town's goal of diversifying its revenue stream. The developments are as follows:

- Lowe's Home Center Development at northwest corner of F.M. 423 and Eldorado Parkway
- The Village Shops at Eldorado Parkway and F.M. 423 Parkway
- Towne Crossing Shopping Center at F.M. 423 and Eldorado Parkway
- One Elm Place Shopping Center at F.M. 423 and King Road

These economic developments have generated sales and property taxes needed to offset growing expenses for a growing a dynamic community. These developments were the results of hard work and dedication of the Town's Economic Development Corporation, Town Council and Town Staff. The Little Economic Development Corporation works diligently to attract businesses with relocation incentives as well as providing business retention incentives.

The Town's elected and appointed officials considered many factors when setting the fiscal year 2008-2009 budget, tax rate and fees that will be charged for the business-type activities. The Town projected slower residential building starts a trend that follows the regional and national economies. The citizens of Little Elm enjoy above average income levels per household which is a result of the Town's proximity to a major network of highways to workplaces such as JC Penney, Frito-Lay and EDS. The Little Elm area offers its citizens a wide variety of recreational venues to provide a sustained quality of life.

The Town has adopted financial policies to protect fund balance reserves. Additionally, the Town accepted a final draft of the 2008 Comprehensive Plan from a Council appointed committee. The Town Council adopted the Comprehensive Plan in October 2008. The Comprehensive Plan is a land use plan and a plan for infrastructure improvements.

The Town Council appointed a bond committee to review a Capital Improvement Plan of over \$50 million in infrastructure requirements. The Town's Water and Sewer System improvements are being addressed with the future issuance of certificates of obligation totaling approximately \$17 million. The general governmental and business-type improvements are all projects that are required for current and future development and include facilities, equipment and thoroughfares.



MANAGEMENT'S DISCUSSION & ANALYSIS
For the year ended September 30, 2008
(unaudited)

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

Basic Financial Statements



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Government-Wide Statements



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TOWN OF LITTLE ELM, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 10,136,160	\$ 4,763,841	\$ 14,900,001	\$ 1,492,376
Receivables (net of allowance for uncollectibles)	2,541,556	712,744	3,254,300	186,198
Internal balances	(151,466)	196,466	45,000	(45,000)
Inventories	21,899	76,609	98,508	
Capitalized debt issuance costs	129,309	132,147	261,456	
Restricted assets:				
Temporarily restricted:				
Bond covenant reserves		455,935	455,935	
Impact fees	2,038,177	3,209,726	5,247,903	
Capital assets:				
Land	1,225,957	327,918	1,553,875	
Infrastructure	19,346,306		19,346,306	
Buildings	6,003,753	95,402	6,099,155	
Improvements other than buildings	9,893,349	27,807,961	37,701,310	
Machinery and equipment	3,711,281	921,517	4,632,798	
Accumulated depreciation	(6,119,794)	(5,173,744)	(11,293,538)	
Construction in progress	4,091,658	2,204,682	6,296,340	
Total assets	<u>52,868,145</u>	<u>35,731,204</u>	<u>88,599,349</u>	<u>1,633,574</u>
LIABILITIES				
Accounts payable and other current liabilities	885,920	239,056	1,124,976	1,086
Intergovernmental payable		11,107	11,107	
Accrued interest payable	154,804	84,024	238,828	5,933
Unamortized premium/discount on bonds	62,101		62,101	
Retainage Payable	88,658		88,658	
Noncurrent Liabilities:				
Due within one year	1,185,222	703,635	1,888,857	43,863
Due in more than one year	19,203,800	14,691,849	33,895,649	395,152
Total liabilities	<u>21,580,505</u>	<u>15,729,671</u>	<u>37,310,176</u>	<u>446,034</u>
NET ASSETS				
Invested in capital assets, net of related debt	22,162,523	10,926,037	33,088,560	
Restricted for:				
Debt service		455,935	455,935	
Impact fees	2,020,133	3,209,726	5,229,859	
Unrestricted net assets	7,104,984	5,409,835	12,514,819	1,187,540
Total net assets	<u>\$ 31,287,640</u>	<u>\$ 20,001,533</u>	<u>\$ 51,289,173</u>	<u>\$ 1,187,540</u>

The accompanying notes are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT B-1

	Program Revenues		
Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General government	\$ 2,430,898	\$ 2,268,637	\$
Public safety	5,558,832	898,538	95,036
Public works	3,531,148	1,264,387	8,360
Culture and recreation	957,377		209,313
Interest on debt	908,921		
Amortization	7,840		
Depreciation	1,335,317		
Total governmental activities:	14,730,333	4,431,562	304,349
BUSINESS-TYPE ACTIVITIES:			
Utility fund	6,474,575	6,694,244	
Total business-type activities:	6,474,575	6,694,244	
TOTAL PRIMARY GOVERNMENT:	\$ 21,204,908	\$ 11,125,806	\$ 304,349
Component Units:			
Component Units	\$ 631,587	\$	\$

General Revenues:

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Sales taxes
- Mixed drink tax
- Street sales tax
- Franchise taxes
- Penalty and interest
- Miscellaneous revenue
- Infrastructure provided by developers
- Reimbursement to developers
- Impact fees
- Investment earnings
- Transfers in (out)

Total general revenues and transfers

- Change in net assets
- Net assets - October 1 (Beginning)-As previously reported
- Restatement
- Net assets - September 30 (Ending)-Restated

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
\$ (162,261)	\$	\$ (162,261)	\$
(4,565,258)		(4,565,258)	
(2,258,401)		(2,258,401)	
(748,064)		(748,064)	
(908,921)		(908,921)	
(7,840)		(7,840)	
(1,335,317)		(1,335,317)	
(9,986,062)		(9,986,062)	
	219,669	219,669	
	219,669	219,669	
\$ (9,986,062)	\$ 219,669	\$ (9,766,393)	\$
\$	\$	\$	\$ (631,587)
5,583,304		5,583,304	
1,979,723		1,979,723	
1,450,636		1,450,636	1,062,314
11,408		11,408	
364,123		364,123	
1,384,438		1,384,438	
96,593		96,593	
266,466		266,466	
1,096,432	441,136	1,537,568	
(102,712)	(143,856)	(246,568)	
246,747	299,129	545,876	
539,838	288,977	828,815	38,922
897,379	(867,379)	30,000	(30,000)
13,814,375	18,007	13,832,382	1,071,236
3,828,313	237,676	4,065,989	439,649
27,783,919	19,763,857	47,547,776	
(324,592)		(324,592)	747,891
\$ 31,287,640	\$ 20,001,533	\$ 51,289,173	\$ 1,187,540



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Governmental Fund Financial Statements

TOWN OF LITTLE ELM, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 3,480,948	\$ 413,843	\$ 6,066,107	\$ 175,262	\$ 10,136,160
Taxes Receivable	107,161	56,849			164,010
Allowance for Uncollectible Taxes (credit)	(14,675)	(7,052)			(21,727)
Receivables (net of allowance for uncollectibles)	2,088,943				2,088,943
Intergovernmental receivables	248,264			62,066	310,330
Due from other funds	45,000				45,000
Inventories	21,899				21,899
Restricted assets:					
Impact fees	2,038,177				2,038,177
Total Assets	<u>\$ 8,015,717</u>	<u>\$ 463,640</u>	<u>\$ 6,066,107</u>	<u>\$ 237,328</u>	<u>\$ 14,782,792</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 307,856		\$ 362,956	\$ 9,367	\$ 680,179
Due to other funds		196,466			196,466
Deferred Revenues	83,700	48,331			132,031
Other current liabilities	205,741				205,741
Retainage payable			88,658		88,658
Total Liabilities	<u>597,297</u>	<u>244,797</u>	<u>451,614</u>	<u>9,367</u>	<u>1,303,075</u>
Fund Balances:					
Unreserved and undesignated					
Reported in the General Fund	7,418,420				7,418,420
Reported in the Special Revenue Fund		218,843		227,961	446,804
Reported in the Capital Projects Fund			5,614,493		5,614,493
Total Fund Balances	<u>7,418,420</u>	<u>218,843</u>	<u>5,614,493</u>	<u>227,961</u>	<u>13,479,717</u>
Total Liabilities and Fund Balances	<u>\$ 8,015,717</u>	<u>\$ 463,640</u>	<u>\$ 6,066,107</u>	<u>\$ 237,328</u>	<u>\$ 14,782,792</u>

The accompanying notes are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

Total Fund Balances - Governmental Funds \$ 13,479,717

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$38,586,177 and the accumulated depreciation was \$4,784,477. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.

12,587,174

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Current year impairments of equipment are not shown on the fund financial statements, but should be shown as decreases in capital assets and an extraordinary loss in the government-wide financial statements. The net effect of including the 2008 capital outlays, debt payments and equipment impairments is to decrease net assets.

6,424,035

The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.

(1,335,317)

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

132,031

Net Assets of Governmental Activities

\$ 31,287,640

The accompanying notes are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT C-3

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property taxes	\$ 5,601,793	\$ 1,979,723	\$	\$	\$ 7,581,516
General sales and use taxes	1,450,636			364,123	1,814,759
Other taxes and franchise fees	1,395,846				1,395,846
Penalty and interest on taxes	70,236	26,357			96,593
Licenses and permits	1,264,387				1,264,387
Intergovernmental revenue and grants	304,349		8,360		312,709
Charges for services	2,268,637				2,268,637
Fines	898,538				898,538
Investment earnings	204,828	38,680	295,881	449	539,838
Other revenue	233,488		32,978		266,466
Total Revenues	<u>13,692,738</u>	<u>2,044,760</u>	<u>337,219</u>	<u>364,572</u>	<u>16,439,289</u>
EXPENDITURES:					
Current:					
General government	2,410,803				2,410,803
Public safety	5,493,677		34,320		5,527,997
Public works	3,400,680		8,360	121,038	3,530,078
Culture and recreation	951,798				951,798
Debt Service:					
General debt service		1,132,700			1,132,700
Debt interest		921,717			921,717
Capital outlay					
Capital outlay	2,161,771		3,292,018	232,337	5,686,126
Total Expenditures	<u>14,418,729</u>	<u>2,054,417</u>	<u>3,334,698</u>	<u>353,375</u>	<u>20,161,219</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(725,991)</u>	<u>(9,657)</u>	<u>(2,997,479)</u>	<u>11,197</u>	<u>(3,721,930)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	898,537	151,567	817,001		1,867,105
Issuance of debt	342,167				342,167
Impact fees	246,747				246,747
Transfers out	(909,601)		(60,124)		(969,725)
Development agreement reimbursement	(102,712)				(102,712)
Infrastructure from developers	1,096,432				1,096,432
Total Other Financing Sources and (Uses)	<u>1,571,570</u>	<u>151,567</u>	<u>756,877</u>		<u>2,480,014</u>
NET CHANGES IN FUND BALANCES	845,579	141,910	(2,240,602)	11,197	(1,241,915)
Fund Balance - October 1 (Beginning)-As previously reported	6,149,542	76,933	7,855,095	1,447,159	15,528,729
Restatement	423,299			(1,230,395)	(807,096)
Fund Balance - September 30 (Ending)-Restated	<u>\$ 7,418,420</u>	<u>\$ 218,843</u>	<u>\$ 5,614,493</u>	<u>\$ 227,961</u>	<u>\$ 13,479,717</u>

The accompanying notes are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

Total Net Change in Fund Balances - Governmental Funds	\$ (1,241,915)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Current year impairments of equipment are not shown on the fund financial statements, but should be shown as decreases in capital assets and an extraordinary loss in the government-wide financial statements. The net effect of including the 2008 capital outlays, debt payments and equipment impairments is to decrease net assets.	6,424,035
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(1,335,317)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.	<u>(18,490)</u>
Change in Net Assets of Governmental Funds	<u><u>\$ 3,828,313</u></u>

The accompanying notes are an integral part of this statement.



