

Comprehensive Annual Financial Report



*For the Year Ended
September 30, 2012*

Town of Little Elm, Texas

The Town of Little Elm officially moved into the newly completed Community Recreation Center / Senior Center. The facilities are located off Main Street near the intersection of Main Street and Button Street on property currently owned by the Town of Little Elm. The site has access off Lakeshore Drive and Main Street.

The two-story Recreation Center spans over 25,000 square feet. The facility includes elements such as a large state of the art fitness area, full-size gym, recreation classrooms, multi-purpose room, craft room, outdoor terrace, and spacious men's and women's locker rooms.



The Recreation Center offers a wide range of fitness and recreational programs.

The Brenda Button Mills Senior Center, constructed for use by the Senior Citizens of the



Town of Little Elm, is located on the same site as the Recreation Center, opened its doors in May. The programming for the Senior Center includes a multi-use meeting room space to host senior events, kitchen, classroom, and other multi-use areas. The size of the facility is approximately 5,000 square feet. The center offers a variety of weekly leisure activities and monthly programs for area senior adults.

The Town's fairly recent spurt of unprecedented growth resulted in the planning and execution of the largest capital improvement program in the Town's history. The completion of the expansion and reconstruction of FM 423 and the start of construction of FM 720 have fundamentally changed the appearance and accessibility of the Town transportation corridors. The new Veterans Memorial Bridge, opened and dedicated on Veterans Day, connects the northern and southern parts of the Town along Witt Road. The construction included numerous nature trails and picnic areas along with a variety of other recreational amenities.

A number of renovations to Little Elm Park were completed, including sand volleyball courts; a new roadway and entrance and a championship-level soccer field.

Find out more about Little Elm, Texas at www.littleelm.org.

Town of Little Elm, Texas

Comprehensive Annual Financial Report



**Fiscal Year Ended
September 30, 2012**

**AS PREPARED BY THE
FINANCE DEPARTMENT**

Alan R. Dickerson, CGFO—Director of Finance

Dianne Lawson, CGFO—Asst. Director of Finance

Robin N. Bromiley ~ Crystal Williamson

Shelly Newell ~ Dan Galizia



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**TOWN OF LITTLE ELM, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

TABLE OF CONTENTS

Page

I. INTRODUCTORY SECTION

Letter of Transmittal	i
GFOA Certificate of Achievement for Excellence in Financial Reporting	viii
Organization Chart	ix
Town Officials	x

II. FINANCIAL SECTION

Independent Auditor's Report	1
------------------------------	---

A. MANAGEMENT'S DISCUSSION AND ANALYSIS	3
--	----------

B. BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Assets	15
Statement of Activities	16

Fund Financial Statements

Governmental Funds Financial Statements

Balance Sheet	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balance	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	21

Proprietary Fund Financial Statements

Statement of Net Assets	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets	23
Statement of Cash Flows	24

Discretely Presented Component Units

Statement of Net Assets	26
Statement of Revenues, Expenses and Changes in Fund Net Assets	27

Notes to the Basic Financial Statements

29

C. REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget (GAAP Basis) and Actual- General Fund	52
Notes to Required Supplementary Information	54

D. COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES
Major Governmental Funds

General Obligation Debt Service Fund - Budgetary Comparison Schedule 55

Nonmajor Governmental Funds

Listing of Nonmajor Governmental Funds 56

Combining Balance Sheet 57

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance 59

Discretely Presented Component Units

Listing of Discretely Presented Component Units 61

Balance Sheet- Economic Development Corporation 62

Reconciliation of Balance Sheet of Governmental Funds to the Statement of
 Net Assets- Economic Development Corporation 63

Statement of Revenues, Expenditures and Changes
 in Fund Balance- Economic Development Corporation 64

Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balance of Governmental Funds to the Statement of
 Activities- Economic Development Corporation 65

Balance Sheet- Community Development Corporation 66

Reconciliation of Balance Sheet of Governmental Funds to the Statement of
 Net Assets- Community Development Corporation 67

Statement of Revenues, Expenditures and Changes in Fund
 Balance- Community Development Corporation 68

Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balance of Governmental Funds to the Statement of
 Activities- Community Development Corporation 69

Balance Sheet- Little Elm Redevelopment Authority 70

Reconciliation of Balance Sheet of Governmental Funds to the Statement of
 Net Assets- Little Elm Redevelopment Authority 71

Statement of Revenues, Expenditures and Changes in Fund
 Balance- Little Elm Redevelopment Authority 72

Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balance of Governmental Funds to the Statement of
 Activities- Little Elm Redevelopment Authority 73

III. STATISTICAL SECTION

TABLE

Net Assets By Component	A-1	75
Changes in Net Assets	A-2	77
Fund Balances, Governmental Funds	A-3	81
Changes in Fund Balances, Governmental Funds	A-4	83
Appraised Value of Property	B-1	85
Direct and Overlapping Property Tax Rates	B-2	86
Principal Property Tax Payers	B-3	87
Property Tax Levies and Collections	B-4	88
Municipal Sales Tax and Ratio to Ad Valorem Tax Levy	B-5	89
Ratio of Outstanding Bonded Debt by Type	C-1	90
Ratio of Net General Bonded Debt to Assessed Value	C-2	91
Direct and Overlapping Debt	C-3	92
Legal Debt Margin Information	C-4	93
Pledged-Revenue Coverage	C-5	94
Demographic and Economic Statistics	D-1	95
Principal Employers	D-2	96
Full-Time Equivalent Employees by Function/Program	E-1	97
Operating Indicators by Function/Program	E-2	98
Capital Asset Statistics by Function/Program	E-3	100

INTRODUCTORY SECTION



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Finance Department Town of Little Elm

March 5, 2013

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

The Town of Little Elm Finance Department is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending September 30, 2012. The Town's Finance Department has prepared the Report and is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. We believe that the Town's current system of internal controls adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions. To the best of our knowledge and belief, the enclosed data is complete and reliable in all material respects. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

Also included in this report is an unqualified (clean) opinion on the Town of Little Elm's financial statements for the year ended September 30, 2012 issued by Weaver, L.L.P. The independent auditors' report is located in the beginning of the financial section of the CAFR.

THE REPORTING ENTITY

This report includes all funds of the Town including its component units. The Town's component units are legally separate entities for which the Town is financially accountable but are not part of the Town's operations. The Town's discretely presented component units are:

- Little Elm Economic Development Type 4A Sales Tax Corporation (EDC)
- Little Elm Community Development Type 4B Sales Tax Corporation (CDC)
- Little Elm Redevelopment Authority – Tax Increment Reinvestment Zone (TIRZ)

THE REPORT

The CAFR is presented in three sections: introductory, financial, and statistical. The Introductory Section includes this transmittal letter, the Town's organizational chart, and a list of principal officials, and the Government Finance Officers Association of the United States and Canada's (GFOA) Certificate of Achievement for Excellence in Financial Reporting.

The Financial Section is prepared in accordance with generally accepted accounting principles (GAAP). This section of the CAFR includes the Management's Discussion and Analysis (MD&A) which can be found immediately following the independent auditor report, the basic financial statements and combining and individual fund statements and schedules. This section also includes the required supplementary information.

GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The basic financial statements include the government-wide financial statements that present an overview of the Town's entire operations, while the fund level statement present the financial information of each of the Town's major funds, as well as non-major funds.

The CAFR concludes with the Statistical Section, which includes financial and demographic information, usually presented on a multi-year basis to give users a perspective of the Town's performance over a number of years.

PROFILE OF THE TOWN

The Town of Little Elm was officially incorporated in 1966 encompassing 1,222 acres and in 2001 adopted the council-manager form of government and its Home Rule Charter. A mayor and six council members are elected on staggered, three-year terms. Under the provisions of the Town Charter, and subject only to the limitations imposed by the Texas Constitution, State Law, and the Town Charter, the Town Council enacts legislation, adopts the annual operating budget, and sets policy. The Town Manager, appointed by Town Council, is responsible to the Town Council for proper administration of the Town's daily affairs and recommendation to Council for the appointment of heads of the various departments.

Little Elm had its humble beginnings as part of the Peters Colony settlement and was chartered in 1841 as part of the Republic of Texas. And, by 1900, Little Elm had a population of 194 residents. The Town's first census count was in 1970 and was reported with a population of 363 residents. There has been incredible growth since the 1970's. Once a farming community nestled on Lake Lewisville, today, the Town is primarily a bedroom community. The Town is all wet, in the sense that over 66 miles of the Town's corporate town limits are shoreline on Lewisville Lake meaning that almost anywhere you travel in town, neighborhoods have a view of the lake, for which the Town is drawing more attention within the Dallas-Fort Worth metroplex region.



This geographic positioning provides exceptional water vistas creating a wide variety of recreational opportunities. Additionally, the Town is close to major transportation networks with accessibility to major employers and other venues which open the door to many growth opportunities for residential and commercial development. The Town's quality school system, high residential growth rate, business-friendly atmosphere, low taxes, attractable lake amenities, park systems and low crime rate make Little Elm an inviting destination for new residential and commercial development projects.

The Town provides a full range of services, which include police, fire protection and emergency medical services, construction and maintenance of streets and other infrastructure; recreational activities and cultural events. In addition to general government activities, the Town also provides water, wastewater and drainage utilities. Sanitation collection services are provided through private contractual services. Residential customers contract through the Town for residential solid waste and recyclables, with collection fees added to their town water, sewer, and drainage utility bills.

LITTLE ELM'S ECONOMIC OUTLOOK AND FINANCIAL CONDITIONS

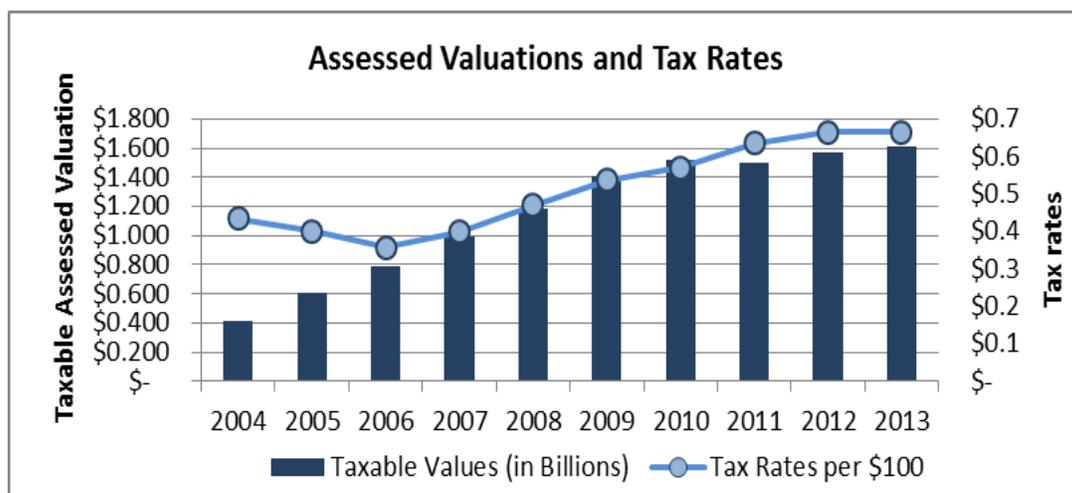
Economic Outlook

Little Elm, part of the Dallas/Fort Worth Metroplex, maintains a very strong economy and is ranked as one of the fastest growing cities in the region. Little Elm's population exceeds the state average in education and income, and is increasingly trending younger and technologically proficient. The Town's footprint is just over 14 square miles and boasts some 66 linear miles of lake shoreline within its boundaries. Little Elm is a residential community located approximately 10 miles east of the City of Denton and 33 miles north of downtown Dallas on the northeast shore of Lewisville Lake and is the sixth largest municipality in Denton County.

The Town has experienced rapid population growth, increasing from a 2000 U.S. Census population of 3,646, to a 2010 U.S. Census population of 25,898, a 610% increase. The Town's 2011 population count was approximately 26,820. Although the Town's growth has begun to stabilize, the population for 2012 is 28,230 and reflects a growth rate of about 5.3% over 2011.

The Town is primarily a bedroom community, with single family residential values contributing approximately 72% of the total taxable values of all properties on the tax roll. Residential development showed strong positive indicators in 2011 and into 2012. In fiscal year 2011 the Town platted 202 new residential lots and 352 new residential homes were permitted for construction. In 2012 there were 479 residential lots platted and 401 new residential homes permitted for construction. The estimated construction value from the new housing starts is approximately \$75 million with an average home value of \$220 thousand.

Rapid growth in new housing starts contributed to double digit assessed valuation growth year-over-year for much of the 2000's, building to \$1.4 billion for fiscal year 2008. Assessed value growth then slowed to 8% year-over-year for fiscal year 2009, before decreasing 1.5% for fiscal year 2010 to \$1.49 billion due to property reappraisal. Modest growth returned for fiscal year 2011 increasing assessed value 0.5%, followed by a moderate 4.4% growth for fiscal year 2012, increasing values to \$1.57 billion. Despite the recent cooling of assessed value growth, the five-year average annual-growth-rate is 5.8%. The Town anticipates additional annual growth of 4% to 5% moving forward, attributable to new housing starts and commercial developments. The Town's property tax rate is a managed rate balancing operations and debt with conservative management practices and active pursuit of revenue diversification.