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Proprietary Fund Financial Statements



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TOWN OF LITTLE ELM, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008

	Business-Type Activities
	Total Enterprise Funds
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 4,763,841
Restricted assets - current:	
Bond covenant reserves	455,935
Impact fees	3,209,726
Accounts receivable - net of uncollectible allowance	712,744
Due from other funds	196,466
Inventories	76,609
Total current assets	9,415,321
Non-current assets:	
Capital assets:	
Land and improvements	327,918
Buildings and improvements	95,402
Improvements other than buildings	27,807,961
Machinery and equipment	921,517
Accumulated depreciation	(5,173,744)
Construction in progress	2,204,682
Capitalized debt issuance costs	132,147
Total non-current assets	26,315,883
Total Assets	35,731,204
LIABILITIES	
Current liabilities:	
Accounts payable	239,056
Accrued interest payable	84,024
Compensated absences payable	137,785
Intergovernmental payable	11,107
Bonds payable - current	565,850
Total current liabilities	1,037,822
Non-current liabilities:	
Revenue bonds payable	13,930,700
Meter deposits payable	761,149
Total Liabilities	15,729,671
NET ASSETS	
Investments in capital assets, net of related debt	10,926,037
Restricted for debt service	455,935
Restricted for impact fees	3,209,726
Unrestricted net assets	5,409,835
Total net assets	\$ 20,001,533

The accompanying notes are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Charges for water services	\$ 3,493,142
Charges for sewerage service	2,844,172
Tap, connections, and other fees	321,781
Other revenue	35,149
Total operating revenues	<u>6,694,244</u>
OPERATING EXPENSES:	
Proprietary fund function - water	
Personal services-salaries and wages	799,702
Personal services-employee benefits	238,589
Purchased professional & technical services	98,016
Purchased property services	306,076
Other operating expenses	229,037
Supplies	1,885,844
Total proprietary fund function - Water	<u>3,557,264</u>
Proprietary fund function-sewerage	
Personal services-salaries and wages	240,079
Personal services-employee benefits	117,689
Purchased professional & technical services	152,226
Purchased property services	99,960
Other operating expenses	281,040
Supplies	502,644
Total proprietary fund function - Sewerage	<u>1,393,638</u>
Depreciation	<u>781,258</u>
Total operating expenses	<u>5,732,160</u>
Operating income	<u>962,084</u>

The accompanying notes are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
NON-OPERATING REVENUES (EXPENSES):	
Developer reimbursement	(143,856)
Impact fees	299,129
Investment earnings	288,977
Infrastructure from developers	441,136
Interest expense - non-operating	<u>(742,414)</u>
Total non-operating revenue (expenses)	142,972
Income before transfers	1,105,056
Transfers in	777,597
Transfers out	<u>(1,644,977)</u>
Change in net assets	237,676
Total net assets - October 1 (beginning)	<u>19,763,857</u>
Total net assets - September 30 (ending)	<u>\$ 20,001,533</u>

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash received from user charges	\$ 6,715,027
Cash payments to employees for services	(1,011,155)
Cash payments for suppliers	(3,979,437)
Net Cash Provided by Operating Activities	1,724,435
<u>Cash Flows From Non-Capital Financing Activities:</u>	
Transfers in	777,597
Transfers out	(1,644,976)
Impact fees	299,129
Net cash provided by (used for) non-capital financing activities	(568,250)
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of capital assets	(956,583)
Principal paid on capital debt	(537,000)
Developer reimbursement	(143,856)
Interest paid on capital debt	(742,415)
Net cash provided used for capital and related financing activities	(2,379,854)
<u>Cash Flows from investing activities:</u>	
Interest and dividends on investments	288,977
Net Increase in Cash and Cash Equivalents	(934,692)
Cash and Cash Equivalents at Beginning of the Year	9,364,194
Cash and Cash Equivalents at the End of the Year	\$ 8,429,502
Cash and cash equivalents:	
Cash and cash equivalents	\$ 4,763,841
Restricted bond covenant reserves	455,935
Restricted impact fees	3,209,726
Total cash and cash equivalents	\$ 8,429,502

The accompanying notes are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-Type Activities
	Total Enterprise Funds
<u>Reconciliation of Operating Income to Net Cash Provided</u>	
<u>by Operating Activities:</u>	
Operating income	\$ 962,084
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	781,258
Effect of Increases and Decreases in Assets and Liabilities:	
Decrease (increase) in receivables	(74,616)
Decrease (increase) in inventories	(15,897)
Increase (decrease) in accounts payable	(52,419)
Increase (decrease) in compensated absences	28,626
Increase (decrease) in other noncurrent	95,399
Net Cash Provided by Operating Activities	\$ 1,724,435



LITTLE ELM

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Notes to Financial Statements



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TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a municipal corporation governed by an elected Mayor and six-member Town Council. As required by Governmental Accounting Standards Board (GASB) Statement No. 39, these financial statements present the Town and its component units, entities for which the Town is to be financially accountable. Blended component units are component units that are so intertwined with a government that they are included or blended with the governmental or business-type activities in the government-wide financial statements. Discretely presented component units are component units that are reported separately from the governmental and business-type activities (the primary government) in a government's financial statements. The Town has two discretely presented component units, both with a September 30th year end.

Discretely Presented Component Units

Little Elm Economic Development Corporation

The Little Elm Economic Development Corporation (EDC), a duly established municipal corporation created under the provisions of Section 4A of the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated Article 5190.6, as amended (the "Development Corporation Act"), 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 EDC shall be subject to any limitation imposed by Section 4A of the Development Corporation Act. The affairs of the EDC shall be managed by a Board of Directors consisting of five (5) in number who shall be appointed by and shall serve at the pleasure of the Town Council: one director from the Town Council, and four directors at-large. The Directors are removable by the Town Council for cause or at will. 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 government exercises oversight responsibility for the EDC in the areas of finance, governance, management and operations. 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 EDC utilizes full accrual accounting.

Little Elm Community Development Corporation

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. The CDC utilizes full accrual accounting.

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

No separate audited financial statements are available for the Town's discretely presented component units. Complete financial statements for the individual component units may be obtained from the Town's Finance Director at 100 West Eldorado Parkway, Little Elm, Texas or phone at (214) 975-0400.

B. Measurement Focus, Basis of Accounting and Presentation

Government-Wide and Fund Financial Statements

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

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

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

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 Accounting

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

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Measurement Focus, Basis of Accounting and Presentation - continued

Governmental funds are used to account for the Town's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

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

Governmental funds include the following fund types:

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

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

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

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

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

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Measurement Focus, Basis of Accounting and Presentation - continued

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Water and Sewer Fund include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary funds include the following types:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

B. Budgets and Budgetary Accounting

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

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

- a. 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.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- d. 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.

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Budgets and Budgetary Accounting - continued

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

For the period ended September 30, 2008 current appropriations exceed expenditures by \$827,090 in the general fund. The Town received \$1,096,432 worth of infrastructure assets from developers, which is included in the unbudgeted capital outlay.

D. Budget/GAAP Reconciliation

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

	Water and Sewer Fund
Retained earnings (budget)	\$ 18,907,274
Infrastructure from developers	441,136
Depreciation and amortization	(781,258)
Bond principal payment	537,000
Capital outlays	897,381
Retained earnings (GAAP)	\$ 20,001,533

E. Deposits and Investments

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

F. Fixed Assets

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

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

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Fixed Assets - continued

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

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

G. Compensated Absences

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

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

H. Long-term Obligations

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

I. Fund Equity

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

J. Short-term Interfund Receivables and Payables

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

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. 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.

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

L. Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. Items for which estimates are necessary include the amount of receivables, which may not be collectible, and the service lives and salvage values of depreciable assets. Actual results could differ from those estimates.

NOTE 2. COMPLIANCE AND ACCOUNTABILITY

Finance-Related Legal and Contractual Provisions

In accordance with GASG Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None	

NOTE 3. DEPOSITS AND INVESTMENTS

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

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

At September 30, 2008 the Town's carrying amount of deposits in financial institutions was \$256,746 and the bank balance of deposits was \$922,897. Of the bank balance \$200,000 was covered by federal depository insurance and \$722,897 was covered by collateral held by the pledging financial institution's trust department or agent in the Town's name.

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3. DEPOSITS AND INVESTMENTS - CONTINUED

The carrying amount of deposits for the EDC, presented as a discrete component unit, was \$1,221,718 and the bank balance was \$1,284,662. Of the bank balance \$200,000 was covered by federal depository insurance and \$1,084,662 was covered by collateral held by the pledging financial institution's trust department or agent in the EDC's name.

The carrying amount and bank balance of deposits for the CDC, presented as a discrete component unit, was \$270,658. Of the bank balance \$200,000 was covered by federal depository insurance and \$70,658 was covered by collateral held by the pledging financial institution's trust department or agent in the CDC's name.

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

Cash on hand	\$ 2,300
Deposits with financial institutions	256,746
Deposits with TexPool	<u>20,344,793</u>
Total	<u>\$ 20,603,839</u>
Cash and cash equivalents	\$ 14,900,001
Cash and cash equivalents - restricted	<u>5,703,838</u>
Total	<u>\$ 20,603,839</u>

A reconciliation of cash and investments as shown on the Combining Statement of Net Assets for the EDC follows:

Deposits with financial institutions	\$ 92,639
Deposits with TexPool	<u>1,129,079</u>
Total	<u>\$ 1,221,718</u>
Cash and cash equivalents	\$ 1,221,718
Total	<u>\$ 1,221,718</u>

A reconciliation of cash and investments as shown on the Combining Statement of Net Assets for the CDC follows:

Deposits with financial institutions	\$ 270,658
Total	<u>\$ 270,658</u>
Cash and cash equivalents	\$ 270,658
Total	<u>\$ 270,658</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3. DEPOSITS AND INVESTMENTS - CONTINUED

The investments of the Town and its discretely presented component units at September 30, 2008 are as follows:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings</u>	<u>Weighted Average Months to Maturity</u>
Primary Government:				
TexPool	\$ 21,473,872	\$ 21,473,872	N/A	1.00
Total primary government investments	<u>21,473,872</u>	<u>21,473,872</u>		
Component Units:				
TexPool	<u>1,129,079</u>	<u>1,129,079</u>	N/A	1.00
Total component unit investments	<u>1,129,079</u>	<u>1,129,079</u>		
Total investments	<u>\$ 22,602,951</u>	<u>\$ 22,602,951</u>		

TexPool is a public funds investment pool administered by the Treasurer of the State of Texas pursuant to the Interlocal Cooperation Act passed in 1989 by the 71st Texas Legislature. This Act authorized the Town to delegate to TexPool the authority to make investment purchases and to hold legal title as custodian of the investment securities. All TexPool investments are in the possession of the Texas Treasury Safekeeping Trust Company and held in its book-entry safekeeping account at the Federal Reserve Bank of Dallas. The Texas Treasury Safekeeping Trust Company was created in 1986 by the 69th Texas Legislature to enable the Treasurer of the State of Texas to manage, safekeep, and invest public funds of state agencies and political subdivisions more efficiently and economically. The fair value of the Town's position in TexPool is the same as the value of the pool shares.

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 ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the Town was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's name.

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED

b. Custodial Credit Risk - Continued

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Town's name.

At year end, the Town was not exposed to custodial credit risk.

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.

d. Interest Rate Risk

This is the risk that changes in the interest rates will adversely affect the fair value of an investment. At year end, the Town was not exposed to interest rate risk.

f. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Town was not exposed to foreign currency risk.

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 4. RECEIVABLES

Receivables at September 30, 2008 consist of the following:

	General Fund	Debt Service	Special Revenue	Water and Sewer Fund	Totals		Total Reporting Entity
					Primary Government	Component Units	
Property taxes	\$ 107,161	\$ 56,849	\$	\$	\$ 164,010	\$	\$ 164,010
Utility bills				842,308	842,308		842,308
Other governments	323,044				323,044		323,044
Sales tax	248,264		62,066		310,330	186,198	496,528
Municipal court	1,238,385				1,238,385		1,238,385
Ambulance charges	1,085,588				1,085,588		1,085,588
	<u>3,002,442</u>	<u>56,849</u>	<u>62,066</u>	<u>842,308</u>	<u>3,963,665</u>	<u>186,198</u>	<u>4,149,863</u>
Less allowance for uncollectibles	<u>572,749</u>	<u>7,052</u>		<u>129,564</u>	<u>709,365</u>		<u>709,365</u>
	<u>\$ 2,429,693</u>	<u>\$ 49,797</u>	<u>\$ 62,066</u>	<u>\$ 712,744</u>	<u>\$ 3,254,300</u>	<u>\$ 186,198</u>	<u>\$ 3,440,498</u>

There are no receivables, other than delinquent property taxes, that the Town does not expect to collect within a year. The Town expects to collect approximately \$142,283 of the \$164,010 total delinquent property taxes. This amount is similar to the amounts collected in previous years.

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 5. PROPERTY TAXES

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

NOTE 6. FIXED ASSETS

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

	Balance 10/01/07	Additions	Retirements	Balance 09/30/08
Land	\$ 864,409	\$ 361,548	\$	\$ 1,225,957
Infrastructure	18,249,874	1,096,432		19,346,306
Buildings and plant	5,970,775	32,978		6,003,753
Improvements other than buildings	9,357,109	536,240		9,893,349
Machinery and equipment	3,311,393	399,888		3,711,281
Construction in progress	832,618	3,259,040		4,091,658
Total	38,586,178	5,686,126		44,272,304
Less accumulated depreciation	4,784,476	1,335,317		6,119,794
Total	<u>\$ 33,801,702</u>	<u>\$ 4,350,809</u>	<u>\$</u>	<u>\$ 38,152,510</u>

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

	Balance 10/01/07	Additions	Retirements	Balance 09/30/08
Land	\$ 225,382	\$ 102,536	\$	\$ 327,918
Buildings	95,402			95,402
Improvements other than buildings	27,325,449	482,512		27,807,961
Machinery and equipment	753,722	167,795		921,517
Construction in progress	1,619,008	585,674		2,204,682
Total	30,018,963	1,338,517		31,357,480
Less accumulated depreciation	4,392,486	781,258		5,173,744
Total	<u>\$ 25,626,477</u>	<u>\$ 557,259</u>	<u>\$</u>	<u>\$ 26,183,736</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 6. FIXED ASSETS – CONTINUED

In the government-wide statements, the following estimated useful lives are used to compute depreciation for governmental activities. The Town has a capitalization policy for fixed asset purchases in excess of \$5,000.

	Years
Streets and Buildings	40
Fixtures	10
Equipment	5

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

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

NOTE 7. CHANGES IN LONG-TERM DEBT

The following is a summary of the changes in general long-term debt for the fiscal year ended September 30, 2008.

Description of Issue	Balance 10/1/07	Additions	Retirements	Reclassifications	Balance 9/30/08
Certificates of Obligation, Series 2005	\$ 4,625,000	\$	\$ 130,000	\$	\$ 4,495,000
General Obligation Bonds, Series 2006	6,250,000		190,000		6,060,000
Certificates of Obligation, Series 2001	3,110,000		140,000		2,970,000
Combination Tax and Revenue, Certificates of Obligation, Series 2000	486,450		23,000		463,450
Combination Tax and Revenue, Certificates of Obligation, Series 2002	2,170,000		90,000		2,080,000
General Obligation Refunding and Improvement Bonds, Series 2005	2,920,000		125,000		2,795,000
Tax Notes, Series 2005	415,000		75,000		340,000
Tax Notes, Series 2005A	430,000		135,000		295,000
Notes Payable	843,606	342,167	224,700	(482,504)	478,569
Compensated Absences	354,424	57,579			412,003
Total	21,604,480	399,746	1,132,700	(482,504)	20,389,022
Less amount due in one year	1,032,797				1,185,222
Amount due in more than one year	\$ 20,571,683				\$ 19,203,800

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 7. CHANGES IN LONG-TERM DEBT – CONTINUED

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

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

Fiscal Year	Interest	Principal	Total	Coupon
2008-2009	\$ 14,620	\$ 145,000	\$ 159,620	4.01%
2009-2010	9,087	150,000	159,087	4.12%
	<u>\$ 23,707</u>	<u>\$ 295,000</u>	<u>\$ 318,707</u>	

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

Fiscal Year	Interest Due		Principal Due	Total	Coupon Rate
	February 1	August 1	August 1		
2008-2009	\$ 91,486	\$ 91,486	\$ 140,000	\$ 322,972	3.50%
2009-2010	89,036	89,036	145,000	323,072	3.50%
2010-2011	86,499	86,499	155,000	327,998	3.75%
2011-2012	83,592	83,592	165,000	332,184	3.75%
2012-2013	80,499	80,499	200,000	360,998	5.00%
2013-2014	75,499	75,499	215,000	365,998	5.00%
2014-2015	70,124	70,124	225,000	365,248	5.00%
2015-2016	64,499	64,499	240,000	368,998	4.00%
2016-2017	59,699	59,699	250,000	369,398	4.00%
2017-2018	54,699	54,699	260,000	369,398	4.00%
2018-2019	49,499	49,499	270,000	368,998	4.00%
2019-2020	44,099	44,099	280,000	368,198	3.80%
2020-2021	38,779	38,779	295,000	372,558	3.85%
2021-2022	33,100	33,100	305,000	371,200	4.00%
2022-2023	27,000	27,000	315,000	369,000	4.00%
2023-2024	20,700	20,700	330,000	371,400	4.00%
2024-2025	14,100	14,100	345,000	373,200	4.00%
2025-2026	7,200	7,200	360,000	374,400	4.00%
	<u>\$ 990,109</u>	<u>\$ 990,109</u>	<u>\$ 4,495,000</u>	<u>\$ 6,475,218</u>	

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 7. CHANGES IN LONG-TERM DEBT – CONTINUED

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

Fiscal Year	Interest Due		Principal Due	Total	Coupon
	February 1	August 1	August 1		Rate
2008-2009	\$ 127,410	\$ 127,410	\$ 200,000	\$ 454,820	4.50%
2009-2010	122,910	122,910	210,000	455,820	4.50%
2010-2011	118,185	118,185	220,000	456,370	4.50%
2011-2012	113,235	113,235	230,000	456,470	4.50%
2012-2013	108,060	108,060	240,000	456,120	4.50%
2013-2014	102,660	102,660	255,000	460,320	4.50%
2014-2015	96,922	96,922	265,000	458,844	4.50%
2015-2016	90,960	90,960	280,000	461,920	4.50%
2016-2017	84,660	84,660	295,000	464,320	4.00%
2017-2018	78,760	78,760	310,000	467,520	4.00%
2018-2019	72,560	72,560	325,000	470,120	4.00%
2019-2020	66,060	66,060	340,000	472,120	4.00%
2020-2021	59,260	59,260	355,000	473,520	4.00%
2021-2022	52,160	52,160	375,000	479,320	4.05%
2022-2023	44,566	44,566	390,000	479,132	4.10%
2023-2024	36,571	36,571	410,000	483,142	4.10%
2024-2025	28,166	28,166	430,000	486,332	4.125%
2025-2026	19,298	19,298	455,000	493,596	4.15%
2026-2027	9,856	9,856	475,000	494,712	4.15%
	<u>\$ 1,432,259</u>	<u>\$ 1,432,259</u>	<u>\$ 6,060,000</u>	<u>\$ 8,924,518</u>	

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 7. CHANGES IN LONG-TERM DEBT – CONTINUED

General Obligation Refunding and Improvement Bonds, Series 2005

January 1, 2005

Original Amount \$3,380,000

Interest Rate 2.25%

Fiscal Year	Interest Due		Principal Due	Total
	February 1	August 1	August 1	
2008-2009	\$ 63,036	\$ 63,036	\$ 125,000	\$ 251,071
2009-2010	61,161	61,161	90,000	212,321
2010-2011	59,698	59,698	90,000	209,396
2011-2012	58,123	58,123	95,000	211,246
2012-2013	56,401	56,401	100,000	212,803
2013-2014	54,401	54,401	105,000	213,803
2014-2015	52,301	52,301	105,000	209,603
2015-2016	50,306	50,306	110,000	210,613
2016-2017	48,161	48,161	115,000	211,323
2017-2018	45,861	45,861	120,000	211,723
2018-2019	43,461	43,461	125,000	211,923
2019-2020	40,711	40,711	130,000	211,423
2020-2021	37,851	37,851	135,000	210,703
2021-2022	34,881	34,881	140,000	209,763
2022-2023	31,381	31,381	150,000	212,763
2023-2024	27,631	27,631	155,000	210,263
2024-2025	23,756	23,756	165,000	212,513
2025-2026	19,425	19,425	170,000	208,850
2026-2027	14,963	14,963	180,000	209,925
2027-2028	10,238	10,238	190,000	210,475
2028-2029	5,250	5,250	200,000	210,500
	<u>\$ 838,999</u>	<u>\$ 838,999</u>	<u>\$ 2,795,000</u>	<u>\$ 4,472,998</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 7. CHANGES IN LONG-TERM DEBT – CONTINUED

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

Original Amount \$2,600,000

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

Interest Rate 4.75% to 5.75%

Fiscal Year	Interest Due		Principal Due	Total	Coupon Rate
	February 1	August 1	August 1		
2008-2009	\$ 12,781	\$ 12,781	\$ 24,150	\$ 49,712	5.05%
2009-2010	11,996	11,996	25,300	49,292	5.10%
2010-2011	11,332	11,332	27,600	50,264	5.20%
2011-2012	10,608	10,608	28,750	49,966	5.25%
2012-2013	9,853	9,853	31,050	50,756	5.35%
2013-2014	9,030	9,030	32,200	50,260	5.40%
2014-2015	8,177	8,177	34,500	50,854	5.45%
2015-2016	7,245	7,245	36,800	51,290	5.50%
2016-2017	6,252	6,252	39,100	51,604	5.55%
2017-2018	5,176	5,176	41,400	51,752	5.70%
2018-2019	4,017	4,017	44,850	52,884	5.70%
2019-2020	2,761	2,761	47,150	52,672	5.75%
2020-2021	1,430	1,430	50,600	53,460	5.75%
	<u>\$ 100,658</u>	<u>\$ 100,658</u>	<u>\$ 463,450</u>	<u>\$ 664,766</u>	

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 7. CHANGES IN LONG-TERM DEBT – CONTINUED

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

Fiscal Year	Interest	Principal	Total
2008-2009	\$ 144,155	\$ 145,000	\$ 289,155
2009-2010	136,615	155,000	291,615
2010-2011	129,640	165,000	294,640
2011-2012	122,215	170,000	292,215
2012-2013	114,395	180,000	294,395
2013-2014	106,115	190,000	296,115
2014-2015	97,090	200,000	297,090
2015-2016	87,590	215,000	302,590
2016-2017	77,168	225,000	302,168
2017-2018	66,250	235,000	301,250
2018-2019	54,500	250,000	304,500
2019-2020	42,000	265,000	307,000
2020-2021	28,750	280,000	308,750
2021-2022	14,750	295,000	309,750
	<u>\$ 1,221,233</u>	<u>\$ 2,970,000</u>	<u>\$ 4,191,233</u>

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

Fiscal Year	Interest	Principal	Total
2008-2009	\$ 4,954	\$ 34,265	\$ 39,219
2009-2010	3,377	35,843	39,220
2010-2011	1,726	37,493	39,219
	<u>\$ 10,057</u>	<u>\$ 107,601</u>	<u>\$ 117,658</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 7. CHANGES IN LONG-TERM DEBT – CONTINUED

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

Fiscal Year	Interest	Principal	Total
2008-2009	\$ 92,758	\$ 95,000	\$ 187,758
2009-2010	88,578	100,000	188,578
2010-2011	84,328	105,000	189,328
2011-2012	79,865	110,000	189,865
2012-2013	75,190	120,000	195,190
2013-2014	70,390	125,000	195,390
2014-2015	65,265	130,000	195,265
2015-2016	59,805	135,000	194,805
2016-2017	54,000	145,000	199,000
2017-2018	47,620	150,000	197,620
2018-2019	40,870	155,000	195,870
2019-2020	33,740	165,000	198,740
2020-2021	25,985	175,000	200,985
2021-2022	17,760	180,000	197,760
2022-2023	9,120	190,000	199,120
	<u>\$ 845,274</u>	<u>\$ 2,080,000</u>	<u>\$ 2,925,274</u>

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

Fiscal Year	Interest	Principal	Total
2008-2009	\$ 9,705	\$ 53,688	\$ 63,393
2009-2010	6,647	56,746	63,393
2010-2011	3,416	59,514	62,930
	<u>\$ 19,768</u>	<u>\$ 169,948</u>	<u>\$ 189,716</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 7. CHANGES IN LONG-TERM DEBT – CONTINUED

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

Fiscal Year	Interest	Principal	Total
2008-2009	\$ 13,770	\$ 80,000	\$ 93,770
2009-2010	10,530	85,000	95,530
2010-2011	7,088	85,000	92,088
2011-2012	3,645	90,000	93,645
	<u>\$ 35,033</u>	<u>\$ 340,000</u>	<u>\$ 375,033</u>

Capital Lease - Texas Municipal
December 4, 2007 - \$342,168
Interest Rate 4.98%

Fiscal Year	Interest	Principal	Total
2008-2009	\$ 8,448	\$ 143,119	\$ 151,567
2009-2010	2,223	57,901	60,124
	<u>\$ 10,671</u>	<u>\$ 201,020</u>	<u>\$ 211,691</u>

NOTE 8. CHANGES IN WATER AND SEWER FUND LONG TERM DEBT

The following is a summary of the changes in water and sewer fund long-term debt for the fiscal year ended September 30, 2008.