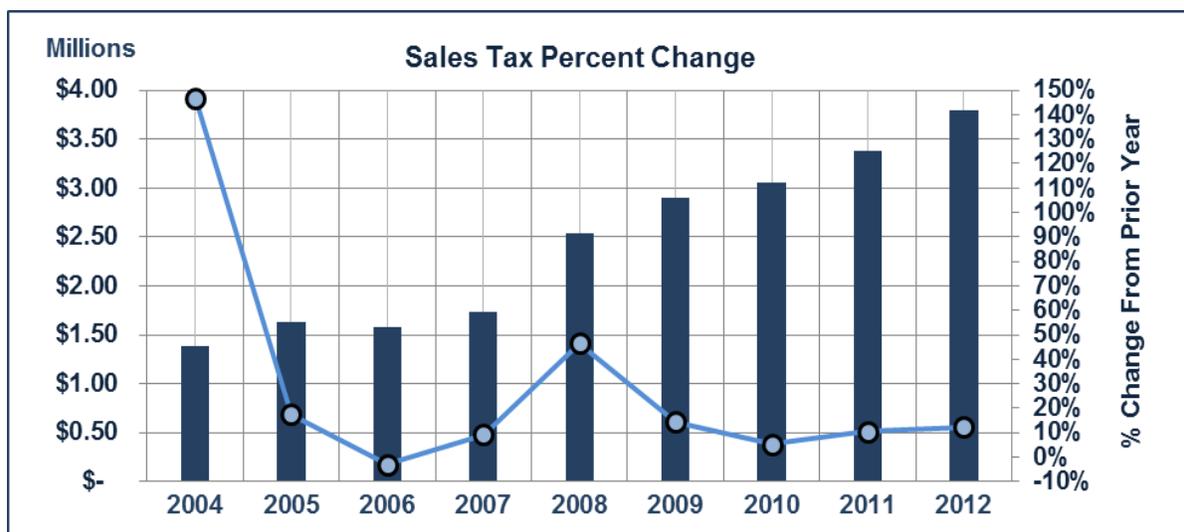
The Town's build out population is approximately 50,000 within the current corporate boundaries. The Town's anticipated build out is 10 to 15 years. Within the Town's extra-territorial jurisdiction (ETJ) the projected population is in excess of 85,000.

Several thoroughfares and bridges are being expanded to accommodate growth, including the completion of the Lake Lewisville toll bridge in 2009, and increasing the number of lanes of FM 720 (Eldorado Parkway) to better connect Interstate 35 with State Highway 75 currently under construction. With its close proximity to major thoroughfares, employers and quality of life venues, Little Elm offers viable economic opportunities for residential and commercial development. The Town permitted 23 commercial building permits that were new, finish-out or shell buildings that totaled over \$21 million in construction value. In fiscal year 2012 there were 10 commercially permitted buildings totaling in excess of approximately \$7 million in construction value.

The Town is experiencing significant retail/commercial development in restaurant and retail as well as other business/professional services in the FM 423 corridor of Town. Specifically, the construction of the Kroger shopping center; the addition of Del Taco; retail tenant finish outs; Quik Trip; Brakes Plus; Aldi Grocer Store; and Racetrac have all altered the retail and traffic patterns in the FM 423 business gateway to the Town.

Multi-family residential increases (2,500) to the Town's population due to the construction of new luxury apartments, the Mansions and the Estates, promise to have an impact on retail sales and the accompanying increase in property tax revenues. The project will ultimately contain 3 phases offering a different product to the consumer including townhomes, covered garages, resort-style living and other quality of life amenities. With the new luxury apartment development there was a concurrent dedication and construction of a 38 acre public park known as McCord Park. The amenities of the park will bring concrete trail connectivity to a master planned town-wide trail system.

Sales tax revenues in Little Elm increased by 13% over the prior year which correlates to the Town's rapid commercial base growth over the last two years. Although the Town's sales tax revenues are conservatively projected, it is reasonably anticipated that sales resulting from a stabilized and growing business environment in Little Elm will only enhance the outlook for sales tax to exceed expectations for fiscal 2013.



Sales tax collections have increased consecutively from fiscal year 2007 through 2012 with a 16.6% five year average annual growth rate. The Town will continue to prudently manage finances, balancing revenues with increased demand for Town services.

MAJOR INITIATIVES

Planning Initiatives and Major Initiatives for the future

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

The year's activities and events provided the citizens of Little Elm with a wide array of recreation cultural, commercial and infrastructure services that will affect the quality of life in the town and set the stage for changes that will have a lasting impact both on the short-term and long-term future. At the end of fiscal year 2012 the following major projects in the five-year CIP were completed or in progress:

- | | |
|--|-----------------|
| • Public Safety Facility (42,000 square feet) | in service |
| • Recreation Center | in service |
| • Senior Center | in service |
| • Animal Control Center | in construction |
| • Town Hall Renovation - 2 nd floor | in service |
| • Library Renovation and expansion | in construction |
| • Lobo Lane Reconstruction | in service |
| • Witt-Woodlake Connector | in service |
| • Witt Road Bridge | in service |
| • Witt Road Streetscape (Medians and Fences) | in construction |
| • Eldorado Parkway Streetscape and Gateway Monuments | in service |
| • Smotherman Road | in service |
| • Little Elm Parkway | in service |
| • FM 423 - 6 lane divided (Texas Department of Transportation) | in service |
| • Lakeshore Drive and Mainstreet | in service |
| • Wastewater Treatment Plant Expansion (2011) | in service |
| • FM 423 Water and Wastewater Mains Relocation | in construction |
| • 2 MG Elevated Storage Tank | in design |
| • Beard Park Expansion | in design |
| • Little Elm Park Improvements (Swim Beach and Boat Docks) | in design |
| • Courtesy Dump Site (environmental) | in service |

Also during the year, the Town completed a Storm Utility Drainage Study for which a storm drainage fee was implemented to begin restoring and renovating the Town's drainage systems. The Town completed a Parks Master Plan revision and update in fiscal year 2011 and the Parks Board and the Town's Type 4B Community Development Corporation has begun the design phase for redevelopment of Beard Park and portions of Little Elm Park.

The Little Elm Economic Development Corporation (EDC) continued its work in attracting high quality businesses to Little Elm in order to increase both the tax base and local employment. The EDC has been successful in bringing in Calloway's Nursery which will begin construction in 2013 and also a major manufacturer of large equipment sales and repair. The EDC continues to work with existing developers to fast track business retail in previously platted commercial zones. The Town continues to benefit from other favorable conditions associated with a desirable location for work, destination and living.

In May and June of 2012, when the Town refunded and issued new bonds for construction of water facilities, Moody's Rating Services affirmed the Town's rating of Aa3 on its long-term outstanding bonds. The Aa3 rating, a high quality credit rating, was stated for the Town's healthy financial reserves, growing tax base, moderate tax base, continual growth and prudent management of the Town with sound fiscal

policies. The Town with the help of the EDC will work to increase the Town's outstanding bond rating with a focus on planning for diversification of revenue with tax base expansion.

RELEVANT FINANCIAL POLICIES

Accounting System

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

Accounting and Budgetary Controls

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

Individual line items are reviewed and analyzed at the individual fund level for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures are monitored and controlled by project or item. Activities of the general fund, debt service fund, special revenue funds, capital projects fund and enterprise funds 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.

AWARDS AND ACKNOWLEDGEMENTS

Independent Audit

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

Certificate of Achievement for Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2011. This was the second year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a municipality must publish an easily readable and efficiently organized Comprehensive Annual Financial

Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,


Director of Finance


Assistant Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Little Elm
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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

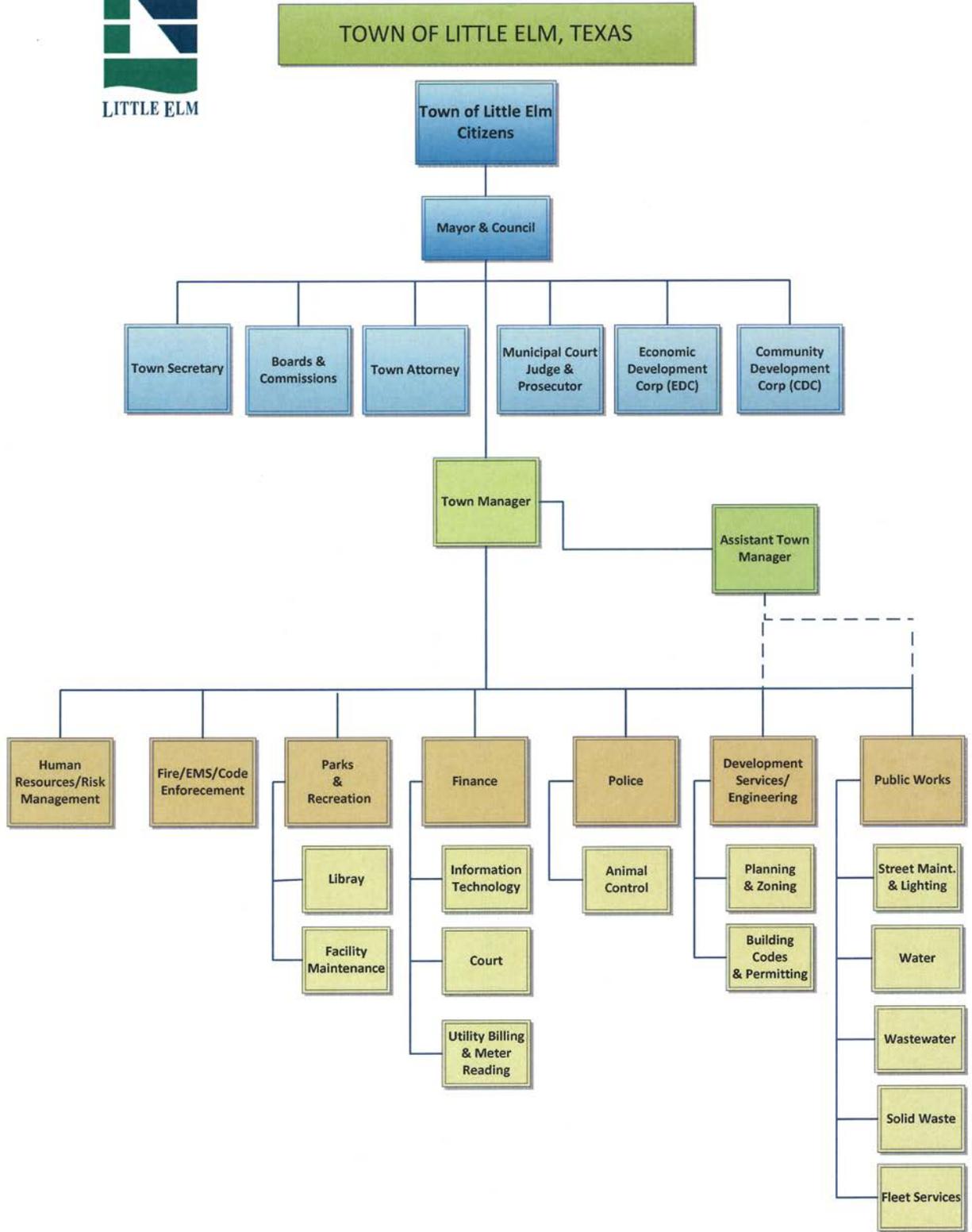


Christopher P. Mouill

President

Jeffrey R. Emer

Executive Director



TOWN OF LITTLE ELM, TEXAS

Town Officials

Council Members

David Hillock
Stephanie Shoemaker
Richard C. Stevens
Curtis Cornelious
Chip Norman
Katie Gipson
Bill Roebken

Mayor
Mayor Pro Tem
At Large Place 1
Place 3
Place 4
Place 5
At Large Place 6



From left to right: Bill Roebken, Katie Gipson, Chip Norman, Mayor David Hillock, Curtis Cornelious, Stephanie Shoemaker and Richard C. Stevens

Executive Staff

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

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

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Little Elm (the Town) as of and for the year ended September 30, 2012, 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 administration. Our responsibility is to express opinions on these financial statements based on our audit.

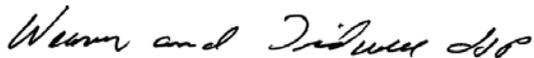
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, 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 25, 2013, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 the 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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 25, 2013



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2012
(unaudited)

The following discussion and analysis of the Town of Little Elm (TOLE) financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Entity-Wide

- The Town's total net assets on a government-wide basis totaled \$95,269,951 at September 30, 2012, a 10% increase over September 30, 2011. Of this balance, 80% or \$76,384,500 is invested in capital assets while \$12,035,037 is unrestricted and may be used to meet the Town's ongoing obligations.
- On a government-wide basis, the Town had expenses net of program revenue of \$6,160,410. General revenues and transfers totaled \$15,588,723, resulting in an increase in net assets of \$9,428,313. This increase is attributable to an increase in water and sewer services, capital grants, street impact fees, and other user fees.
- Town received \$7,454,646 in capital grants and contributions in FY 2012 from an interlocal agreement with Denton County for thoroughfare and bridge improvements and developer contributions.

Governmental Activities

- On a government-wide basis for governmental activities, the Town had expenses net of program revenue of \$10,271,123. General revenue and transfers totaled \$17,181,338 resulting in an increase in net assets of \$6,910,215.
- As of September 30, 2012, the Town's governmental activities reported combined ending net asset balances of \$65,627,158. The largest element of this balance, \$52,815,876, is the value of the Town's investment in capital assets, such as streets, parks and facilities, net of related debt.

Business-Type Activities

- The net assets of the Town's business-type activities had a current year increase of \$2,518,098. The current year increase is primarily due to impact fees, charges for services and sales. The Town had capital contributions from developers for commercial and residential developments which include impact fees.

General Fund

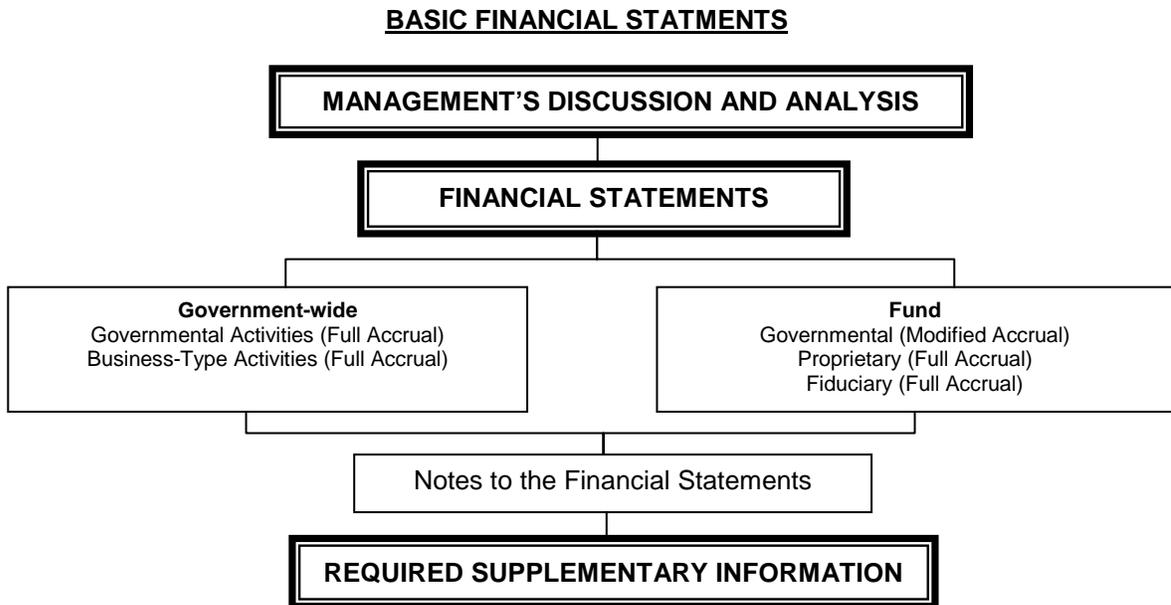
- At the end of this fiscal year fund balance for the general fund was \$7,102,177 or approximately 48% of the total general fund expenditures. Of this amount \$693,600 is assigned to various capital projects and equipment replacement.
- General fund expenditures were under revenues by \$803,860 before transfers. After transfers, the General fund at the end of this fiscal year realized a net change in fund balance of \$1,264,234.
- General fund expenditures increased by \$1,571,533 or 12% over fiscal year 2011.



OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report consists of three sections: introductory, financial and statistical. As illustrated in the following chart, the financial section of this report has three components: management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

Components of the Financial Section



GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2012
(unaudited)

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

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

FUND FINANCIAL STATEMENTS

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

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

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



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2012
(unaudited)

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

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

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

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

OTHER FINANCIAL RELATED INFORMATION

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

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



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2012
 (unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the Town's Financial Position

As of September 30, 2012, the Town's assets exceeded liabilities by \$95,269,951. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets:

	Net Assets					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 16,253,617	\$ 25,045,332	\$ 14,353,758	\$ 14,006,733	\$ 30,607,375	\$ 39,052,065
Capital assets	89,241,178	75,902,676	52,064,299	44,855,099	141,305,477	120,757,775
Total assets	<u>105,494,795</u>	<u>100,948,008</u>	<u>66,418,057</u>	<u>58,861,832</u>	<u>171,912,852</u>	<u>159,809,840</u>
Long-term liabilities	34,599,499	36,127,122	33,005,102	28,783,496	67,604,601	64,910,618
Other liabilities	5,268,138	6,103,943	3,770,162	2,953,641	9,038,300	9,057,584
Total liabilities	<u>39,867,637</u>	<u>42,231,065</u>	<u>36,775,264</u>	<u>31,737,137</u>	<u>76,642,901</u>	<u>73,968,202</u>
Net assets:						
Invested in capital assets, net of related debt	52,815,876	50,204,248	23,568,624	18,965,595	76,384,500	69,169,843
Restricted	4,171,809	2,752,458	2,678,605	3,420,742	6,850,414	6,173,200
Unrestricted	8,639,473	5,760,237	3,395,564	4,738,358	12,035,037	10,498,595
Total net assets	<u>\$ 65,627,158</u>	<u>\$ 58,716,943</u>	<u>\$ 29,642,793</u>	<u>\$ 27,124,695</u>	<u>\$ 95,269,951</u>	<u>\$ 85,841,638</u>

As stated earlier in the opening highlights of this discussion, the largest portion of the Town's net assets (80% or \$76,384,500) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, improvements, construction in progress, and infrastructure), less any related debt used to acquire capital assets still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-type Activities		Component Units	
	2012	2011	2012	2011	2012	2011
Restricted by enabling legislation	\$ 3,573,355	\$ 343,939	\$ 2,010,348	\$ 2,530,484	\$ 2,689,528	\$ 2,418,939
Net assets otherwise restricted for:						
Debt Service	379,705	2,024,790	668,257	890,258	90,705	-
Grant requirements	136,519	340,136	-	-	-	-
Donations	37,572	34,300	-	-	-	-
Forfeitures	44,658	9,293	-	-	-	-
	<u>\$ 4,171,809</u>	<u>\$ 2,752,458</u>	<u>\$ 2,678,605</u>	<u>\$ 3,420,742</u>	<u>\$ 2,780,233</u>	<u>\$ 2,418,939</u>



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2012
(unaudited)

For fiscal year end 2012, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. As seen in the net assets table, the total change in net assets over fiscal year 2011 was \$9,428,313 or 11%.

- Included in unrestricted net assets (\$12,035,037) are assets that are earmarked for particular purposes, such as park improvements, thoroughfare improvements, water and sewer system maintenance, and operational expenses.
- Net assets increased primarily as a result of additions of new infrastructure. Major projects completed and or in progress during the year included:
 - Public Safety Facility (42,000 square feet) in service
 - Recreation Center in service
 - Senior Center in service
 - Animal Control Center in construction
 - Town Hall Renovation - 2nd floor in service
 - Library Renovation and expansion in construction
 - Lobo Lane Reconstruction in service
 - Witt-Woodlake Connector in service
 - Witt Road Bridge in service
 - Witt Road Streetscape (Medians and Fences) in construction
 - Eldorado Parkway Streetscape and Gateway Monuments in service
 - Smotherman Road in service
 - Little Elm Parkway in service
 - FM 423 - 6 lane divided (Texas Department of Transportation) in service
 - Lakeshore Drive and Mainstreet in service
 - Wastewater Treatment Plant Expansion (2011) in service
 - FM 423 Water and Wastewater Mains Relocation in construction
 - 2 MG Elevated Storage Tank in design
 - Beard Park Expansion in design
 - Little Elm Park Improvements (Swim Beach and Boat Docks) in design
 - Courtesy Dump Site (environmental) in service

Analysis of the Town's operations

Governmental activities - Governmental activities increased the Town's net assets by \$6,910,215. Significant reasons for this increase are as follows: The Town had a \$13,338,502 increase in capital asset acquisitions, while long-term liabilities decreased by \$1,512,248. See the "capital assets and debt administration" section of the MD&A for more information. The Town continues to see positive gains in net assets.

Business-type activities – Business-type activities increased the Town's net assets by \$2,518,098. The Town's business-type capital assets increased by \$7,209,200 while long-term liabilities decreased by \$35,916.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2012
 (unaudited)

The following table provides a summary of the Town's operations for the year ended September 30, 2012:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 4,853,017	\$ 2,991,838	\$ 11,847,254	\$ 11,388,925	\$ 16,700,271	\$ 14,380,763
Operating grants and contributions	296,234	220,617	-	-	296,234	220,617
Capital grants and contributions	5,072,076	4,767,318	2,382,570	473,422	7,454,646	5,240,740
General revenues:						
Property taxes	10,662,787	10,195,279	-	-	10,662,787	10,195,279
Sales taxes	2,369,358	2,125,984	-	-	2,369,358	2,125,984
Franchise taxes	1,670,233	1,312,681	82,977	56,342	1,753,210	1,369,023
Interest	199,751	271,988	139,604	150,655	339,355	422,643
Other	464,013	1,329,395	-	758,399	464,013	2,087,794
Total revenues	25,587,469	23,215,100	14,452,405	12,827,743	40,039,874	36,042,843
Expenses:						
General government	2,576,483	2,464,445	-	-	2,576,483	2,464,445
Community service	1,238,188	1,364,740	-	-	1,238,188	1,364,740
Public safety	8,002,813	7,190,910	-	-	8,002,813	7,190,910
Public works	5,344,115	4,435,870	-	-	5,344,115	4,435,870
Culture and recreation	1,674,950	1,483,761	-	-	1,674,950	1,483,761
Interest expense	1,655,901	1,715,179	-	-	1,655,901	1,715,179
Water and sewer services	-	-	8,576,299	6,950,429	8,576,299	6,950,429
Solid waste services	-	-	1,542,812	1,465,030	1,542,812	1,465,030
Total expenses:	20,492,450	18,654,905	10,119,111	8,415,459	30,611,561	27,070,364
Increase in net assets before transfers	5,095,019	4,560,195	4,333,294	4,412,284	9,428,313	8,972,479
Transfers	1,815,196	1,238,953	(1,815,196)	(1,238,953)	-	-
Change in net assets	6,910,215	5,799,148	2,518,098	3,173,331	9,428,313	8,972,479
Net assets, beginning of year	58,716,943	52,917,795	27,124,695	23,951,364	85,841,638	76,869,159
Net assets, end of year	\$ 65,627,158	\$ 58,716,943	\$ 29,642,793	\$ 27,124,695	\$ 95,269,951	\$ 85,841,638

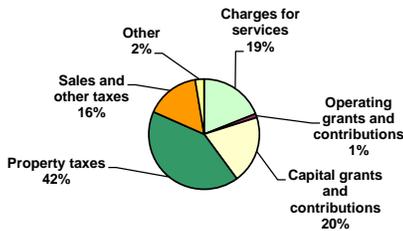
The primary government's expenses exceeded program revenues by \$6,160,410. Program revenues of \$24,451,151 are specific to the functions(s) of the primary government such as fees and charges for services, grants, and capital contributions. The expenses of the primary government were \$30,611,561 with water and sewer operations' comprising 28% or \$8,576,299. Public safety activities comprised 26% or \$8,002,813 which includes fire, police and animal control. The Town's general revenue sources from property tax, sales taxes, franchise taxes, interest, and miscellaneous revenues provides 38% of total revenue sources to support the primary government's activities.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2012
 (unaudited)

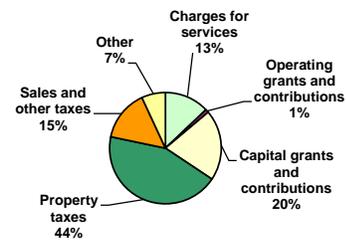
The Town's total governmental and business type activity revenues (less transfers) increased by \$2,372,369 or 10% over prior year. The Town received capital contributions for thoroughfare improvements and developer contributions in an amount of \$7,454,646. The total cost of all governmental programs and services have increased by \$3,541,197 or 13% over prior year. The following graphs are presented to reflect the ratio of revenues that support the primary government's activities for 2012 and 2011:

Revenues by Source - Government Activities
9/30/2012



2012 Total: \$25,587,469

Revenues by Source - Government Activities
9/30/2011

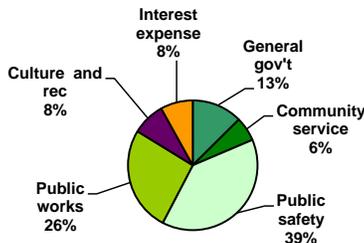


2011 Total: \$23,215,100

Total revenues (program and general) of governmental activities were \$25,587,469 before transfers for fiscal year 2012. A significant portion (42%) of the Town's revenues came from property taxes with 16% attributable to sales and other taxes. Sales and other taxes remained consistent with the prior year reflecting growth of \$600,926. This increase is from new business.

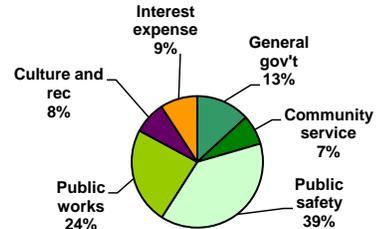
The total cost of all governmental programs was \$20,492,450 for fiscal year 2012. Of these costs, \$8,002,813 or 39% was for public safety activities. The following graphs present the ratio of each major expense by government activity:

Governmental Activity Expenses
9/30/2012



Total Expenses: \$20,492,450

Governmental Activity Expenses
9/30/2011



Total Expenses: \$18,654,905

The primary government's expenses total \$30,611,561 for which 55% or \$16,700,271 is supported by charges for services. The other 45% of the primary government's expense is supported by property taxes and other general revenues of \$13,911,290 before transfers.