Description of Issue	Balance 10/1/07	Additions	Retirements	Balance 9/30/08
Revenue Bonds, Series 2004	\$ 3,710,000	\$	\$ 95,000	\$ 3,615,000
Combination Tax and Revenue, Certificate of Obligations - 2003	905,000		55,000	850,000
Certificates of Obligation - 2000	4,345,000		140,000	4,205,000
Water and Sewer Revenue Refunding and Improvement Bonds - 2002	1,628,550		77,000	1,551,550
Compensated absences	4,445,000		170,000	4,275,000
Customer Deposits	109,159	28,626		137,785
Total	665,750	95,399		761,149
Less amount due within one year	15,808,459	124,025	537,000	15,395,484
Amount due in more than one year	646,159			703,635
	<u>\$ 15,162,300</u>			<u>\$ 14,691,849</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 8. CHANGES IN WATER AND SEWER FUND LONG TERM DEBT – CONTINUED

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

Waterworks and Sewer System Revenue Bonds, Series 2004
November 1, 2004
Original Amount \$3,800,000
Interest Rate 4.57%

Fiscal Year	Interest Due		Principal Due	Total
	March 1	September 1	September 1	
2008-2009	\$ 82,205	\$ 82,205	\$ 100,000	\$ 264,410
2009-2010	79,705	79,705	105,000	264,410
2010-2011	77,080	77,080	110,000	264,160
2011-2012	74,330	74,330	120,000	268,660
2012-2013	71,330	71,330	125,000	267,660
2013-2014	68,205	68,205	130,000	266,410
2014-2015	64,955	64,955	135,000	264,910
2015-2016	62,323	62,323	145,000	269,646
2016-2017	54,495	54,495	150,000	258,990
2017-2018	56,495	56,495	155,000	267,990
2018-2019	53,395	53,395	165,000	271,790
2019-2020	49,930	49,930	175,000	274,860
2020-2021	46,255	46,255	180,000	272,510
2021-2022	42,475	42,475	190,000	274,950
2022-2023	38,200	38,200	200,000	276,400
2023-2024	33,700	33,700	210,000	277,400
2024-2025	28,975	28,975	220,000	277,950
2025-2026	23,750	23,750	230,000	277,500
2026-2027	18,288	18,288	245,000	281,576
2027-2028	12,469	12,469	255,000	279,938
2028-2029	6,413	6,413	270,000	282,826
	<u>\$ 1,044,973</u>	<u>\$ 1,044,973</u>	<u>\$ 3,615,000</u>	<u>\$ 5,704,946</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 8. CHANGES IN WATER AND SEWER FUND LONG TERM DEBT – CONTINUED

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

Original Amount \$2,600,000

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

Interest Rate 4.75% to 5.75%

Fiscal Year	Interest Due		Principal Due	Total	Coupon Rate
	February 1	August 1	August 1		
2008-2009	\$ 42,789	\$ 42,789	\$ 80,850	\$ 166,428	5.05%
2009-2010	40,162	40,162	84,700	165,024	5.10%
2010-2011	37,938	37,938	92,400	168,276	5.20%
2011-2012	35,512	35,512	96,250	167,274	5.25%
2012-2013	32,986	32,986	103,950	169,922	5.35%
2013-2014	30,231	30,231	107,800	168,262	5.40%
2014-2015	27,374	27,374	115,500	170,248	5.45%
2015-2016	24,256	24,256	123,200	171,712	5.50%
2016-2017	20,929	20,929	130,900	172,758	5.55%
2017-2018	17,330	17,330	138,600	173,260	5.70%
2018-2019	13,449	13,449	150,150	177,048	5.70%
2019-2020	9,245	9,245	157,850	176,340	5.75%
2020-2021	4,785	4,785	169,400	178,970	5.75%
	<u>\$ 336,986</u>	<u>\$ 336,986</u>	<u>\$ 1,551,550</u>	<u>\$ 2,225,522</u>	

Combination Tax and Certificate of Obligation - 1999

April 1, 1999

Original Amount \$1,220,000

Interest Rate 4.5% to 5.15%

Fiscal Year	Interest Due		Principal Due	Total	Coupon Rate
	February 1	August 1	August 1		
2008-2009	\$ 20,861	\$ 20,861	\$ 60,000	\$ 101,722	4.50%
2009-2010	17,775	17,775	60,000	95,550	4.50%
2010-2011	16,425	16,425	65,000	97,850	4.50%
2011-2012	15,794	15,794	70,000	101,588	4.75%
2012-2013	14,429	14,429	70,000	98,858	4.85%
2015-2016	13,125	13,125	240,000	266,250	5.00%
2018-2019	7,339	7,339	285,000	299,678	5.15%
	<u>\$ 105,748</u>	<u>\$ 105,748</u>	<u>\$ 850,000</u>	<u>\$ 1,061,496</u>	

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 8. CHANGES IN WATER AND SEWER FUND LONG TERM DEBT – CONTINUED

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

Fiscal Year	Interest	Principal	Total
2008-2009	\$ 211,690	\$ 175,000	\$ 386,690
2009-2010	202,065	185,000	387,065
2010-2011	191,890	195,000	386,890
2011-2012	181,165	205,000	386,165
2012-2013	169,890	220,000	389,890
2013-2014	160,210	230,000	390,210
2014-2015	149,860	240,000	389,860
2015-2016	138,820	255,000	393,820
2016-2017	126,835	265,000	391,835
2017-2018	114,248	280,000	394,248
2018-2019	100,808	295,000	395,808
2019-2020	86,500	310,000	396,500
2020-2021	71,000	330,000	401,000
2021-2022	54,500	345,000	399,500
2022-2023	37,250	365,000	402,250
2023-2024	19,000	380,000	399,000
	<u>\$ 2,015,731</u>	<u>\$ 4,275,000</u>	<u>\$ 6,290,731</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 8. CHANGES IN WATER AND SEWER FUND LONG TERM DEBT – CONTINUED

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

Fiscal Year	Interest Due		Principal Due		Total	Coupon Rate
	March 1	September 1	September 1			
2008-2009	\$ 106,587	\$ 106,587	\$ 150,000	\$ 363,174	4.75%	
2009-2010	103,024	103,024	155,000	361,048	4.75%	
2010-2011	99,343	99,343	165,000	363,686	4.75%	
2011-2012	95,425	95,425	175,000	365,850	4.75%	
2012-2013	91,268	91,268	180,000	362,536	4.75%	
2013-2014	86,993	86,993	190,000	363,986	4.35%	
2014-2015	82,861	82,861	200,000	365,722	4.40%	
2015-2016	78,461	78,461	205,000	361,922	4.50%	
2016-2017	73,848	73,848	220,000	367,696	4.60%	
2017-2018	68,788	68,788	230,000	367,576	4.70%	
2018-2019	63,383	63,383		126,766		
2019-2020	63,383	63,383	490,000	616,766	4.90%	
2020-2021	51,378	51,378		102,756		
2021-2022	51,378	51,378		102,756		
2022-2023	51,378	51,378	820,000	922,756	5.50%	
2023-2024	28,828	28,828		57,656		
2024-2025	28,828	28,828	1,025,000	1,082,656	5.63%	
	<u>\$ 1,225,154</u>	<u>\$ 1,225,154</u>	<u>\$ 4,205,000</u>	<u>\$ 6,655,308</u>		

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 9. CHANGES IN COMPONENT UNIT LONG-TERM DEBT

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

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

Fiscal Year	Total
2008-2009	\$ 43,863
2009-2010	46,536
2010-2011	49,373
2011-2012	52,335
2012-2013	55,572
2013-2014	58,959
2014-2015	62,553
2015-2016	66,358
2016-2017	3,466
	\$ 439,015

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 10. EMPLOYEE RETIREMENT SYSTEM

Plan Description

The Town provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 821 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2007 valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

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

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

Contributions

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

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, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 10. EMPLOYEE RETIREMENT SYSTEM – CONTINUED

Contributions - continued

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 city. 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, 2007 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 increases 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 an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the Town’s unfunded actuarial accrued liability would have been \$572,937 and the funded ratio would have been 86.5%.

Contributions are made monthly by both the employees and the Town. Since the Town needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Annual Pension Cost

For the year ended September 30, 2008, the annual pension cost of \$518,952 for TMRS was equal to the Town’s required and actual contributions. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the unit credit actuarial cost method, the level percent of payroll amortization method and amortized on an open period basis over 25 years. The actuarial assumptions included (a) seven percent investment rate of return, (b) no projected salary increases, (c) no cost-of-living adjustments, (d) no post-retirement benefit increases, (e) level percentage of payroll, and (f) 25 year amortization period on an open basis. No inflation amount was used in computing (a) and (b). The actuarial value of TMRS assets was determined using market values.

Three Year Trend Information for TMRS

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/05	729,210	100%	
09/30/06	396,707	100%	
09/30/07	518,952	100%	

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 10. EMPLOYEE RETIREMENT SYSTEM – CONTINUED

Schedule of Funding Progress for TMRS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	U.A.A.L. as a Percentage of Covered Payroll (b) - (a) / (c)
12/31/01	\$ 545,447	\$ 798,900	\$ 253,453	68.3%	\$ 1,672,557	15.2%
12/31/02	850,544	117,723	317,179	72.8%	2,076,352	15.3%
12/31/03	1,244,023	1,819,560	575,537	68.4%	2,733,715	21.1%
12/31/04	1,627,348	2,077,202	449,854	78.3%	3,154,515	14.3%
12/31/05	2,009,333	2,424,382	415,049	82.9%	3,879,377	10.7%
12/31/06	2,696,139	3,168,372	472,233	85.1%	5,187,881	9.1%
12/31/07	3,662,834	5,452,368	1,789,534	67.2%	6,323,238	28.3%

NOTE 11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The government maintains one Enterprise Fund which provides Water and Sewer related services. Segment information for the year ended September 30, 2008 is as follows:

	Water and Sewer Fund
Operating revenues	\$ 6,694,244
Depreciation and amortization expense	781,258
Operating income (loss)	962,804
Operating transfers in (out)	(867,379)
Net income	237,676
Property, plant, and equipment additions	956,583
Total assets	35,731,204
Bonds and other long-term liabilities	15,395,484
Total equity	20,001,533

NOTE 12. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is a participant in the Texas Municipal League Workers' Compensation Joint Insurance fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of 1,821 individual governmental units located within Texas. The Town pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$500,000 per occurrence with a \$1,000,000 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.