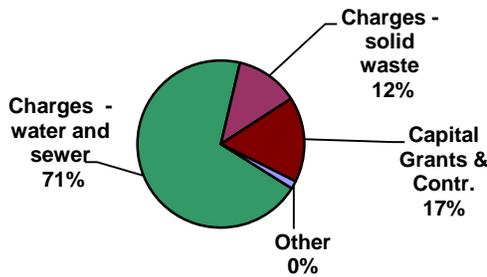
MANAGEMENT'S DISCUSSION & ANALYSIS
For the year ended September 30, 2012
(unaudited)

Expenses and Program Revenues - Business-type activities highlights –

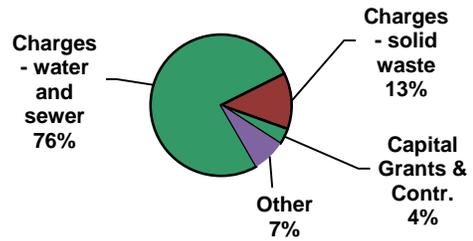
- Business-type activities net assets increased by \$2,518,098 (after transfers) for the year which primarily means that the rates and charges of the system covered operational and debt related costs.
- Total business-type expenses for the year were \$10,119,111.
- Business-type revenues increased by 13% or \$1,624,662 primarily for charges for services and impact fees.
- Business-type expenses increased by 17% or \$1,703,652.

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

2012 Business-type Activities
Total Revenues: \$14,452,405



2011 Business-type Activities
Total Revenues: \$12,827,743



FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds – As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$12,723,027, a decrease of \$8,030,316 compared with the prior year due to the draw down of capital project funds. The breakdown of the total fund balances at fiscal year end is as follows:

- 56% or \$7,102,177 for General fund operating and maintenance purposes
- 29% or \$3,680,314 for General capital project commitments
- 15% or \$1,940,536 for Debt service commitments, special revenues, and street maintenance

Proprietary Funds – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the proprietary funds have already been addressed in the discussion of the Town's business-type activities. The Proprietary Fund had net cash from operating activities at September 30, 2012 of \$5,970,336.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2012
 (unaudited)

General Fund Budgetary Highlights

The Town adopts its budget by ordinance at the fund level. The General Fund had a positive variance of expenditures at fiscal year-end of \$328,129. There was a positive variance of General Fund revenues to the budget by \$1,922,917. Of this amount, 59% was for construction related permits.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets -The Town's investment in capital assets for its governmental and business type activities amounts to \$141,305,477 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges. This amount represents a net increase of \$20,547,702. Note 5 in the Financial Statement Section provide additional detail regarding the Town's capital assets. A summary of the Town's capital assets is as follows:

	Capital Assets (net of depreciation)					
	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,479,696	\$ 2,479,696	\$ 1,296,592	\$ 1,089,743	\$ 3,776,288	\$ 3,569,439
Construction in progress	8,293,314	19,077,689	1,623,017	11,315,745	9,916,331	30,393,434
Buildings	23,185,529	5,397,479	49,705	54,266	23,235,234	5,451,745
Infrastructure	48,068,836	42,642,688	48,259,776	11,968,752	96,328,612	54,611,440
Other improvements	3,157,985	3,292,397	-	19,618,035	3,157,985	22,910,432
Machinery and equipment	4,055,818	3,012,727	835,209	808,558	4,891,027	3,821,285
	\$ 89,241,178	\$ 75,902,676	\$ 52,064,299	\$ 44,855,099	\$ 141,305,477	\$ 120,757,775

Long-term Debt - At year end, the Town had \$71,307,050 of long-term debt and other liabilities. Of this amount, \$64,567,050 is backed by the full faith and credit of the Town and \$6,740,000 represents bonds secured solely by specific revenue sources from the Proprietary Fund. Currently the Town has no unissued general obligation debt.

Moody's Investors Service (Moody's) assigned an "Aa3" rating. The Town is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. For more detailed information, please see Note 8 in the financial statements.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2012
 (unaudited)

The following is a summary of the Town's outstanding debt and other long-term obligations at fiscal year-end September 30, 2012:

	Outstanding Debt					
	Outstanding Debt and Long-Term Liabilities					
	Governmental activities		Business-type activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Gross bonded debt:						
General obligation	\$ 33,348,254	\$ 30,679,400	\$ 4,866,746	\$ 1,950,600	\$ 38,215,000	\$ 32,630,000
Certificates of obligation	2,260,000	6,630,000	22,340,000	16,500,000	24,600,000	23,130,000
Revenue bonds	-	-	6,740,000	10,755,000	6,740,000	10,755,000
Total bonded debt	35,608,254	37,309,400	33,946,746	29,205,600	69,555,000	66,515,000
Other long-term debt:						
Capital leases	321,018	-	-	-	321,018	-
Tax notes	-	90,000	-	-	-	90,000
Deferred loss on refunding	(146,471)	-	(175,685)	(37,757)	(322,156)	(37,757)
Unamortized premiums	559,012	405,567	409,287	257,228	968,299	662,795
Compensated absences	540,396	589,490	119,493	145,192	659,889	734,682
Capital appreciation	-	-	125,000	270,000	125,000	270,000
Total other long-term debt	1,273,955	1,085,057	478,095	634,663	1,752,050	1,719,720
Total	\$ 36,882,209	\$ 38,394,457	\$ 34,424,841	\$ 29,840,263	\$ 71,307,050	\$ 68,234,720

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town continues to experience steady construction in both residential and commercial development. The number of single family home permits issued by the Town during 2012 was a healthy 598. These include residences planned or built within the Town as well as within its extra-territorial jurisdiction. The Town has projected 350 new housing starts for residential and 50 new starts for commercial/retail business. Commercial retailers and businesses continue to be attracted to Little Elm because of location, growth in roof-tops, and thoroughfare improvements, current and near term.

The Town continues to see the most commercial development at the corner of FM 423 and FM 720 in Little Elm. The economic lift along the growing FM 423 commercial corridor has breathed new life into the area. Specifically, the construction of the Kroger shopping center; the addition of Del Taco; retail tenant finish outs; Quick Trip; Brakes Plus; Aldi; and Racetrac have all altered the retail and traffic patterns in the vicinity. The entire corridor development is expected to generate approximately \$65 million dollars in annual sales and create more than 650 new permanent jobs for Little Elm.

Residential increases due to the construction of new luxury apartments, the Mansions and the Estates promise to have an impact on retail sales and the accompanying increase in property tax revenues. The project will ultimately contain 3 phases offering a different product to the consumer including townhomes, covered garages, resort-style living and other quality of life amenities. With the new luxury apartment development there was a concurrent dedication and construction of a 38 acre public park know as McCord Park. The amenities of the park will bring concrete trail connectivity to a master planned town-wide trail system. The addition of McCord Park on the east side of Town stands to benefit the immediate area's residents well into the future.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2012
(unaudited)

The fiscal year 2012-2013 budget was developed and adopted based on continuing to meet the needs for the new facilities for Public Safety and Parks and Recreation. The expansion of services for the new facilities continues to increase funding levels for personnel and programming. The new animal shelter is scheduled to be completed in March 2013. Temporarily they are located in the old central fire station. Once the old fire station is vacated, renovation to the facility will occur for the Food Bank. The total budget increase for all operating funds was \$3 million or 10%. The source of funding for the above increase is from property taxes and sales tax related to the Town's expanding economy.

The fiscal year 2012-2013 budget saw no tax increases; no water or sewer rate increases; and the creation of an Equipment Replacement Fund with budgeted funding of \$194,000. The tax rate for fiscal year 2012-2013 is \$.664971.

The citizens of Little Elm are provided with a wide array of recreation, cultural, commercial and infrastructure services that will affect the quality of life in the Town and set the stage for changes that will have a lasting impact both on the short-term and long-term future.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS



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**TOWN OF LITTLE ELM, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 13,401,454	\$ 4,732,876	\$ 18,134,330	\$ 2,706,628
Cash restricted for revenue bond reserve	-	6,661,160	6,661,160	-
Net receivables	2,313,825	2,242,769	4,556,594	263,718
Prepays	17,615	-	17,615	-
Inventories	39,239	98,300	137,539	-
Land available for sale	-	-	-	7,322,952
Total current assets	15,772,133	13,735,105	29,507,238	10,293,298
Noncurrent assets:				
Land	2,479,696	1,296,592	3,776,288	-
Depreciable assets, net	78,468,168	49,144,690	127,612,858	-
Construction in progress	8,293,314	1,623,017	9,916,331	-
Total capital assets	89,241,178	52,064,299	141,305,477	-
Debt issuance costs	481,484	618,653	1,100,137	116,398
Total noncurrent assets	89,722,662	52,682,952	142,405,614	116,398
Total assets	\$ 105,494,795	\$ 66,418,057	\$ 171,912,852	\$ 10,409,696
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	\$ 1,974,584	\$ 1,038,305	\$ 3,012,889	\$ 19,113
Accrued interest payable	237,711	236,132	473,843	10,844
Retainage payable	623,885	183,229	807,114	-
Customer deposits	149,248	892,757	1,042,005	-
Current portion of long-term debt	2,282,710	1,419,739	3,702,449	290,730
Total current liabilities	5,268,138	3,770,162	9,038,300	320,687
Bonds and other long-term debt	34,599,499	33,005,102	67,604,601	7,222,585
Total liabilities	39,867,637	36,775,264	76,642,901	7,543,272
NET ASSETS				
Invested in capital assets, net of related debt	52,815,876	23,568,624	76,384,500	-
Restricted:				
Enabling legislation	3,573,355	2,010,348	5,583,703	2,689,528
Debt service	379,705	668,257	1,047,962	90,705
Other	218,749	-	218,749	-
Unrestricted	8,639,473	3,395,564	12,035,037	86,191
Total net assets	65,627,158	29,642,793	95,269,951	2,866,424
Total liabilities and net assets	\$ 105,494,795	\$ 66,418,057	\$ 171,912,852	\$ 10,409,696

The accompanying notes to the basic financial statements are an integral part of this statement.

**TOWN OF LITTLE ELM, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Functions/Programs:				
Governmental activities:				
General government	\$ 2,576,483	\$ 203,194	\$ -	\$ -
Community service	1,238,188	3,067,120	-	-
Public safety	8,002,813	1,316,490	263,881	-
Public works	5,344,115	36,968	5,500	5,072,076
Culture and recreation	1,674,950	229,245	26,853	-
Interest expense	1,655,901	-	-	-
Total governmental activities	<u>20,492,450</u>	<u>4,853,017</u>	<u>296,234</u>	<u>5,072,076</u>
Business-type activities:				
Water and sewer services	8,576,299	10,088,464	-	2,382,570
Solid waste services	1,542,812	1,758,790	-	-
Total business-type activities	<u>10,119,111</u>	<u>11,847,254</u>	<u>-</u>	<u>2,382,570</u>
Total primary government	<u>\$ 30,611,561</u>	<u>\$ 16,700,271</u>	<u>\$ 296,234</u>	<u>\$ 7,454,646</u>
Component Units:				
Economic Development Corporation	\$ 865,940	\$ -	\$ -	\$ -
Community Development Corporation	328,198	-	-	-
Little Elm Redevelopment Corporation	4,761	-	-	-
Total component units	<u>\$ 1,198,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 Property taxes, penalty, and interest
 Sales taxes
 Franchise taxes
 Interest
 Miscellaneous
 Transfers
Total general revenues and transfers
 Change in net assets
 Net assets at beginning of year
Net assets, end of year

The accompanying notes to the basic financial statements 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
\$ (2,373,289)	\$ -	\$ (2,373,289)	\$ -
1,828,932	-	1,828,932	-
(6,422,442)	-	(6,422,442)	-
(229,571)	-	(229,571)	-
(1,418,852)	-	(1,418,852)	-
(1,655,901)	-	(1,655,901)	-
<u>(10,271,123)</u>	<u>-</u>	<u>(10,271,123)</u>	<u>-</u>
-	3,894,735	3,894,735	-
-	215,978	215,978	-
<u>-</u>	<u>4,110,713</u>	<u>4,110,713</u>	<u>-</u>
<u>\$ (10,271,123)</u>	<u>\$ 4,110,713</u>	<u>\$ (6,160,410)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (865,940)
-	-	-	(328,198)
-	-	-	(4,761)
<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (1,198,899)</u>
\$ 10,662,787	\$ -	\$ 10,662,787	\$ -
2,369,358	-	2,369,358	1,447,888
1,670,233	82,977	1,753,210	-
199,751	139,604	339,355	31,580
464,013	-	464,013	99,537
1,815,196	(1,815,196)	-	-
<u>17,181,338</u>	<u>(1,592,615)</u>	<u>15,588,723</u>	<u>1,579,005</u>
6,910,215	2,518,098	9,428,313	380,106
<u>58,716,943</u>	<u>27,124,695</u>	<u>85,841,638</u>	<u>2,486,318</u>
<u>\$ 65,627,158</u>	<u>\$ 29,642,793</u>	<u>\$ 95,269,951</u>	<u>\$ 2,866,424</u>