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 12. RISK MANAGEMENT – CONTINUED

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 13. INTERFUND BALANCES

All interfund receivables and payables are considered short term and, at September 30, 2008, consisted of the following:

	General Fund	Capital Projects Fund	Debt Service Fund	Water and Sewer Fund	Component Units	Total Reporting Entity
Due from other funds	\$ 45,000	\$	\$	\$ 196,465	\$	\$ 241,465
Due to other funds	<u>45,000</u>	<u></u>	<u>(196,465)</u>	<u></u>	<u>(45,000)</u>	<u>(241,465)</u>
	<u>\$ 45,000</u>	<u>\$</u>	<u>\$ (196,465)</u>	<u>\$ 196,465</u>	<u>\$ (45,000)</u>	<u>\$</u>

Transfers to and from other funds during the year ended September 30, 2008 were as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Water and Sewer Fund	\$ 53,000	Purchase capital assets
General Fund	Water and Sewer Fund	35,000	Purchase capital assets
General Fund	Debt Service Fund	91,443	Fund debt service payment
General Fund	Water and Sewer Fund	36,388	Purchase capital assets
General Fund	Capital Projects Fund	220,000	Supplement infrastructure costs
General Fund	Capital Projects Fund	320,663	Supplement infrastructure costs
Water and Sewer Fund	Capital Projects Fund	241,338	Supplement infrastructure costs
Water and Sewer Fund	General Fund	715,429	Administrative overhead
Capital Projects Fund	Debt Service Fund	60,124	Fund debt service payment
Component Unit	General Fund	24,000	Administrative overhead
Component Unit	General Fund	6,000	Administrative overhead
	Total	<u>\$ 1,803,385</u>	

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 14. COMMITMENTS AND CONTINGENCIES

During 2003 the Town entered into a contract with the North Texas Municipal Water District (District) whereby the District would obtain bond financing for the construction of water lines and delivery facilities in order to deliver water to the Town of Little Elm. The bond debt is held in the name of the District, but the Town is obligated under the contract to pay amounts equal to the principal and interest due on the bonds in monthly payments until 2023. The amounts due are billed with the monthly water charges to the Town and are included as part of operating expense. The amount included in operating expense for the year ended September 30, 2008 was \$415,746. The minimum amounts due from the Town are as follows:

<u>Fiscal Year</u>	<u>Total</u>
2008-2009	\$ 415,906
2009-2010	415,479
2010-2011	414,510
2011-2012	418,054
2012-2013	415,866
Thereafter	<u>4,330,497</u>
	<u>\$ 6,410,312</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 15. PRIOR PERIOD ADJUSTEMENTS

At September 30, 2008, the Town recorded the following prior period adjustments to account for the change in reporting entity and correction of an error.

Government-Wide Financial Statements	Net Assets, as Previously Reported	Prior Period Adjustments		Net Assets, as Restated
		Change in Reporting Entity	Correction of an Error	
Governmental Activities:				
Net Assets	\$ 27,783,919	\$ (747,891)	\$ 423,299	\$ 27,459,327
Total governmental activities	27,783,919	(747,891)	423,299	27,459,327
Business-Type Activities:				
Net Assets	19,763,857			19,763,857
Total business-type activities	19,763,857			19,763,857
Component Units:				
Net Assets		747,891		747,891
Total component units		747,891		747,891
Total government-wide	\$ 47,547,776	\$	\$ 423,299	\$ 47,971,075

Change in Reporting Entity

During fiscal year ending September 30, 2008, it was determined that the EDC was a discrete component unit because it no longer met the criteria for blended component unit. In prior years, the EDC had met the criteria for a blended component unit and, as so, was included in the governmental activities of the government-wide financial statements. The net effect on net assets was \$747,891.

Correction of an Error

During fiscal year ending September 30, 2008, Town management discovered that a receivable had never been recorded and reported in the financial statements for ambulance charges due to the Town. The net effect of this correction on net assets is \$423,299.

TOWN OF LITTLE ELM, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 16. SUBSEQUENT EVENTS

The Town awarded a Public Works contract to Texas United Excavators, LLC with a notice to proceed on January 2, 2009. The amount of the contract is \$2,724,736 and is for the King Road project. The funding for this contract was provided with funds from the 2004 General Obligation Bond funds.

The Town sold Certificates of Obligation in the amount of \$6,500,000. The 2008 Certificates of Obligation were pledged with property taxes. However, repayment will be from the rates and charges of the water and sewer System. These are 25-year bonds for the purpose of water and sewer system improvements.

On December 7, 2008 the Town received funds in the amount of \$3,433,806. The funds were a result of a ROW settlement that was awarded by TxDOT during the summer of 2008. These funds are to replace the existing Fire Station on Eldorado Parkway.

EDC Loans

The loan with Point Bank is for the amount of \$3,400,000 and was entered into on December 3, 2008. This loan was for the acquisition of the Braewood property (land and buildings). The EDC considers this investment property and intends to resale within a three-year window.

The loan with Braewood Commercial, LP is for the amount of \$1,000,000 and was entered into on December 3, 2008. This note is secured by a second vendor's lien and second superior title retained in a deed from Lender (Braewood) to Borrower (EDC) and by a second lien deed of trust of even date from EDC to James D. Nickell, as trustee, both of which cover three tracts or real property. The EDC considers this investment property and intends to resale within a three-year window.

The loan with MDS Realty is for the amount of \$2,910,981 and was entered into on November 3, 2008. This loan was for the acquisition of the Shae property (land). The EDC considers this investment property and intends to resale within a three-year window.

REQUIRED SUPPLEMENTARY INFORMATION



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TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property taxes	\$ 5,295,756	\$ 5,395,756	\$ 5,601,793	\$ 206,037
General sales and use taxes	1,026,000	1,154,500	1,450,636	296,136
Franchise tax	1,031,000	1,275,000	1,395,846	120,846
Penalty and interest on taxes	47,000	47,000	70,236	23,236
Licenses and permits	1,508,030	1,005,795	1,264,387	258,592
Intergovernmental revenue and grants	269,511	1,043,212	304,349	(738,863)
Charges for services	1,730,000	2,053,100	2,268,637	215,537
Fines	356,200	220,500	898,538	678,038
Investment earnings	288,500	283,000	204,828	(78,172)
Contributions and donations from private sources	14,000	28,199		(28,199)
Other revenue	72,000	97,315	233,488	136,173
	<u>11,637,997</u>	<u>12,603,377</u>	<u>13,692,738</u>	<u>1,089,361</u>
EXPENDITURES:				
Current:				
General government	3,301,738	4,309,896	2,410,803	1,899,093
Public safety	5,468,911	5,570,448	5,493,677	76,771
Public works	2,580,007	2,878,461	3,400,680	(522,219)
Culture and recreation	909,432	953,863	951,798	2,065
Capital Outlay:				
Purchase of capital assets	1,723,512	1,868,838	2,161,771	(292,933)
Total Expenditures	<u>13,983,600</u>	<u>15,581,506</u>	<u>14,418,729</u>	<u>1,162,777</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,345,603)</u>	<u>(2,978,129)</u>	<u>(725,991)</u>	<u>2,252,138</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	935,999	897,244	898,537	
Impact fees	607,200	607,200	246,747	(360,453)
Transfers out (use)	(1,132,569)	(780,000)	(909,601)	(129,601)
Debt proceeds			342,167	342,167
Development agreement reimbursement	(416,400)	(416,400)	(102,712)	313,688
Infrastructure from developers			1,096,432	1,096,432
Total Other Financing Sources (Uses)	<u>(5,770)</u>	<u>308,044</u>	<u>1,571,570</u>	<u>1,262,233</u>
NET CHANGES IN FUND BALANCES:	(2,351,373)	(2,670,085)	845,579	3,514,371
Fund Balance - October 1 (Beginning)-As previously reported	3,996,844	3,787,746	6,149,542	2,361,796
Restatement			423,299	
Fund Balance - September 30 (Ending)-Restated	<u>\$ 1,645,471</u>	<u>\$ 1,117,661</u>	<u>\$ 7,418,420</u>	<u>\$ 5,876,167</u>

The accompanying notes are an integral part of this statement.

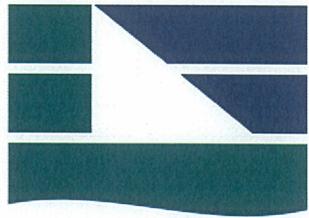


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TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL - MUNICIPAL WATER AND WASTE WATER FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on	to	on	Final Budget
			GAAP	Budget	Budget	Positive or
			Basis	Basis	Basis	(Negative)
OPERATING RECEIPTS:						
Charges for water services	\$ 3,500,000	\$ 3,500,000	\$ 3,493,142	\$	\$ 3,493,142	\$ (6,858)
Charges for sewerage service	2,660,400	2,650,000	2,844,172		2,844,172	\$ 194,172
Tap, connections, and other fees	580,239	502,500	321,781		321,781	\$ (180,719)
Other revenue			35,149		35,149	35,149
Total operating receipts	<u>6,740,639</u>	<u>6,652,500</u>	<u>6,694,244</u>		<u>6,694,244</u>	<u>41,744</u>
OPERATING DISBURSEMENTS:						
Personal services-salaries and wages	996,451	996,451	1,039,781		1,039,781	(43,330)
Personal services-employee benefits	450,379	462,459	356,278		356,278	106,181
Purchased professional & technical services	230,800	262,406	237,028		237,028	25,378
Purchased property services	338,500	424,351	406,035		406,035	18,316
Other operating expenses	2,073,370	2,316,995	2,339,833		2,339,833	(22,838)
Supplies	489,400	626,940	571,946		571,946	54,994
Capital outlay	510,000	288,435		897,381	897,381	(608,946)
Depreciation			781,258	(781,258)		
Bond principal	583,163	583,163		537,000	537,000	
Total operating disbursements	<u>5,672,063</u>	<u>5,961,200</u>	<u>5,732,159</u>	<u>653,123</u>	<u>6,385,282</u>	<u>(470,245)</u>
Operating income	<u>1,068,576</u>	<u>691,300</u>	<u>962,085</u>	<u>(653,123)</u>	<u>308,962</u>	<u>511,989</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):						
Developer reimbursement	(333,300)	(368,882)	(143,856)		(143,856)	225,026
Impact fees	778,600	453,910	299,129		299,129	(154,781)
Investment earnings	279,575	248,510	288,977		288,977	40,467
Infrastructure from developers			441,136	(441,136)		
Interest expense - non-operating	(794,235)	(794,235)	(742,414)		(742,414)	51,821
Total non-operating receipts (disbursements)	<u>(69,360)</u>	<u>(460,697)</u>	<u>142,972</u>	<u>(441,136)</u>	<u>(298,164)</u>	<u>162,533</u>
Income (loss) before transfers	999,216	230,603	1,105,057	(1,094,259)	10,798	674,522
Transfers in	53,000	53,000	777,597		777,597	777,597
Transfers out	(715,429)	(715,429)	(1,644,978)		(1,644,978)	(929,549)
Change in net assets	336,787	(431,826)	237,676	(1,094,259)	(856,583)	522,570
Total net assets - October 1 (beginning)	<u>9,983,682</u>	<u>10,948,054</u>	<u>19,763,857</u>		<u>19,763,857</u>	<u>8,815,803</u>
Total net assets - September 30 (ending)	<u>\$ 10,320,469</u>	<u>\$ 10,516,228</u>	<u>\$ 20,001,533</u>	<u>\$ (1,094,259)</u>	<u>\$ 18,907,274</u>	<u>\$ 9,338,373</u>

The accompanying notes are an integral part of this statement.



LITTLE ELM

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COMBINING FINANCIAL STATEMENTS

TOWN OF LITTLE ELM, TEXAS
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
SEPTEMBER 30, 2008

	Economic Development Corporation	Community Development Corporation	Totals
ASSETS			
Cash and cash equivalents	\$ 1,221,718	\$ 270,658	\$ 1,492,376
Receivables (net of allowance for uncollectibles)	124,132	62,066	186,198
Internal balances	<u>(45,000)</u>	<u> </u>	<u>(45,000)</u>
Total assets	<u>1,300,850</u>	<u>332,724</u>	<u>1,633,574</u>
LIABILITIES			
Accounts payable and other current liabilities	312	774	1,086
Accrued interest payable	5,933		5,933
Due within one year	43,863		43,863
Due in more than one year	<u>395,152</u>	<u> </u>	<u>395,152</u>
Total liabilities	<u>445,260</u>	<u>774</u>	<u>446,034</u>
NET ASSETS			
Unrestricted net assets	<u>855,590</u>	<u>331,950</u>	<u>1,187,540</u>
Total net assets	<u>\$ 855,590</u>	<u>\$ 331,950</u>	<u>\$ 1,187,540</u>

TOWN OF LITTLE ELM, TEXAS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants and Contributions	Component Units		Totals
				Economic Development Corporation	Community Development Corporation	
Component Units:						
Economic Development Corporation	\$ 630,692	\$	\$	\$ (630,692)	\$	\$ (630,692)
Community Development Corporation	895				(895)	(895)
Total component units:	<u>631,587</u>			<u>(630,692)</u>	<u>(895)</u>	<u>(631,587)</u>
General Revenues:						
Taxes:						
Economic development sales tax				726,204		726,204
Community development sales tax					336,110	336,110
Investment Earnings				36,187	2,735	38,922
Transfers in (out)				<u>(24,000)</u>	<u>(6,000)</u>	<u>(30,000)</u>
Total general revenues and transfers				<u>738,391</u>	<u>332,845</u>	<u>1,071,236</u>
Change in net assets				107,699	331,950	439,649
Net assets - October 1 (Beginning)-As previously reported						
Restatement				<u>747,891</u>		<u>747,891</u>
Net assets - September 30 (Ending)-Restated				<u>\$ 855,590</u>	<u>\$ 331,950</u>	<u>\$ 1,187,540</u>



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FEDERAL AWARDS SECTION



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FREEMON, SHAPARD & STORY
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the 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 as of and for the year ended September 30, 2008, which collectively comprise the Town of Little Elm, Texas's basic financial statements and have issued our report thereon dated February 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

2008-01 Criteria: Detailed fixed asset records are not maintained and reconciled to the general ledger on a timely basis to ensure accurate accounting for assets.

Condition: During the audit, we noted that detailed fixed asset records did not exist and timely reconciliations were not performed to ensure accurate accounting for assets.

Cause: The internal control system design over fixed assets does not ensure that fixed asset records are maintained and reconciled to the general ledger on a timely basis.

Effect: The lack of internal controls over the accounting for fixed assets could lead to the possible misstatement of financial statement amounts that could be material to the financial statements.

Recommendation: We recommend that the Town of Little Elm maintain detailed fixed asset records and perform timely reconciliations to the general ledger. Specifically, the fixed asset

records should include the following: description of the asset; cost, voucher number, and vendor name; date placed in service; estimated useful life, depreciation method (for both accounting and tax purposes); depreciation expense and accumulated depreciation for the year (for both accounting and tax purposes); and date asset retired and selling price, if applicable. Additionally, fixed assets, where applicable, should be tagged with metal tags or otherwise labeled with identification and inventoried on a systematic basis. By doing so, better assessment and evaluation could be achieved regarding the reliability of certain fixed assets and the need for replacements, etc.

Management Response: The Finance Department will take the lead to comply with the recommendation of the Town's external auditors. With the assistance of the budgeted GIS Technician n FY 2008-2009, we believe that we can accomplish getting the Town's infrastructure evaluated and valued retroactive and depreciated forward. In addition to the GIS Technician that will assist with Street, Water & Sewer infrastructure values, we will utilize external and internal resources to assist with the inventory and asset values for all other assets of the Town. This process will identify land, buildings, vehicles, and all other equipment and furnishings valued over \$5,000. The identification process will include building asset files, both hardcopy and electronic, with deeds and other historical cost identifiers. The Finance Department has met with our financial software vendor to review the integrated fixed asset module that interfaces with the general ledger so assets can be immediately accounted for at the time of purchase. The Town's goal for the Asset Accounting Module implementation will be June 1, 2009. The valuation of assets retroactive is a very time consuming process and is very difficult to determine a completion date. It is the Town management's priority and goal to have the Town's PP&E asset accounts in our Governmental and Proprietary Funds updated by September 30, 2009.

2008-02 **Criteria:** Ambulance revenue earned by the Town of Little Elm is not accurately recorded to ensure that revenue is recognized, reported and materially correct on the Town's financial statements.

Condition: During the audit, it was brought to our attention by the Finance Director that the Town had not accurately recorded its revenue for ambulance runs. The Town had recorded the amounts received; however, had not recorded the amounts earned as well, thus, causing the statements to be materially misstated. The error was corrected with a prior period adjustment.

Cause: The internal control system design does not ensure that all revenues of the Town are recognized and recorded in the Town's financial records.

Effect: Ambulance charges could be unrecognized and not reported in the financial statements, thus, leading to the possibility of a material misstatement.

Recommendation: We recommend that Ambulance charges, as well as all other Town charges for services, be reconciled to the general ledger on a timely basis to ensure that all revenues are accounted for and properly recorded.

Management Response: The Finance Department will take the lead on this task but will require the full cooperation with Fire and EMS personnel as well as with the Town's 3rd party EMS billing company. In this respect, the Fire Chief and Finance Director have already had discussion regarding this matter and we are working cooperatively with getting the Finance Department on-line access to the Billing and Collection reports from Internedix, the Town's 3rd party billing company. We are in the process of changing our accounting for billing charges and collections whereby a receivable, allowance and revenue amount is recorded on a monthly basis with collections being recorded against the Town's receivable on its Balance Sheet of the General Fund. The Town's goal is to have this operational before March 1 meaning that the monthly billing reports from Internedix's are received and the billing charges, allowances and revenues are booked to the appropriate general ledger accounts.

Prior Year Significant Deficiencies:

2007-01 The significant deficiency referenced above at 2008-01 was noted during the prior year audit and reported in our report dated April 28, 2008. Management did not implement the prior year recommendations.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-01 and 2008-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Little Elm, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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



Freemon, Shapard and Story
Wichita Falls, Texas

February 5, 2009



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STATISTICAL SECTION



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STATISTICAL SECTION

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

Contents	Page
Financial Trends These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	107
Revenue Capacity These tables contain information to help the reader assess the Town's two most significant local revenue sources, the property and sales taxes.	112
Debt Capacity 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.	120
Economic and Demographic Information These tables offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.	125
Operating Information 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.	127

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.



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TOWN OF LITTLE ELM, TEXAS
NET ASSETS BY COMPONENT
Last Five Fiscal Years (Unaudited)
(accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities					
Invested in capital assets, net of related debt	\$ 18,434,495	\$ 11,459,359	\$ 17,666,776	\$ 19,470,253	\$ 22,162,523
Restricted	581,765	2,531,729	2,531,729	2,714,442	2,020,133
Unrestricted	5,859,985	6,027,986	3,287,263	5,599,224	7,104,984
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>\$ 31,287,640</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 13,229,275	\$ 5,892,867	\$ 8,246,435	\$ 10,616,127	\$ 10,926,037
Restricted		3,832,517	4,421,129	4,026,887	3,665,661
Unrestricted		5,430,243	5,129,690	5,120,843	5,409,835
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>\$ 20,001,533</u>
Primary government					
Invested in capital assets, net of related debt	\$ 31,663,770	\$ 17,352,226	\$ 25,913,211	\$ 30,086,380	\$ 33,088,560
Restricted	581,765	6,364,246	6,952,858	6,741,329	5,685,794
Unrestricted	5,859,985	11,458,229	8,416,953	10,720,067	12,514,819
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>\$ 51,289,173</u>

Source: Comprehensive Annual Financial Report

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

TOWN OF LITTLE ELM, TEXAS
CHANGES IN NET ASSETS
Last Five Fiscal Years (Unaudited)
(accrual basis of accounting)

	Fiscal Year				
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Expenses					
Governmental activities:					
General government	\$ 1,347,102	\$ 1,296,075	\$ 1,684,866	\$ 2,097,813	\$ 2,430,898
Public safety	2,534,609	2,894,089	3,681,661	4,869,853	5,558,832
Public works	810,478	1,905,601	2,385,726	2,792,188	3,531,148
Culture and recreation	379,751	478,737	703,720	893,132	957,377
Economic Development	335,551	363,251	442,312	176,853	
Interest on long-term debt	704,666	459,004	757,243	950,346	908,921
Amortization			8,876	7,840	7,840
Depreciation	665,090	813,686	1,028,958	1,181,290	1,335,317
Total governmental activities expenses	<u>6,777,247</u>	<u>8,210,443</u>	<u>10,693,362</u>	<u>12,969,315</u>	<u>14,730,333</u>
Business-type activities:					
Utility fund	4,160,706	4,893,053	5,707,665	5,796,003	6,474,575
Total business-type activities expenses	<u>4,160,706</u>	<u>4,893,053</u>	<u>5,707,665</u>	<u>5,796,003</u>	<u>6,474,575</u>
Total primary government expenses	<u>\$ 10,937,953</u>	<u>\$ 13,103,496</u>	<u>\$ 16,401,027</u>	<u>\$ 18,765,318</u>	<u>\$ 21,204,908</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 2,439,839	\$ 2,288,870	\$ 2,756,184	\$ 1,905,967	\$ 2,268,637
Public safety	144,158	176,169	182,233	622,940	898,538
Public works		937,930	1,314,960	1,542,637	1,264,387
Culture and recreation	48,245	6,545	14,993		
Economic Development	423,300				
Operating grants and contributions	198,653	429,716	242,603	294,769	304,349
Capital grants and contributions			376,380	28,528	8,360
Total governmental activities program revenues	<u>\$ 3,254,195</u>	<u>\$ 3,839,230</u>	<u>\$ 4,887,353</u>	<u>\$ 4,394,841</u>	<u>\$ 4,744,271</u>

TOWN OF LITTLE ELM, TEXAS
CHANGES IN NET ASSETS (CONT'D.)
 Last Five Fiscal Years (Unaudited)
 (accrual basis of accounting)

	Fiscal Year				
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Business-type activities:					
Charges for services:					
Utility fund	\$ 3,741,867	\$ 5,019,874	\$ 6,276,814	\$ 5,851,486	\$ 6,694,244
Total business-type activities program revenues	<u>3,741,867</u>	<u>5,019,874</u>	<u>6,276,814</u>	<u>5,851,486</u>	<u>6,694,244</u>
Total primary government program revenues	<u>\$ 6,996,062</u>	<u>\$ 8,859,104</u>	<u>\$ 11,164,167</u>	<u>\$ 10,246,327</u>	<u>\$ 11,438,515</u>
Net (Expense)/Revenue					
Governmental activities	\$ (3,523,052)	\$ (4,371,213)	\$ (5,806,009)	\$ (8,574,474)	\$ (9,986,062)
Business-type activities	<u>(418,839)</u>	<u>126,821</u>	<u>569,149</u>	<u>55,483</u>	<u>219,669</u>
Total primary government net expense	<u>(3,941,891)</u>	<u>(4,244,392)</u>	<u>(5,236,860)</u>	<u>(8,518,991)</u>	<u>(9,766,393)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes, levied for general purposes	\$ 1,840,899	\$ 2,334,995	\$ 2,786,132	\$ 3,879,232	\$ 5,583,304
Property taxes, levied for debt service	665,125	571,901	1,116,941	1,735,101	1,979,723
Sales taxes	576,159	1,111,615	895,643	1,001,450	1,450,636
Mixed drink tax	6,456	6,655	6,019	4,787	11,408
Economic Development sales tax		555,807	448,387	501,580	
Sales tax refunded		<u>(385,690)</u>			
Street sales tax			204,389	248,827	364,123
Franchise taxes	502,239	607,712	868,904	966,512	1,384,438
Penalty and interest	21,792	47,185	62,959	78,122	96,593
Grants and contributions not restricted			600	1,800	
Miscellaneous revenue	184,922	90,489	512,697	299,061	266,466
Sanitation, net	90,647				
Infrastructure provided by developers	12,252,588	966,344	1,235,306	2,433,396	1,096,432
Reimbursement to developers		<u>(1,223,035)</u>	<u>(851,253)</u>	<u>(384,713)</u>	<u>(102,712)</u>
Impact fees	993,346	1,201,286	1,005,315	710,238	246,747
Investment earnings	79,314	243,196	729,047	951,392	539,838
Transfers in (out)	<u>(358,824)</u>	<u>(172,668)</u>	<u>251,617</u>	<u>445,840</u>	<u>897,379</u>
Total governmental activities	<u>16,854,663</u>	<u>5,955,792</u>	<u>9,272,703</u>	<u>12,872,625</u>	<u>13,814,375</u>
Business-type activities:					
Miscellaneous revenue	136,522	140,681	610,674		441,136
Infrastructure provided by developers	5,870,687	894,400	1,086,155	1,597,526	441,136
Reimbursement to developers		<u>(1,527,663)</u>	<u>(1,038,096)</u>	<u>(501,022)</u>	<u>(143,856)</u>
Impact fees	1,137,414	1,889,239	1,257,422	757,841	299,129
Investment earnings	90,823	230,207	407,940	502,615	288,977
Transfers in (out)	<u>358,824</u>	<u>172,668</u>	<u>(251,617)</u>	<u>(445,840)</u>	<u>(867,379)</u>
Total business-type activities	<u>7,594,270</u>	<u>1,799,532</u>	<u>2,072,478</u>	<u>1,911,120</u>	<u>459,143</u>
Total primary government	<u>\$ 24,448,933</u>	<u>\$ 7,755,324</u>	<u>\$ 11,345,181</u>	<u>\$ 14,783,745</u>	<u>\$ 14,273,518</u>
Change in Net Assets					
Governmental activities	\$ 13,331,611	\$ 1,584,579	\$ 3,466,694	\$ 4,298,151	\$ 3,828,313
Business-type activities	<u>7,175,431</u>	<u>1,926,353</u>	<u>2,641,627</u>	<u>1,966,603</u>	<u>678,812</u>
Total primary government	<u>\$ 20,507,042</u>	<u>\$ 3,510,932</u>	<u>\$ 6,108,321</u>	<u>\$ 6,264,754</u>	<u>\$ 4,507,125</u>