**TOWN OF LITTLE ELM, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 6,852,581	\$ 549,898	\$ 4,706,817	\$ 1,292,158	\$ 13,401,454
Receivables, net of allowance for doubtful accounts					
Taxes	524,128	67,577	-	87,906	679,611
Other	838,237	-	662,849	133,128	1,634,214
Prepays	17,465	-	-	150	17,615
Inventories	39,239	-	-	-	39,239
Total assets	\$ 8,271,650	\$ 617,475	\$ 5,369,666	\$ 1,513,342	\$ 15,772,133
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	\$ 890,127	\$ 59	\$ 961,944	\$ 122,454	\$ 1,974,584
Accrued interest payable	-	4,815	-	-	4,815
Retainage payable	-	-	623,885	-	623,885
Deposits	45,725	-	103,523	-	149,248
Deferred revenue	233,621	57,707	-	5,246	296,574
Total liabilities	1,169,473	62,581	1,689,352	127,700	3,049,106
Fund balances:					
Nonspendable	56,704	-	-	150	56,854
Restricted	-	554,894	2,503,072	1,288,882	4,346,848
Committed	-	-	1,177,242	96,610	1,273,852
Assigned	914,755	-	-	-	914,755
Unassigned	6,130,718	-	-	-	6,130,718
Total fund balances	7,102,177	554,894	3,680,314	1,385,642	12,723,027
Total liabilities and fund balances	\$ 8,271,650	\$ 617,475	\$ 5,369,666	\$ 1,513,342	\$ 15,772,133

The accompanying notes to the basic financial statements 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, 2012**

Total governmental fund balances	\$ 12,723,027
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds financial statements.	89,241,178
Accrued interest on governmental activities debt is not reported in the governmental funds financial statements until paid.	(232,896)
Revenues earned but not available within sixty days of fiscal year-end are not recognized as revenue in the governmental funds financial statements.	296,574
Bond issuance costs on governmental activity debt are included in expenditures in the funds when paid.	481,484
Premiums on bond issuance for governmental activities debt are included in other financing sources in the governmental funds financial statements.	(559,012)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.	(540,396)
Bonds and notes payable and capital leases payable are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.	<u>(35,782,801)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 65,627,158</u></u>

The accompanying notes to the basic financial statements
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, 2012**

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Taxes:					
Property taxes, penalty, and interest	\$ 7,348,738	\$ 3,110,898	\$ -	\$ -	\$ 10,459,636
General sales and use taxes	1,886,729	-	-	482,629	2,369,358
Other taxes and franchise fees	1,670,233	-	-	-	1,670,233
Licenses and permits	2,386,244	-	-	-	2,386,244
Intergovernmental	272,201	186,215	2,366,474	172,093	2,996,983
Charges for services	866,109	-	-	361,513	1,227,622
Impact fees	-	-	1,555,857	-	1,555,857
Fines	316,305	-	-	312,094	628,399
Contributions	5,500	-	-	-	5,500
Interest	94,608	20,822	72,622	11,699	199,751
Other revenues	680,621	-	584,331	47,397	1,312,349
Total revenues	15,527,288	3,317,935	4,579,284	1,387,425	24,811,932
Expenditures:					
Current:					
General government	2,491,658	-	-	10,151	2,501,809
Community services	1,261,237	-	-	-	1,261,237
Public safety	7,326,156	-	-	251,659	7,577,815
Public works	1,574,172	-	-	191,959	1,766,131
Culture and recreation	1,528,208	-	-	5,289	1,533,497
Debt service:					
Principal retirement	-	1,671,146	-	-	1,671,146
Interest and fiscal agent fees	-	1,609,606	-	-	1,609,606
Capital outlay	541,997	-	16,644,873	2,339	17,189,209
Total expenditures	14,723,428	3,280,752	16,644,873	461,397	35,110,450
Excess (deficiency) of revenues over (under) expenditures	803,860	37,183	(12,065,589)	926,028	(10,298,518)
Other financing sources (uses):					
Transfers in	1,548,887	-	1,975,000	-	3,523,887
Issuance of refunding bonds	-	3,885,000	-	-	3,885,000
Capital lease proceeds	386,487	-	-	-	386,487
Premium on bond issuance	-	180,716	-	-	180,716
Payment to refunded bonds escrow agent	-	(3,999,197)	-	-	(3,999,197)
Transfers out	(1,475,000)	-	-	(233,691)	(1,708,691)
Total other financing sources (uses)	460,374	66,519	1,975,000	(233,691)	2,268,202
Net change in fund balances	1,264,234	103,702	(10,090,589)	692,337	(8,030,316)
Fund balance at beginning of year	5,837,943	451,192	13,770,903	693,305	20,753,343
Fund balance, end of year	\$ 7,102,177	\$ 554,894	\$ 3,680,314	\$ 1,385,642	\$ 12,723,027

The accompanying notes to the basic financial statements 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 BALANCE TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Net change in fund balances - total governmental funds \$ (8,030,316)

Amounts reported for governmental funds in the statement of activities are different because:

Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. 100,711

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is capitalized. 17,100,339

Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The effect of recording depreciation expense is to decrease net assets. (4,221,753)

Donation of property from developers is not reported in the governmental funds. However, in the statement of activities, the fair market value of those assets is recognized as revenue. 478,963

The repayment of the principal of long term debt consumes the current financial resources of governmental funds, but has no effect on net assets. The amortization of bond issuance costs, bond premiums, and deferred gain/loss on refunding of long term debt is reported in the statement of activities but does not require the use of current financial resources. Therefore the effect of the amortization of these various items are not reported in the statement of revenues, expenses, and changes in fund balance.

This amount represents the net effect of the following items:

- o Bond proceeds (3,885,000)
- o Debt issuance costs 57,755
- o Bond premiums (180,716)
- o Repayments 1,671,146
- o Payment to refunded bonds escrow agent 3,999,197
- o Deferred loss on refunding 149,931
- o Amortization of premium on bonds, 27,271, less the amortization of debt issue costs (88,283) and deferred loss on refunding (3,460) 1,747,841

Governmental funds reflect capital lease proceeds as other financing sources and payments as expenditures. However, in the government-wide financial statements, the proceeds, (\$386,487), and payments, \$65,469, are reflected as changes in liabilities. (321,018)

Changes in compensated absences are not reported in the fund financial statements. The net effect of the current year decrease is to increase net assets. 49,094

Loss on disposal of capital assets results in a decrease in net assets, but the net effect is not reported in the governmental funds. (19,047)

Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 25,401

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 6,910,215

The accompanying notes to the basic financial statements are an integral part of this statement.



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**TOWN OF LITTLE ELM , TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012**

	Water and Sewer	Solid Waste	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,363,332	\$ 369,544	\$ 4,732,876
Cash restricted for revenue bond reserve	6,661,160	-	6,661,160
Receivables (net of allowance for uncollectibles)	2,060,905	181,864	2,242,769
Inventories	98,300	-	98,300
Total current assets	13,183,697	551,408	13,735,105
Noncurrent assets:			
Debt issuance costs	618,653	-	618,653
Land	1,296,592	-	1,296,592
Depreciable assets, net	49,097,095	47,595	49,144,690
Construction in progress	1,623,017	-	1,623,017
Total property and equipment	52,016,704	47,595	52,064,299
Total noncurrent assets	52,635,357	47,595	52,682,952
Total assets	\$ 65,819,054	\$ 599,003	\$ 66,418,057
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and other accrued expenses	\$ 906,444	\$ 131,861	\$ 1,038,305
Accrued interest payable	236,132	-	236,132
Retainage payable	183,229	-	183,229
Customer deposits	892,757	-	892,757
Current portion of long-term debt	1,419,739	-	1,419,739
Total current liabilities	3,638,301	131,861	3,770,162
Long-term debt, net of current portion	33,005,102	-	33,005,102
Total liabilities	36,643,403	131,861	36,775,264
Net assets:			
Invested in capital assets, net of related debt	23,521,029.00	47,595	23,568,624
Restricted for:			
Debt service	668,257	-	668,257
Impact fees	2,010,348	-	2,010,348
Unrestricted	2,976,017	419,547	3,395,564
Total net assets	29,175,651	467,142	29,642,793
Total liabilities and net assets	\$ 65,819,054	\$ 599,003	\$ 66,418,057

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Water and Sewer	Solid Waste	Total
Operating revenues:			
Water sales	\$ 5,263,386	\$ -	\$ 5,263,386
Charges for sewer services	4,092,278	-	4,092,278
Tap, connections, and other fees	700,338	-	700,338
Charges for solid waste	-	1,758,513	1,758,513
Taxes	-	82,977	82,977
Other revenue	32,462	277	32,739
Total operating revenues	10,088,464	1,841,767	11,930,231
Operating expenses:			
Personnel services	1,652,444	12,793	1,665,237
Contractual services	401,785	1,498,922	1,900,707
Repairs and maintenance	176,898	28,085	204,983
Supplies	2,607,045	-	2,607,045
Depreciation and amortization	1,456,399	1,712	1,458,111
Other operating expenses	657,207	1,300	658,507
Total operating expenses	6,951,778	1,542,812	8,494,590
Operating income	3,136,686	298,955	3,435,641
Non-operating revenues (expenses):			
Developer reimbursement	(493,574)	-	(493,574)
Impact fees	1,095,996	-	1,095,996
Interest income	134,629	4,975	139,604
Interest expense	(1,130,947)	-	(1,130,947)
Total non-operating revenue (expenses)	(393,896)	4,975	(388,921)
Income before transfers and capital contributions	2,742,790	303,930	3,046,720
Contributions	1,286,574	-	1,286,574
Transfers out	(1,617,592)	(197,604)	(1,815,196)
Change in net assets	2,411,772	106,326	2,518,098
Net assets at beginning of year	26,763,879	360,816	27,124,695
Net assets, end of year	\$ 29,175,651	\$ 467,142	\$ 29,642,793

The accompanying notes to the basic financial statements are an integral part of this statement.

**TOWN OF LITTLE ELM, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Cash flow from operating activities:			
Receipts from customers and users	\$ 10,726,356	\$ 1,840,818	\$ 12,567,174
Payments to suppliers	(3,503,592)	(1,408,631)	(4,912,223)
Payments to employees	(1,671,822)	(12,793)	(1,684,615)
Net cash provided by operating activities	<u>5,550,942</u>	<u>419,394</u>	<u>5,970,336</u>
Cash flow from noncapital financing activities:			
Transfers out	(1,617,592)	(197,604)	(1,815,196)
Net cash used by noncapital financing activities	<u>(1,617,592)</u>	<u>(197,604)</u>	<u>(1,815,196)</u>
Cash flow from capital financing activities:			
Proceeds from long-term debt	9,129,049	-	9,129,049
Acquisition of capital assets	(7,301,163)	(49,307)	(7,350,470)
Impact fees	1,095,996	-	1,095,996
Bond issuance costs	(117,202)	-	(117,202)
Principal paid on capital debt	(4,503,854)	-	(4,503,854)
Developer reimbursement	(493,574)	-	(493,574)
Interest paid on capital debt	(1,104,981)	-	(1,104,981)
Net cash used by capital financing activities	<u>(3,295,729)</u>	<u>(49,307)</u>	<u>(3,345,036)</u>
Cash flow from investing activities:			
Interest and dividends on investments	134,629	4,975	139,604
Net cash provided by investing activities	<u>134,629</u>	<u>4,975</u>	<u>139,604</u>
Net increase in cash and cash equivalents	772,250	177,458	949,708
Cash and cash equivalents, beginning of year	10,252,242	192,086	10,444,328
Cash and cash equivalents, end of the year	<u>\$ 11,024,492</u>	<u>\$ 369,544</u>	<u>\$ 11,394,036</u>
Reconciliation to Statement of Net Assets			
Cash and cash equivalents	\$ 4,363,332	\$ 369,544	\$ 4,732,876
Cash restricted to revenue bond reserve	6,661,160	-	6,661,160
	<u>\$ 11,024,492</u>	<u>\$ 369,544</u>	<u>\$ 11,394,036</u>
Noncash transactions:			
Capital contributions	<u>\$ 1,286,574</u>	<u>\$ -</u>	<u>\$ 1,286,574</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**TOWN OF LITTLE ELM, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

(CONTINUED)

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 3,136,686	\$ 298,955	\$ 3,435,641
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,456,399	1,712	1,458,111
Effects of changes in assets and liabilities:			
Decrease (increase) in receivables	679,154	(949)	678,205
Decrease (increase) in inventories	(41,262)	-	(41,262)
Increase (decrease) in payables	291,089	119,676	410,765
Increase (decrease) in deposits	54,575	-	54,575
Increase (decrease) in compensated absences	(25,699)	-	(25,699)
Net cash provided by operating activities	<u>\$ 5,550,942</u>	<u>\$ 419,394</u>	<u>\$ 5,970,336</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**TOWN OF LITTLE ELM, TEXAS
STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2012**

	Economic Development Corporation	Community Development Corporation	Little Elm Redevelopment Authority	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,492,731	\$ 1,178,499	\$ 35,398	\$ 2,706,628
Receivables (net of allowance for uncollectibles)	175,812	87,906	-	263,718
Due from other governments	48,680	-	-	48,680
Debt issuance costs	116,398	-	-	116,398
Restricted assets:				
Land held for sale	7,322,952	-	-	7,322,952
Total Assets	<u>9,156,573</u>	<u>1,266,405</u>	<u>35,398</u>	<u>10,458,376</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	18,411	175	527	19,113
Accrued interest payable	10,844	-	-	10,844
Due to other governments	-	-	48,680	48,680
Current portion of long-term debt	290,730	-	-	290,730
Non-current liabilities:				
Bonds and other long-term debt	7,222,585	-	-	7,222,585
Total Liabilities	<u>7,542,570</u>	<u>175</u>	<u>49,207</u>	<u>7,591,952</u>
NET ASSETS (DEFICIT)				
Restricted	1,514,003	1,266,230	-	2,780,233
Unrestricted	100,000	-	(13,809)	86,191
Total Net Assets (Deficit)	<u>\$ 1,614,003</u>	<u>\$ 1,266,230</u>	<u>\$ (13,809)</u>	<u>\$ 2,866,424</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Economic Development Corporation	865,940.00	\$ -	\$ -	\$ -
Community Development Corporation	328,198	-	-	-
Little Elm Redevelopment Authority	4,761	-	-	-
Total component units	<u>\$ 1,198,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Sales taxes
Investment income
Intergovernmental
Miscellaneous
Total general revenues
Change in net assets
Net assets - beginning of year
Net assets - end of year

The accompanying notes to the basic financial statements are an integral part of this statement.