TOWN OF LITTLE ELM, TEXAS
PROGRAM REVENUES BY FUNCTION/PROGRAM
 Last Five Fiscal Years (Unaudited)

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Program Revenues					
Governmental activities:					
Charges for Services:					
General government	\$ 1,816,007	\$ 2,288,870	\$ 2,756,184	\$ 1,905,967	\$ 2,268,637
Public safety	409,919	176,169	182,233	622,940	898,538
Public works	49,279	937,930	1,314,960	1,542,637	1,264,387
Culture and recreation	48,245	6,545	14,993		
Economic development	732,092				
Operating grants and contributions	198,653	429,716	242,603	294,769	304,349
Capital grants and contributions			376,380	28,528	8,360
Total governmental activities program revenues	<u>3,254,195</u>	<u>3,839,230</u>	<u>4,887,353</u>	<u>4,394,841</u>	<u>4,744,271</u>
Business-type activities:					
Charges for services:					
Water and sewer	3,741,867	5,019,874	6,276,814	5,851,486	6,694,244
Operating grants and contributions					
Capital grants and contributions					
Total business-type activities program revenues	<u>3,741,867</u>	<u>5,019,874</u>	<u>6,276,814</u>	<u>5,851,486</u>	<u>6,694,244</u>
Total primary government program revenues	<u>\$ 6,996,062</u>	<u>\$ 8,859,104</u>	<u>\$11,164,167</u>	<u>\$10,246,327</u>	<u>\$11,438,515</u>

Source: Comprehensive Annual Financial Report

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

TOWN OF LITTLE ELM, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Fiscal Years (Unaudited)
 (modified accrual basis of accounting)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
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
Unreserved	221,139	323,000	234,622	7,926	1,205,621	5,859,985	2,328,596	3,283,945	3,356,355	5,398,287
Total general fund	<u>\$ 221,139</u>	<u>\$ 323,000</u>	<u>\$3,934,622</u>	<u>\$6,723,136</u>	<u>\$ 6,604,322</u>	<u>\$5,859,985</u>	<u>\$4,874,028</u>	<u>\$ 5,836,689</u>	<u>\$6,149,542</u>	<u>\$7,418,420</u>
All Other Governmental Funds										
Reserved for:										
Debt service	\$ 54,217	\$ 55,794	\$ 76,675	\$ 48,202	\$ 123,578	\$ 100,743	\$	\$ 10,363	\$ 76,933	\$
Unreserved, reported in:										
Special revenue funds	84,758	140,724	185,112	292,902	430,112	481,022	662,364	1,131,265	1,447,159	446,804
Capital projects funds							2,996,670	10,111,140	7,855,095	5,614,493
Total all other governmental funds	<u>\$ 138,975</u>	<u>\$ 196,518</u>	<u>\$ 261,787</u>	<u>\$ 341,104</u>	<u>\$ 553,690</u>	<u>\$ 581,765</u>	<u>\$3,659,034</u>	<u>\$11,252,768</u>	<u>\$9,379,187</u>	<u>\$6,061,297</u>

Source: Comprehensive Annual Financial Report

Notes: ^a Includes impact fees

TOWN OF LITTLE ELM, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Fiscal Years (Unaudited)
 (modified accrual basis of accounting)

H-5

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
REVENUES				
Property taxes, penalties and interest	\$ 338,477	\$ 384,633	\$ 607,249	\$ 1,088,300
Sales tax	168,840	245,810	290,609	386,513
Franchise and other taxes	93,660	119,072	216,687	214,757
Licenses and permits		1,011,261	1,334,393	1,484,869
Charges for services		245,317	229,150	273,838
Fines and forfeitures		98,578	104,334	168,687
Intergovernmental revenue and grants		279,930	128,352	140,649
Interest earnings		16,779	61,610	118,661
Other revenue		198,987	217,932	234,182
Total revenues	<u>600,977</u>	<u>2,600,367</u>	<u>3,190,316</u>	<u>4,110,456</u>
EXPENDITURES				
General government		387,568	531,214	620,458
Public safety		821,348	1,164,755	1,509,973
Public works		453,321	495,751	528,279
Culture and recreation		64,491	101,113	157,025
Conservation and development			87,845	167,277
Capital outlay		1,198,837	1,209,881	1,738,340
Debt service				
Principal retirement		173,612	21,000	214,061
Interest and fiscal charges		31,199	50,653	296,660
Total expenditures		<u>3,130,376</u>	<u>3,662,212</u>	<u>5,232,073</u>
Excess (deficiency) of revenues over (under) expenditures	<u>600,977</u>	<u>(530,009)</u>	<u>(471,896)</u>	<u>(1,121,617)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bonds		598,000	3,700,000	2,500,000
Proceeds from sale of capital assets				
Proceeds from capital lease obligation		241,734	478,405	
Developer fees and contributions		16,292	61,838	542,275
Operating transfer from component units				
Operating transfer to component units				
Transfer from other funds				
Transfer to other funds		(166,613)	(91,456)	(250,950)
Total other financing sources (uses)		<u>689,413</u>	<u>4,148,787</u>	<u>2,791,325</u>
NET CHANGE IN FUND BALANCES	<u>\$ 600,977</u>	<u>\$ 159,404</u>	<u>\$ 3,676,891</u>	<u>\$ 1,669,708</u>
Debt service as a percentage of noncapital expenditures	0.0%	10.6%	2.9%	14.6%

Source: Comprehensive Annual Financial Report

Fiscal Year					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 1,820,583	\$ 2,493,573	\$ 2,962,576	\$ 3,952,201	\$ 5,644,249	\$ 7,678,109
627,316	1,308,251	1,667,422	1,554,438	1,751,857	1,814,759
461,843	508,695	614,367	868,904	971,299	1,395,846
1,661,194	1,579,673	1,926,686	2,065,029	1,542,637	1,264,387
442,001	554,173	1,232,031	1,504,403	1,905,967	2,268,637
174,174	265,761	250,796	698,938	622,940	898,538
177,221	198,652	342,532	618,983	323,297	312,709
90,247	79,314	243,196	729,047	951,392	539,838
356,936	199,413	177,674	513,296	300,864	266,466
5,811,515	7,187,505	9,417,280	12,505,239	14,014,502	16,439,289
630,234	679,693	1,302,788	1,694,438	2,067,815	2,410,803
2,069,348	2,459,182	2,902,564	3,684,917	4,827,076	5,527,997
777,881	1,220,266	2,304,509	2,359,076	2,763,980	3,530,078
241,350	369,049	479,282	670,386	891,579	951,798
230,654	561,531	363,251	442,312	176,853	
2,767,840	2,564,167	3,749,115	7,236,375	6,424,139	5,686,126
217,074	450,804	464,655	955,245	863,504	1,132,700
358,749	533,777	445,811	683,790	943,950	921,717
7,293,130	8,838,469	12,011,975	17,726,539	18,958,896	20,161,219
(1,481,615)	(1,650,964)	(2,594,695)	(5,221,300)	(4,944,394)	(3,721,930)
	300,000	3,914,080	12,136,709		
				178,905	342,168
1,392,217	993,526	944,595	1,389,369	2,758,921	1,240,467
					30,000
183,170	459,350	299,672	796,918	931,123	1,837,105
	(818,174)	(472,343)	(545,301)	(485,283)	(969,725)
1,575,387	934,702	4,686,004	13,777,695	3,383,666	2,480,015
\$ 93,772	\$ (716,262)	\$ 2,091,309	\$ 8,556,395	\$ (1,560,728)	\$ (1,241,915)
12.7%	15.7%	11.0%	15.6%	14.4%	14.2%

TOWN OF LITTLE ELM, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Estimated Market Value			Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Ratio of Total Assessed to Estimated Actual Value
	Real Property	Personal Property	Less: Tax-Exempt Property				
1999	\$ 55,697,238	\$ 5,777,902	\$ 5,962,851	\$ 55,512,289	0.55362	\$ 55,512,289	100.00%
2000	70,828,363	8,071,158	8,477,315	70,422,206	0.50513	70,422,206	100.00%
2001	148,266,356	8,141,614	23,715,817	132,692,153	0.43297	132,692,153	100.00%
2002	243,539,051	10,910,337	15,236,472	239,212,916	0.44453	239,212,916	100.00%
2003	417,145,722	12,600,204	21,197,478	408,548,448	0.43380	408,548,448	100.00%
2004	662,839,264	8,973,042	65,932,546	605,879,760	0.39980	605,879,760	100.00%
2005	829,864,748	19,728,820	62,170,135	787,423,433	0.35750	787,423,433	100.00%
2006	1,011,635,024	27,648,064	50,140,143	989,142,945	0.39902	989,142,945	100.00%
2007	1,248,468,966	23,323,625	87,911,083	1,183,881,508	0.47000	1,183,881,508	100.00%
2008	1,511,223,287	36,738,700	140,574,678	1,407,387,309	0.53580	1,407,387,309	100.00%

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 Years (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	
1999	\$ 0.38018	\$ 0.17344	\$ 0.55362	\$ 1.69900	\$ 0.24875	\$ 2.50137
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

Source: Town, Denton County and ISD

TOWN OF LITTLE ELM, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
 Current Year and Five Years Ago (Unaudited)

FY 2007-2008 (2007 Certified Tax Roll)			FY 2002-2003 (2002 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
Lennar Homes of Texas	\$ 12,647,692	0.90%	Centex Home P/S	\$10,241,176	2.51%
Lowes Home Centers, Inc.	12,134,438	0.86%	Eldorado West LLC	8,128,995	1.99%
Retractable Technologies, Inc.	9,931,344	0.71%	Pulte Home Texas LP	4,632,249	1.13%
NWC FM 423 & Eldorado Prkwy Ltd.	8,493,208	0.60%	Kinball Hill Development	3,540,043	0.87%
CMH Parks Inc.	7,896,908	0.56%	CMH Parks, Inc.	3,442,922	0.84%
KBL Partners Ltd.	6,117,064	0.43%	RH of Texas LTD P/S	308,316	0.08%
Village at Eldorado/CMC LP	6,044,096	0.43%	Gehan Homes LTD P/S	2,969,603	0.73%
Coserve Electric Co-OP	6,029,100	0.43%	Highland Homes LTD P/S	1,799,142	0.44%
Lowes Home Centers, Inc.	5,895,735	0.42%	Choice Homes, Inc.	1,680,255	0.41%
Centex Homes	5,742,808	0.41%	Myran Corporation	1,551,220	0.38%
Total	\$ 80,932,393	5.75%	Total	\$38,293,921	9.37%
Total Assessed Valuation	1,407,387,309	100.00%	Total Assessed Valuation	408,548,448	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
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years (Unaudited)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1999	\$ 315,429	\$ 303,919	96.4%	\$ 34,558	\$ 338,477	107.31%	\$ 24,138	7.652%
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	7,362,184	7,395,195	100.4%	163,871	7,559,066	102.67%	164,010	2.228%

Source: Denton County Tax Office

TOWN OF LITTLE ELM, TEXAS
TAXABLE SALES BY CATEGORY
 Last Ten Fiscal Years (Unaudited)