Component Units			
Economic Development Corporation	Community Development Corporation	Little Elm Redevelopment Authority	Total
\$ (865,940)	\$ -	\$ -	\$ (865,940)
-	(328,198)	-	(328,198)
-	-	(4,761)	(4,761)
<u>\$ (865,940)</u>	<u>\$ (328,198)</u>	<u>\$ (4,761)</u>	<u>\$ (1,198,899)</u>
\$ 965,259	\$ 482,629	\$ -	\$ 1,447,888
17,439	13,585	556	31,580
-	-	22,417	22,417
77,120	-	-	77,120
<u>1,059,818</u>	<u>496,214</u>	<u>22,973</u>	<u>1,579,005</u>
193,878	168,016	18,212	380,106
1,420,125	1,098,214	(32,021)	2,486,318
<u>\$ 1,614,003</u>	<u>\$ 1,266,230</u>	<u>\$ (13,809)</u>	<u>\$ 2,866,424</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the Town's statement of net assets includes both noncurrent assets and noncurrent liabilities of the Town. In addition, the government-wide statement of activities reflects depreciation expenses on the Town's capital assets, including infrastructure.

In addition to the government-wide financial statements, the Town has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Required Supplementary Information (RSI)

The Town also presents Management's Discussion and Analysis, which includes an analytical overview of the Town's financial activities. In addition, a budgetary comparison schedule is presented that compares the original adopted and final amended General Fund budget with actual results.

B. Financial Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the Town is considered to be financially accountable. As required by GAAP, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. The discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the Town.

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Reporting Entity – Continued

Little Elm Economic Development Corporation

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

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 Type 4B sales tax. The CDC operates under the authority of Section 2(11)-(A)-(E) and Section 4B of Article 5190.6 of Revised Civil Statutes, as amended. The CDC is considered part of the Town's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The CDC is a discretely presented component unit under the criteria of board appointment and removal by the Town Council, approval and oversight of capital projects as well as budget authorization and approval.

Little Elm Redevelopment Authority

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

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

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Government-Wide and Fund Financial Statements – Continued

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund, the debt service fund, and the capital projects fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures /expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board and all pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989. The Town has elected not to follow subsequent private-sector guidance.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The governmental fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Property taxes, sales taxes, franchise fees, certain other fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Accounting

The following major funds are used by the Town:

1. Governmental Funds:

Governmental Funds are those through which most governmental functions of the Town are financed. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of changes in financial position, rather than on net income determination. The following is a description of the major Governmental Funds of the Town:

- a. The **General Fund** is the Town's primary operating fund. This fund is used to account for all financial resources of the general government, except those required to be accounted for in other funds.
- b. The **Debt Service Fund** is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general obligation long-term debt paid from taxes levied by the Town.
- c. The **Capital Projects Fund** is used to account for the acquisition or construction of capital facilities and improvements except those being financed by proprietary funds.

In addition, the Town reports the following non-major governmental funds.

- a. **Grants Fund** accounts for grants distributed to the Town by the Texas State Comptroller of Public Accounts, the Department of Homeland Security, and other organizations such as the Texas Library Archives, and the Law Enforcement Officer Safety Education Program.
- b. **Donations Fund** accounts for donations made by civic organizations, businesses, and citizens for specific uses which include the library, animal control center, police, and fire departments. Donations are generally donated for the purchase of equipment.
- c. **Forfeitures Fund** accounts for fines and forfeiture of property resulting from criminal cases within the boundaries of the Town that have been adjudicated by the State of Texas in District Court.
- d. **Street Maintenance Fund** accounts for the Town's 1/4 cent sales tax, which was approved by the citizens of Little Elm in May of 2009 and is restricted for the purpose of street maintenance.

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Fund Accounting – continued

- e. **Park Development Fund** accounts for fees from developers to construct, purchase playground equipment, purchase land, and repair and restore community parks in the Town. The fees are often paid at the time that a subdivision is accepted by the Town unless park land is dedicated in lieu of fees.
- f. **Red Light Camera Fund** accounts for proceeds and expenses related to red-light cameras.
- g. **SECO Grant Fund** accounts for the proceeds of State Energy Conservation Office (SECO) grants.
- h. **Stormwater Drainage Fund** accounts for fees charged for stormwater drainage services.

Governmental funds with legally adopted annual budgets include the General Fund and the Debt Service Fund.

2. Proprietary Funds:

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net assets.

The proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses including depreciation on capital assets) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The following is a description of the major proprietary funds of the Town:

The Water and Sewer Fund is used to account for the operations of providing water and sewer services to residential and commercial customers.

The Solid Waste Fund is used to account for the collection of trash and recyclables from residential users.

E. Cash and Cash Equivalents

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

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

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

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Inventories, Prepaid Items and Deferred Charges

Inventory is valued at cost (first-in, first-out). The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by non-spendable fund balance, which indicates that they do not constitute "available, spendable resources" even though they are a component of fund balance. Inventories in the Proprietary Funds consist of meters and various supplies.

Prepaid balances are for payments made by the Town for which benefits extend beyond September 30, 2012, and the non-spendable fund balance has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

Deferred charges reported at the government-wide level and in proprietary funds are comprised of the balance of unamortized debt issuance costs. Issuance costs are amortized over the life of the related debt using a straight-line method.

G. Accounts Receivable

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

H. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

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

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Capital Assets – Continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities acquired with tax-exempt debt is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 40
Infrastructure	10 - 25
Water and sewer system	40
Improvements other than buildings	7 - 40
Machinery and equipment	3 - 20

J. Interfund Transactions

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

K. Compensated Absences

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

K. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Fund Equity

The Town has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the Town classifies governmental fund balances as follows:

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

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

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

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

Unassigned fund balance – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Order of Expenditure of Funds – When multiple categories of fund balance are available for expenditure, the Town will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Economic stabilization: It is the goal of the Town to achieve and maintain 25% of the budgeted expenditures in the General Fund for unanticipated expenditures, unforeseen revenue fluctuations, or other adverse circumstances. The Town Council has passed an ordinance setting aside these funds; therefore, fund balance reflects these amounts as committed funds. The fund balance level may be reduced to the equivalent of 15% of budgeted expenditures in unusual financial circumstances. If such

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Fund Equity - Continued

a situation should occur, the Town will implement necessary corrective action with a three-year plan to restore the committed fund balance to the equivalent of 25% of budgeted expenditures.

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent debt proceeds.

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.

M. Subsequent Events

The Town has evaluated all events or transactions that occurred after September 30, 2012 up through February 25, 2013, the date the financial statements were issued. During this period, there were no subsequent events requiring disclosure.

NOTE 2. CASH AND INVESTMENTS

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

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

At year end, the carrying amount of the Town's deposits was \$ 27,498,318 and the bank balance was \$ 29,033,561 . The bank balance was completely covered by federal deposit insurance and collateral held by the pledging financial institution in the Town's name.

Cash and investments as of September 30, 2012 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:	
Primary Government	
Cash and cash equivalents	\$ 18,134,330
Restricted cash and cash equivalents	<u>6,661,160</u>
Total Primary Government	24,795,490
Component Unit	
Cash and cash equivalents	<u>2,706,628</u>
Total Cash and investments	<u>\$ 27,502,118</u>
Cash on hand	\$ 2,800
Deposits with financial institution	27,498,318
Investments	<u>1,000</u>
Total cash and investments	<u>\$ 27,502,118</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

The table below identifies the investment types that are authorized for the Town by the Public Funds Investment Act. (Government Code Chapter 2256) The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury obligations	2 years	None	None
U.S. Agency obligations	2 years	None	None
Certificates of deposit	2 years	None	None
Direct repurchase agreements	2 years	None	None
No-load money market mutual funds	2 years	None	None
Direct obligations of State of Texas	2 years	None	None
Investment pools	2 years	None	None

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

In accordance with its investment policy, the Town manages its exposure to declines in fair value by limiting the weighted average maturity of its non-bond proceed investments to no more than nine months.

As of September 30, 2012, the Town had the following investments

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
TexPool	<u>\$ 1,000</u>	41 days

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the Town's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	<u>\$ 1,000</u>	N/A	AAA-m

Concentration of credit risk

The Town's investment policy is to avoid a concentration of assets in a specific maturity, a specific issue, or a specific class of investments.

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

The Town requires all deposits to be covered by Federal Depository Insurance Corporation (FDIC) insurance and/or collateralized by qualified securities pledged by the Town's depository in the Town's name and held by the depository's agent.

As of September 30, 2012 the Town deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

The Town is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2A7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than the market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

NOTE 3. PROPERTY TAXES

Taxes are levied on October 1 and are payable until January 31 without penalty. Property taxes attach as an enforceable lien on property as of January 1. The total assessed value upon which the fiscal 2012 levy was based was approximately \$1,660,000,000. Such assessed value was computed based on 100% appraised values.

Article XI, Section 5 of the Texas Constitution allows a tax rate up to \$2.50 per \$100 valuation. Further, Section 8.03B of the Town's Home-Rule Charter provides that the "Town Council shall have the power, and is hereby authorized to levy, assess, and collect annual taxes not to exceed the maximum limit set by the Constitution and laws of the State of Texas, as they now exist or as they may be amended, on each one hundred dollars (\$100.00) assessed valuation". The combined tax rate to finance general governmental service and debt service for the years ended September 30, 2012 was \$0.664971 per \$100 of assessed valuation. Current tax collections for the year ended September 30, 2012 were approximately 99% of the tax levy.

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 4. RECEIVABLES

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts as of September 30, 2012 are as follows:

	Governmental Funds				Total
	General	Debt Service	Capital Projects	Nonmajor Funds	
Ad valorem taxes	\$ 217,170	\$ 85,086	\$ -	\$ -	\$ 302,256
Sales taxes	351,624	-	-	87,906	439,530
Court	715,133	-	-	220,228	935,361
Ambulance	299,401	-	-	-	299,401
Storm drainage	-	-	-	86,170	86,170
Franchise fees	608,572	-	-	-	608,572
Other	13,463	-	662,849	6,012	682,324
Gross receivables	2,205,363	85,086	662,849	400,316	3,353,614
Less: allowances	(842,998)	(17,509)	-	(179,282)	(1,039,789)
Net total receivables	<u>\$ 1,362,365</u>	<u>\$ 67,577</u>	<u>\$ 662,849</u>	<u>\$ 221,034</u>	<u>\$ 2,313,825</u>

	Proprietary Funds		
	Water and Sewer	Solid Waste	Total
Customer accounts	\$ 1,618,908	\$ 199,651	\$ 1,818,559
Other	603,959	-	603,959
Gross receivables	2,222,867	199,651	2,422,518
Less: allowances	(161,962)	(17,787)	(179,749)
Net total receivables	<u>\$ 2,060,905</u>	<u>\$ 181,864</u>	<u>\$ 2,242,769</u>