H-10

	CALENDAR YEAR									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 ^b
Construction	\$ N/A	\$ N/A	\$ N/A	\$ 2,510,823	\$ 1,631,459	\$ 2,315,854	\$ 3,900,013	\$ 7,508,816	\$ 6,642,450	\$ 3,738,739
Food & Entertainment	N/A	N/A	N/A	6,992,318	6,952,916	8,217,979	7,405,220	11,061,116	17,362,175	12,036,030
Manufacturing & Warehouse	N/A	N/A	N/A	3,900,479	603,792	4,199,445	1,236,349	4,867,276	1,556,516	210,727
Other sales & Leasing	N/A	N/A	N/A	4,448,158	1,571,382	5,568,245	2,946,690	6,557,830	3,426,036	3,906,386
Professional	N/A	N/A	N/A	8,951,608	8,353,602	10,854,051	9,721,609	10,226,287	11,594,432	909,798
Retail Sales ^a	N/A	N/A	N/A	12,624,688	36,188,886	66,483,597	76,638,072	62,255,864	72,886,482	46,217,754
Technology	N/A	N/A	N/A	155,911	551,175	729,182	1,020,172	724,572	1,108,255	801,225
Waste Management	N/A	N/A	N/A	3,551,367	3,329,981	4,636,613	4,898,707	4,959,071	5,290,294	2,328,387
Wholesale	N/A	N/A	N/A	5,209,280	4,688,366	5,549,681	4,073,504	4,595,144	5,069,190	2,324,536
Total	\$ _____	\$ _____	\$ _____	\$ <u>48,346,634</u>	\$ <u>63,958,160</u>	\$ <u>108,682,556</u>	\$ <u>111,851,133</u>	\$ <u>117,830,649</u>	\$ <u>142,304,363</u>	\$ <u>73,773,809</u>
Town Direct Sales Tax				1.25%	1.25%	1.50%	1.50%	1.50%	1.75%	2.00%

Source: Texas Comptroller of Public Accounts

Notes: Retail sales data is available by calendar year

^a There are not grocery store chains located within the Town's Incorporated Limits

^b Sales tax data was only available for 6 months of calendar year 2008.

TOWN OF LITTLE ELM, TEXAS
DIRECT AND OVERLAPPING SALES TAX RATES ^d
 Last Ten Fiscal Years (Unaudited)

Fiscal Year	Town of Little Elm Direct Sales	State of Texas Sales Tax	Total Sales
	Tax Rate ^a	Rate	Tax Rate
1999	1.50	6.25	7.75
2000	1.50	6.25	7.75
2001	1.50	6.25	7.75
2002	1.50	6.25	7.75
2003	1.50	6.25	7.75
2004	1.50	6.25	7.75
2005 ^b	1.75	6.25	8.00
2006	1.75	6.25	8.00
2007 ^c	2.00	6.25	8.25
2008	2.00	6.25	8.25

Source: Texas State Comptroller of Public Accounts

Notes:

^a Voters of the Town approved a 1/2% sales tax for the benefit of economic development on January 16, 1993.

^b Voters of the Town approved a 1/4% sales tax for the benefit of street maintenance on May 07, 2005.

^c Voters of the Town approved a 1/4% sales tax for the benefit of community development on May 17, 2007.

^d The Town elected not to participate in the Denton County Transit Authority.

TOWN OF LITTLE ELM, TEXAS
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			
1999	\$ 11,000	\$ 155,000	\$ 290,778	\$ 72,000	\$ 2,015,000	\$ 28,462	\$ 2,572,240	\$ 101.39	\$ 731
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		26,618,346	819.98	1,552
2006	9,340,000	10,758,300	1,836,354	8,405,000	7,131,700		37,471,354	988.90	1,881
2007	13,795,000	5,766,450	1,688,606	8,155,000	6,878,550		36,283,606	838.79	1,665
2008	13,350,000	5,513,450	1,113,569	7,820,000	6,676,550		34,473,569	685.62	1,521

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 Exhibit H-17 for personal income and population data.

TOWN OF LITTLE ELM, TEXAS
Ratio of Net General Obligation Bonded Debt to Assessed Value
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Assessed Value	General Obligation Bonded Debt	Less: Debt Service Fund	Net General Obligation Bonded Debt	Ratio of General Obligation Bonded Debt to Assessed Value ^a
1999	55,512,289	166,000	54,217	111,783	0.2014%
2000	70,422,206	743,000	55,794	687,206	0.9758%
2001	132,692,153	4,422,000	76,765	4,345,235	3.2747%
2002	239,212,916	6,884,900	48,202	6,836,698	2.8580%
2003	408,548,448	6,741,650	123,578	6,618,072	1.6199%
2004	605,879,760	6,513,400	100,743	6,412,657	1.0584%
2005	787,423,433	10,089,000	(40,073)	10,129,073	1.2864%
2006	989,142,945	20,098,300	25,262	20,073,038	2.0293%
2007	1,183,881,508	18,995,000		18,995,000	1.6045%
2008	1,407,387,309	18,863,450		18,863,450	1.3403%

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

^aSee Exhibit H-6 for property value data.

TOWN OF LITTLE ELM, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2008 (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.	Nov-08	\$ 1,078,469,342	0.33%	\$ 3,558,949
Little Elm I.S.D.	Aug-08	138,133,809	21.76%	30,057,917
Denton County	May-08	<u>285,616,004</u>	<u>2.63%</u>	<u>7,511,701</u>
Subtotal, overlapping debt		\$ 1,502,219,155		<u>41,128,567</u>
Town of Little Elm Direct Debt ^a	Sep-08	\$ 21,900,000	100.00%	<u>21,900,000</u>
Total direct and overlapping debt				<u><u>\$ 63,028,567</u></u>
Ratio of direct and overlapping debt principal to taxable values				4.48%
Ratio of direct and overlapping debt principal to actual market values				4.07%
Per capita direct and overlapping debt principal				\$ 2,781

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

^a Includes the self-supporting debt

TOWN OF LITTLE ELM, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
 Last Ten Fiscal Years (Unaudited)

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
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	0.55362	0.50513	0.43297	0.44530	0.43380	0.39980	0.35750	0.39902	0.47000	0.53580
Legal Debt Margin	1.94638	1.99487	2.06703	2.05470	2.06620	2.10020	2.14250	2.10098	2.03000	1.96420

TOWN OF LITTLE ELM, TEXAS
Pledged Revenue Coverage
Water and Sewer Revenue Bonds
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Gross Revenues ^a	Operating Expenses ^b	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total ^c	
1998	\$ 539,286	\$ 349,350	\$ 189,936	\$ 56,000	\$ 71,301	\$ 127,301	149%
1999	831,173	500,897	330,276	81,000	59,658	140,658	235%
2000	1,154,853	801,914	352,939	91,000	137,766	228,766	154%
2001	1,551,020	1,127,938	423,082	116,000	193,552	309,552	137%
2002	2,573,355	1,542,144	1,031,211	286,358	229,421	515,779	200%
2003	3,222,153	2,297,093	925,060	224,419	457,654	682,073	136%
2004	4,328,036	2,991,245	1,336,791	248,090	758,752	1,006,842	133%
2005	5,563,430	3,488,294	2,075,136	606,940	812,416	1,419,356	146%
2006	7,043,811	4,291,128	2,752,683	394,300	794,148	1,188,448	232%
2007	6,354,101	4,321,359	2,032,742	537,000	700,800	1,237,800	164%
2008	8,801,083	6,595,879	2,205,204	565,850	716,574	1,282,424	172%

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
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Calendar Years (Unaudited)

Year	Estimated Population ^a	Personal Income	Per Capita Personal Income ^b	School Enrollment ^c Little ELM ISD	Unemployment Rate ^d Denton County
1999	3,518	\$ 89,248,142	\$ 25,369	1,497	1.9%
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	4.0%

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

^bPer Capita Income provided by North Central Texas Council of Governments

^cLittle Elm Independent School Districts.

^dTexas Workforce Commission.

TOWN OF LITTLE ELM, TEXAS
PRINCIPAL EMPLOYERS
 Current Year and Five Years Ago (Unaudited)

H-18

2008			2003		
Employer	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
Little Elm ISD	645	19.82%	Little Elm ISD	348	23.64%
Retractable Technologies	160	4.92%	Retractable Technologies	137	9.31%
Town of Little Elm	157.5	4.84%	G.P.E.	50	3.40%
Lowes 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	1,214	37.29%		712	48.37%
Total Little Elm Daytime Employees	3,254		Total Little Elm Daytime Employees	1,472	

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

TOWN OF LITTLE ELM, TEXAS
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years (Unaudited)

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>19.99</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>
General Government and Administration	N/A	N/A	N/A	N/A	8.00	9.00	11.00	14.00	14.00	14.50
Public Safety	N/A	N/A	N/A	N/A	28.00	39.00	50.00	57.00	65.00	68.00
Public Works	N/A	N/A	N/A	N/A	6.00	8.00	9.00	11.00	12.00	13.00
Culture and Recreational	N/A	N/A	N/A	N/A	9.00	12.50	15.50	16.00	17.50	23.00
Planning and Development	N/A	N/A	N/A	N/A	4.00	6.00	10.00	10.00	10.00	10.00
Water and Sewer	N/A	N/A	N/A	N/A	15.00	18.50	20.00	23.00	29.00	29.00
Total					70.00	93.00	115.50	131.00	147.50	157.50

TOWN OF LITTLE ELM, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years (Unaudited)

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2,007	2008
Public Safety										
Police										
Number of Employees	N/A	N/A	N/A	N/A	19	22	31	31	32	34
Number of Violations (Citations)	N/A	N/A	N/A	N/A	N/A	3,236	2,833	8,559	6,929	8,198
Fire										
Number of Employees ^a	N/A	N/A	N/A	N/A	9	16	18	24	31	32
Number of Volunteers	18	14	16	19	20	22	20	16	9	9
Number of Fire runs	N/A	N/A	257	655	596	604	847	807	828	725
Number of EMS runs	N/A	N/A	376	678	786	735	603	997	1,221	1,207
Public Works										
Streets (miles)	12	28	51	90	108	125	142	144	150	155
Building Permits Issued	N/A	659	948	995	1,068	1,021	1,006	708	416	242
Cultural and Recreational										
Parks and Recreation										
Park maintain & operate per acre	300	300	300	300	400	400	400	400	400	400
Participants in Parks Programs ^b	100	100	100	150	150	425	425	425	425	425
Participants in Senior Program	50	50	50	50	60	65	80	100	100	100
Library										
Volumes in Collection	5,271	6,726	9,267	12,490	14,037	14,979	15,198	16,107	22,665	28,908
Water and Sewer										
Number of Water Connections	952	1,402	2,044	3,013	4,029	5,243	5,837	6,889	7,498	8,124
Number of Sewer Connections	802	1,252	1,894	2,813	3,829	5,043	5,587	6,639	7,248	7,845
Average Daily Water Consumption ^c	337K	595K	874K	1.227M	1.548M	1.783M	2.425M	2.663M	2.205M	2.650M
Maximum Storage Capacity ^c	690K	2.690M	2.690M	2.690M	2.690M	7.500M	7.500M	8.500M	8.500M	8.500M

Source: City Departments

Notes: N/A - Data not available

^a Fire Department Administration and EMS Staff

^b Parks Programs organized in 2004

^c Millions of gallons

TOWN OF LITTLE ELM, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years (Unaudited)

Function/Program	Fiscal Year									
	<u>1999</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>
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	5	6	6	7	8	8	9	10	11	13
Fire Stations	1	1	1	1	1	1	1	1	2	2
Police Motorcycle Units	0	0	0	0	0	0	0	2	2	2
Public Works										
Streets-Paved	7	23	46	85	103	120	126	128	134	140
Cultural and Recreational										
Parks (acres)	300	300	300	300	400	400	400	400	400	400
Playgrounds ^a	3	3	3	3	3	5	5	5	5	5
Library	0	0	0	0	1	1	1	1	1	1
Senior Center	0	0	0	0	0	0	0	0	0	0
Water and Sewer										
Fire Hydrants	371	431	471	550	667	667	754	784	883	902
Ground Storage Facilities	4	5	3	3	4	4	4	6	6	6
Elevated Storage Facilities	2	2	2	2	2	2	2	2	2	2
Lift Stations	9	9	9	10	12	14	16	16	18	18

Source: City Departments

Notes: ^a Does not include HOA playgrounds