	Component Units			Total
	EDC	CDC	LERA	
Sales taxes	\$ 175,812	\$ 87,906	\$ -	\$ 263,718
Total receivables	<u>\$ 175,812</u>	<u>\$ 87,906</u>	<u>\$ -</u>	<u>\$ 263,718</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 2,479,696	\$ -	\$ -	\$ -	\$ 2,479,696
Construction in progress	19,077,689	16,290,226	-	(27,074,601)	8,293,314
Total capital assets, not being depreciated	<u>21,557,385</u>	<u>16,290,226</u>	<u>-</u>	<u>(27,074,601)</u>	<u>10,773,010</u>
Capital assets being depreciated:					
Infrastructure	64,584,169	592,391	-	7,977,912	73,154,472
Buildings	6,418,960	-	-	18,138,277	24,557,237
Improvements other than buildings	4,157,905	-	-	-	4,157,905
Machinery and Equipment	6,915,918	696,685	(249,388)	958,412	8,321,627
Total capital assets being depreciated	<u>82,076,952</u>	<u>1,289,076</u>	<u>(249,388)</u>	<u>27,074,601</u>	<u>110,191,241</u>
Less accumulated depreciation for:					
Infrastructure	21,941,481	3,144,155	-	-	25,085,636
Buildings	1,021,481	350,227	-	-	1,371,708
Improvements other than buildings	865,508	134,412	-	-	999,920
Machinery and Equipment	3,903,191	592,959	(230,341)	-	4,265,809
Total accumulated depreciation	<u>27,731,661</u>	<u>4,221,753</u>	<u>(230,341)</u>	<u>-</u>	<u>31,723,073</u>
Total capital assets being depreciated, net	<u>54,345,291</u>	<u>(2,932,677)</u>	<u>(19,047)</u>	<u>27,074,601</u>	<u>78,468,168</u>
Governmental activities capital assets, net	<u>\$ 75,902,676</u>	<u>\$ 13,357,549</u>	<u>\$ (19,047)</u>	<u>\$ -</u>	<u>\$ 89,241,178</u>
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,089,743	\$ 206,849	-	\$ -	\$ 1,296,592
Construction in progress	11,315,745	5,681,303	-	(15,374,031)	1,623,017
Total capital assets, not being depreciated	<u>12,405,488</u>	<u>5,888,152</u>	<u>-</u>	<u>(15,374,031)</u>	<u>2,919,609</u>
Capital assets being depreciated:					
Buildings	173,679	-	-	-	173,679
Water system improvements	14,950,283	1,840,340	-	10,845,946	27,636,569
Sewer system improvements	23,715,134	725,599	-	4,528,085	28,968,818
Machinery and equipment	1,603,426	182,953	-	-	1,786,379
Total capital assets being depreciated	<u>40,442,522</u>	<u>2,748,892</u>	<u>-</u>	<u>15,374,031</u>	<u>58,565,445</u>
Less accumulated depreciation for:					
Buildings	119,413	4,561	-	-	123,974
Water system improvements	2,981,531	613,752	-	-	3,595,283
Sewer system improvements	4,097,099	653,229	-	-	4,750,328
Machinery and equipment	794,868	156,302	-	-	951,170
Total accumulated depreciation	<u>7,992,911</u>	<u>1,427,844</u>	<u>-</u>	<u>-</u>	<u>9,420,755</u>
Total capital assets being depreciated, net	<u>32,449,611</u>	<u>1,321,048</u>	<u>-</u>	<u>15,374,031</u>	<u>49,144,690</u>
Business-type activities capital assets, net	<u>\$ 44,855,099</u>	<u>\$ 7,209,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,064,299</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 149,962
Public safety	465,110
Public works	3,448,310
Culture and recreation	158,371
	<u>\$ 4,221,753</u>
Business-type activities:	
Water and Sewer	<u>\$ 1,427,844</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

NOTE 6. TRANSFERS

Transfers are used to provide funds for debt service, contributions for capital construction, cost allocations and other operational costs as determined by the Town's annual budget. Transfers between funds during the year were as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ 1,548,887	\$ 1,475,000
Capital Projects Fund	1,975,000	-
Nonmajor Governmental Funds	-	233,691
Water and Sewer Fund	-	1,617,592
Solid Waste Fund	-	197,604
	\$ 3,523,887	\$ 3,523,887

NOTE 7. DEFERRED REVENUE

Governmental funds report *deferred revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total
Property taxes	\$ 145,444	\$ 57,707	\$ -	\$ -	\$ 203,151
Court fines	75,793	-	-	-	75,793
Other	12,384	-	-	5,246	17,630
Total	\$ 233,621	\$ 57,707	\$ -	\$ 5,246	\$ 296,574

NOTE 8. LONG-TERM DEBT

The Town of Little Elm issues general obligation bonds, certificates of obligation and revenue bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The Town also issues revenue bonds where the Town pledges income derived from the acquired or constructed assets, or sales tax to pay the debt service.

Long-term debt of the Town is comprised of the following individual issues as of September 30, 2012:

TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

NOTE 8. LONG-TERM DEBT - CONTINUED

	Outstanding		Outstanding	
	Governmental	Due in one year	Business-Type	Due in one year
General Obligation Bonds				
\$3,380,000 Series 2005 General Obligation due in annual installments of \$90,000 to \$200,000 through August 2029, plus interest at 2.25% to 5.25%	\$ 2,395,000	\$ 100,000		
\$4,750,000 Series 2005 General Obligation due in annual installments of \$145,000 to \$360,000 through August 2026, plus interest at 3.50% to 5.00%	3,890,000	200,000		
\$6,250,000 Series 2006 Combination Tax and Revenue General Obligation due in annual installments of \$210,000 to \$475,000 through August 2027, plus interest at 4.00% to 4.50%	5,200,000	240,000		
\$10,000,000 Series 2009 Combination Tax and Revenue General Obligation due in annual installments of \$210,000 to \$475,000 through August 2027, plus interest at 4.00% to 4.50%	9,045,000	350,000		
\$9,135,000 Series 2010 Refunding and Improvement General Obligation due in annual installments of \$195,000 to \$655,000 through August 2030, plus interest at 2.00% to 5.00%	8,933,254	396,968		
\$2,520,000 Series 2010 Combination Tax and Revenue Refunding General Obligation due in annual installments of \$185,000 to \$280,000 through August 2030, plus interest at 2.00% to 5.00%	-	-	\$ 1,766,746	\$ 188,032
\$6,985,000 Series 2012 Combination Tax and Revenue Refunding General Obligation due in annual installments of \$300,000 to \$700,000 through August 2024, plus interest at 2.00% to 3.00%	3,885,000	330,000	3,100,000	215,000
	<u>\$ 33,348,254</u>	<u>\$ 1,616,968</u>	<u>\$ 4,866,746</u>	<u>\$ 403,032</u>
Certificates of Obligation				
\$2,500,000 Series 2009A Combination Tax and Revenue Certificates of Obligation due in annual installments of \$75,000 to \$190,000 through August 2029, plus interest at 3.00% to 5.00%	\$ 2,260,000	\$ 90,000		
\$6,500,000 Series 2008 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$160,000 to \$455,000 through August 2034, plus interest at 4.15% to 5.20%			\$ 6,340,000	\$ 170,000
\$10,000,000 Series 2009 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$145,000 to \$735,000 through August 2034, plus interest at 2.75% to 5.25%			10,000,000	-
\$6,000,000 Series 2012 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$280,000 to \$495,000 through August 2027, plus interest at 2.00% to 2.38%			6,000,000	280,000
	<u>\$ 2,260,000</u>	<u>\$ 90,000</u>	<u>\$ 22,340,000</u>	<u>\$ 450,000</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 8. LONG-TERM DEBT - CONTINUED

	Outstanding		Outstanding	
	Governmental	Due in one year	Business-Type	Due in one year
<u>Revenue Bonds</u>				
\$4,600,000 Series 2003 Revenue Bond due in annual installments of \$155,000 to \$720,000 through September 2025, plus interest at 4.35% to 5.63%	-	-	\$ 3,560,000	\$ 180,000
\$3,800,000 Series 2004 Revenue Bond due in annual installments of \$105,000 to \$270,000 through September 2029, plus interest at 3.90% to 5.00%			3,180,000	125,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,740,000</u>	<u>\$ 305,000</u>
<u>Capital Appreciation Certificate</u>				
\$270,000 Series 2009 Capital Appreciation Certificates due in an annual installment of \$315,000, including interest, in August 2013	-	-	\$ 125,000	\$ 125,000
Total Capital Appreciation Certificates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 125,000</u>

During the year ended September 30, 2012, the Town issued \$6,985,000 General Obligation Refunding Bonds, Series 2012. Net proceeds from the sale of the bonds totaled \$7,951,743. Of these proceeds, \$7,863,463 was placed with an escrow agent to provide for all future debt payments of the refunded bonds.

The refunding resulted in a decrease in the Town's debt service payments of \$1,540,126, which resulted in an economic gain (difference between the present value of the debt service payments of the old debt and the new debt) of \$1,363,807. As a result of this transaction, \$4,005,000 of general obligation and \$3,515,000 of revenue bonds were refunded and are considered legally defeased, and are no longer included as liabilities in the Town's basic financial statements.

During the year ended September 30, 2012, the Town issued \$6,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2012. Proceeds from the sale of the certificates will be used for (i) improvements to the Town's Waterworks and Sewer System, including acquisition of land and rights-of-way and (ii) professional services rendered in connection with the construction and financing of the foregoing projects.

During the year ended September 30, 2012, the Town also entered into two capital leases, the proceeds of which were used to purchase \$386,487 of machinery and equipment.

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 8. LONG-TERM DEBT – CONTINUED

Changes in Long-term Liabilities

The following is a summary of changes in long-term debt for the year ended September 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Governmental activities:					
General obligation bonds	\$ 30,679,400	\$ 3,885,000	\$ (1,216,146)	\$ 33,348,254	\$ 1,616,968
Unamortized bond premium	405,567	180,716	(27,271)	559,012	37,166
Certificates of obligation	6,630,000	-	(4,370,000)	2,260,000	90,000
Deferred loss on refunding	-	(149,931)	3,460	(146,471)	-
Capital leases	-	386,487	(65,469)	321,018	118,329
Tax notes	90,000	-	(90,000)	-	-
Compensated absences	589,490	680,476	(729,570)	540,396	420,247
	<u>38,394,457</u>	<u>4,982,748</u>	<u>(6,494,996)</u>	<u>36,882,209</u>	<u>2,282,710</u>
Business-type activities:					
General obligation bonds	1,950,600	3,100,000	(183,854)	4,866,746	403,032
Certificates of obligation	16,500,000	6,000,000	(160,000)	22,340,000	450,000
Revenue bonds	10,755,000	-	(4,015,000)	6,740,000	305,000
Deferred loss on refunding	(37,757)	(141,360)	3,432	(175,685)	-
Unamortized bond premium	257,228	170,409	(18,350)	409,287	27,434
Capital appreciation notes	270,000	-	(145,000)	125,000	125,000
Compensated absences	145,192	109,392	(135,091)	119,493	109,273
	<u>29,840,263</u>	<u>9,238,441</u>	<u>(4,653,863)</u>	<u>34,424,841</u>	<u>1,419,739</u>
Total Primary Government	<u>\$ 68,234,720</u>	<u>\$ 14,221,189</u>	<u>\$ (11,148,859)</u>	<u>\$ 71,307,050</u>	<u>\$ 3,702,449</u>
Component Units:					
Notes payable	\$ 7,611,472	\$ 7,780,815	\$ (7,885,745)	\$ 7,506,542	\$ 283,957
Compensated absences	2,181	4,592	-	6,773	6,773
	<u>\$ 7,613,653</u>	<u>\$ 7,785,407</u>	<u>\$ (7,885,745)</u>	<u>\$ 7,513,315</u>	<u>\$ 290,730</u>

The annual aggregate maturities for each bond type are as follows:

General Obligation Bonds

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 1,616,968	\$ 1,306,306	\$ 2,923,274	\$ 403,032	\$ 137,894	\$ 540,926
2014	1,697,788	1,242,021	2,939,809	422,211	117,591	539,802
2015	1,749,432	1,188,471	2,937,903	435,568	108,667	544,235
2016	1,830,254	1,128,963	2,959,217	449,747	99,203	548,950
2017	1,901,897	1,066,116	2,968,013	458,103	88,161	546,264
2018-2022	10,496,915	14,728,111	25,225,026	2,103,085	259,009	2,362,094
2023-2027	10,295,000	13,524,736	23,819,736	595,000	26,850	621,850
2028-2030	3,760,000	3,981,475	7,741,475	-	-	-
Total	<u>\$ 33,348,254</u>	<u>\$ 38,166,199</u>	<u>\$ 71,514,453</u>	<u>\$ 4,866,746</u>	<u>\$ 837,375</u>	<u>\$ 5,704,121</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

NOTE 8. LONG-TERM DEBT – CONTINUED

Certificates of Obligation

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 90,000	\$ 98,755	\$ 188,755	\$ 450,000	\$ 922,338	\$ 1,372,338
2014	90,000	96,055	186,055	830,000	877,069	1,707,069
2015	95,000	93,355	188,355	850,000	852,706	1,702,706
2016	100,000	90,505	190,505	880,000	826,956	1,706,956
2017	105,000	85,505	190,505	915,000	799,381	1,714,381
2018-2022	620,000	342,275	962,275	5,075,000	3,538,593	8,613,593
2023-2027	790,000	185,295	975,295	6,155,000	2,584,865	8,739,865
2028-2032	370,000	24,640	394,640	4,870,000	1,378,625	6,248,625
2033-2036	-	-	-	2,315,000	183,343	2,498,343
Total	\$ 2,260,000	\$ 1,016,385	\$ 3,276,385	\$ 22,340,000	\$ 11,963,876	\$ 34,303,876

Revenue Bonds

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ -	\$ -	\$ -	\$ 305,000	\$ 325,196	\$ 630,196
2014	-	-	-	320,000	310,396	630,396
2015	-	-	-	335,000	295,631	630,631
2016	-	-	-	350,000	281,567	631,567
2017	-	-	-	370,000	266,686	636,686
2018-2022	-	-	-	2,120,000	1,067,661	3,187,661
2023-2027	-	-	-	2,415,000	457,313	2,872,313
2028-2032	-	-	-	525,000	37,763	562,763
Total	\$ -	\$ -	\$ -	\$ 6,740,000	\$ 3,042,213	\$ 9,782,213

Capital Appreciation Notes

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ -	\$ -	\$ -	\$ 125,000	\$ 190,000	\$ 315,000
Total	\$ -	\$ -	\$ -	\$ 125,000	\$ 190,000	\$ 315,000

Capital Leases

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 118,329	\$ 9,634	\$ 127,963	\$ -	\$ -	\$ -
2014	122,162	5,802	127,964	-	-	-
2015	68,430	1,844	70,274	-	-	-
2016	12,097	486	12,583	-	-	-
Total	\$ 321,018	\$ 17,766	\$ 338,784	\$ -	\$ -	\$ -

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 8. LONG-TERM DEBT – CONTINUED

As noted, the Town has legally defeased certain outstanding general obligation debt by placing funds into irrevocable trusts pledged to pay all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Town's long-term debt. Defeased debt as of September 30, 2012 consists of the following:

Series	Type	Amount
2001	Combination Tax and Revenue Certificates of Obligation	\$ 2,335,000
2002	Combination Tax and Revenue Certificates of Obligation	1,670,000
2002	Waterworks and Sewer System Revenue Refunding & Improvement Bonds	3,515,000
		\$ 7,520,000

Compensated Absences

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

Discretely presented component units – Economic Development Corporation

Notes payable of the Little Elm Economic Development Corporation as of September 30, 2012 are as follows:

Description	Balance 9/30/2012
\$7,780,815, payable to bank, made October 2011, payable in semi-annual installments of \$272,111 through September 15, 2031, including interest at 3.5%.	\$ 7,506,542

Annual debt service requirements for the Economic Development Corporation loan are as follows:

Year	Principal	Interest	Total
2013	\$ 283,957	\$ 260,265	\$ 544,222
2014	293,982	250,240	544,222
2015	304,362	239,860	544,222
2016	315,108	229,114	544,222
2017	326,233	217,989	544,222
2018-2022	1,812,286	908,824	2,721,110
2023-2027	2,155,615	565,495	2,721,110
2028-2031	2,014,999	161,892	2,176,891
Total	\$ 7,506,542	\$ 2,833,679	\$ 10,340,221

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 9. PENSION PLAN

A. Plan Description

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

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service. A member is vested after 5 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.

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

B. Contributions

The contribution rate for employees is 7%, with the Town's matching ratio being 2 to 1, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for each town/city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. Both the employees and the City make contributions monthly. Because the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2010 valuation is effective for rates beginning January 2012.)

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 9. PENSION PLAN

B. Contributions – Continued

Schedule of Actuarial Liabilities and Funding Progress:

Actuarial Valuation Date	12/31/11	12/31/10	12/31/09
Actuarial Value of Assets	\$ 10,019,596	\$ 8,183,361	\$ 6,204,659
Actuarial Accrued Liability	13,122,562	11,343,566	8,875,308
Percentage Funded	76.4%	72.1%	69.9%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	3,102,966	3,160,205	2,670,649
Annual Covered Payroll	8,219,825	7,908,759	7,835,628
UAAL as a Percentage of Covered Payroll	37.7%	40.0%	34.1%
Net Pension Obligation (NPO) at the Beginning of Period	-	-	-
Annual Pension Cost:			
Annual required contribution (ARC)	846,564	723,469	640,176
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
	<u>846,564</u>	<u>723,469</u>	<u>640,176</u>
Contributions Made	846,564	723,469	640,176
Increase in NPO	-	-	-
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Actuarial assumptions are as follows:

Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Payroll
Remaining Amortization	21.3 Years - Closed Period
Asset valuation method	10-Year Smoothed Market
Investment rate of return	7.0%
Projected salary increases	Varies by age and service
Inflation rate	3%
COL adjustments	2.1% (3% CPI)

NOTE 10. RISK MANAGEMENT

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

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

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 11. NET ASSETS / FUND BALANCE

A. Restricted Net Assets

Net assets reported in the government-wide statement of net assets consist of the following as of September 30, 2012:

	Governmental Activities	Business-type Activities	Total Primary Government	Discretely Presented Component Units
Restricted by enabling legislation	\$ 3,573,355	\$ 2,010,348	\$ 5,583,703	\$ 2,689,528
Restricted for debt service	379,705	668,257	1,047,962	90,705
Restricted for other:				
Grant requirements	136,519	-	136,519	-
Donor stipulations	37,572	-	37,572	-
Forfeitures	44,658	-	44,658	-
Total restricted for other	218,749	-	218,749	-
	<u>\$ 4,171,809</u>	<u>\$ 2,678,605</u>	<u>\$ 6,850,414</u>	<u>\$ 2,780,233</u>

B. Fund Balance

The composition of the governmental fund balances at September 30, 2012 is as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Non major Governmental Funds	Total Governmental Funds
Non-spendable:					
Inventory	\$ 39,239	\$ -	\$ -	\$ -	\$ 39,239
Prepays	17,465	-	-	150	17,615
	56,704	-	-	150	56,854
Restricted for:					
Debt service	-	554,894	-	-	554,894
Street maintenance	-	-	-	617,424	617,424
Police	-	-	-	20,811	20,811
Fire	-	-	-	9,572	9,572
Stormwater drainage	-	-	-	314,496	314,496
Court	-	-	-	116,490	116,490
Red Light camera	-	-	-	138,363	138,363
Library	-	-	-	25,515	25,515
Animal Control	-	-	-	1,553	1,553
Forfeiture	-	-	-	44,658	44,658
Capital projects	-	-	2,399,549	-	2,399,549
Sidewalk escrow	-	-	103,523	-	103,523
	-	554,894	2,503,072	1,288,882	4,346,848
Committed to:					
Park development	-	-	-	96,610	96,610
Street development	-	-	1,177,242	-	1,177,242
	-	-	1,177,242	96,610	1,273,852
Assigned to:					
Renovate Parks admin building	400,000	-	-	-	400,000
Streetscape	221,155	-	-	-	221,155
Equipment replace/reserve	193,600	-	-	-	193,600
Capital outlay	100,000	-	-	-	100,000
	914,755	-	-	-	914,755
Unassigned	6,130,718	-	-	-	6,130,718
	<u>\$ 7,102,177</u>	<u>\$ 554,894</u>	<u>\$ 3,680,314</u>	<u>\$ 1,385,642</u>	<u>\$ 12,723,027</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 12. COMMITMENTS AND CONTINGENCIES

In March 2003, the Town entered into a thirty-year contract with the North Texas Municipal Water District (NTMWD) for the purchase of treated water. Under the terms of this contract, the Town is obligated to make a minimum annual payment (adjusted annually) in return for a minimum volume of gallons of water per year. During the year ended September 30, 2012, the cost of water purchased under this contract was \$1,786,668.

The Town also entered into a water transmission facilities contract in March 2003 with the NTMWD. Under the terms of this contract, the NTMWD is to own, operate and maintain water transmission facilities located near the eastern border of the Town. NTMWD issued its Water Transmission Facilities Revenue Contract Bonds, Series 2003 (Town of Little Elm Project), in the amount of \$5,390,000 for the purpose of acquiring and constructing the transmission facility. The obligation of the Town is to make payments to NTMWD under contract terms until all of the bonds are paid and retired and is no longer outstanding. During the year ended September 30, 2012, the payments made under this contract were \$424,210.

At September 30, 2012 and subsequent to year end, the Town is committed to numerous contracts for capital improvements totaling approximately \$5,300,000.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF LITTLE ELM, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
Revenues:				
Taxes:				
Property taxes, penalty, and interest	\$ 7,413,601	\$ 7,349,976	\$ 7,348,738	\$ (1,238)
General sales and use taxes	1,912,004	1,887,629	1,886,729	(900)
Other taxes and franchise fees	1,426,440	1,475,940	1,670,233	194,293
Licenses and permits	1,367,592	1,237,242	2,386,244	1,149,002
Intergovernmental revenue	181,615	144,615	272,201	127,586
Charges for services	672,361	785,644	866,109	80,465
Fines	299,000	299,000	316,305	17,305
Interest	80,800	80,800	94,608	13,808
Contributions	-	-	5,500	5,500
Miscellaneous	250,958	343,525	680,621	337,096
Total revenues	<u>13,604,371</u>	<u>13,604,371</u>	<u>15,527,288</u>	<u>1,922,917</u>
Expenditures:				
General government:				
Town council	41,700	30,700	33,973	(3,273)
Town manager	226,724	167,199	167,048	151
Town secretary	139,851	132,026	130,882	1,144
Municipal court	285,905	287,105	285,934	1,171
Finance	770,141	827,641	853,538	(25,897)
Information technology	457,667	467,167	467,084	83
Human resources	402,467	371,967	371,591	376
Town attorney	210,000	182,000	181,608	392
Total general government	<u>2,534,455</u>	<u>2,465,805</u>	<u>2,491,658</u>	<u>(25,853)</u>
Community services:				
Inspections	978,342	1,018,642	1,026,757	(8,115)
Planning and zoning	263,081	246,024	234,480	11,544
Total community services	<u>1,241,423</u>	<u>1,264,666</u>	<u>1,261,237</u>	<u>3,429</u>
Public safety:				
Police	3,437,241	3,424,591	3,360,181	64,410
Fire	4,203,867	4,101,574	3,797,273	304,301
Animal control	145,107	168,957	168,702	255
Total public safety	<u>7,786,215</u>	<u>7,695,122</u>	<u>7,326,156</u>	<u>368,966</u>
Public works:				
Streets	891,710	796,410	773,987	22,423
Fleet maintenance	207,757	211,952	211,765	187
Facility maintenance	593,650	588,425	588,420	5
Total public works	<u>1,693,117</u>	<u>1,596,787</u>	<u>1,574,172</u>	<u>22,615</u>

TOWN OF LITTLE ELM, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES (CONCLUDED)
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
Culture and recreation:				
Library	438,498	337,998	337,869	129
Parks and recreation	1,351,749	1,228,524	1,190,339	38,185
Total culture and recreation	<u>1,790,247</u>	<u>1,566,522</u>	<u>1,528,208</u>	<u>38,314</u>
Capital outlay	507,100	462,655	541,997	(79,342)
Total expenditures	<u>15,552,557</u>	<u>15,051,557</u>	<u>14,723,428</u>	<u>328,129</u>
Excess (deficiency) of revenues over (under) expenditures	(1,948,186)	(1,447,186)	803,860	2,251,046
Other financing sources (uses):				
Transfers in	1,396,695	1,396,695	1,548,887	152,192
Capital lease proceeds	-	-	386,487	386,487
Transfers out	(1,000,000)	(1,501,000)	(1,475,000)	26,000
Total other financing sources (uses)	<u>396,695</u>	<u>(104,305)</u>	<u>460,374</u>	<u>564,679</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,551,491)	(1,551,491)	1,264,234	2,815,725
Net assets at beginning of year	5,837,943	5,837,943	5,837,943	-
Net assets, end of year	<u>\$ 4,286,452</u>	<u>\$ 4,286,452</u>	<u>\$ 7,102,177</u>	<u>\$ 2,815,725</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

**TOWN OF LITTLE ELM, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
GENERAL OBLIGATION DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance from Final Budget</u>
Revenues:				
Property taxes	\$ 3,029,715	\$ 3,029,715	\$ 3,110,898	\$ 81,183
Intergovernmental	-	186,305	186,215	(90)
Interest	15,000	15,000	20,822	5,822
Total revenues	<u>3,044,715</u>	<u>3,231,020</u>	<u>3,317,935</u>	<u>86,915</u>
Expenditures:				
Principal retirement	1,710,200	1,710,200	1,671,146	39,054
Interest and fiscal charges	1,478,205	1,478,205	1,609,606	(131,401)
Total expenditures	<u>3,188,405</u>	<u>3,188,405</u>	<u>3,280,752</u>	<u>(92,347)</u>
Excess (deficiency) of revenues under expenditures	(143,690)	42,615	37,183	(5,432)
Other financing sources (uses):				
Issuance of debt	-	-	3,885,000	3,885,000
Premium on bonds	-	-	180,716	180,716
Payment to refunded bond escrow agent	-	-	(3,999,197)	(3,999,197)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>66,519</u>	<u>66,519</u>
Net change in fund balance	(143,690)	42,615	103,702	61,087
Fund balances, beginning	<u>451,192</u>	<u>451,192</u>	<u>451,192</u>	<u>-</u>
Fund balances, ending	<u>\$ 307,502</u>	<u>\$ 493,807</u>	<u>\$ 554,894</u>	<u>\$ 61,087</u>

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

GRANTS FUND

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

DONATIONS FUND

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

FORFEITURES FUND

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

STREET MAINTENANCE FUND

Accounts for the Town's 1/4 cent sales tax, which was approved by the citizens of Little Elm in May of 2009 and is restricted for the purpose of street maintenance.

PARK DEVELOPMENT FUND

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

RED LIGHT CAMERA FUND

Accounts for proceeds and expenses related to red-light cameras.

SECO GRANT FUND

Accounts for proceeds of the State Energy Conservation Office grants.

STORMWATER DRAINAGE FUND

Accounts for fees charged for storm water drainage services.

**TOWN OF LITTLE ELM, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012**

	<u>Grants</u>	<u>Donations</u>	<u>Forfeitures</u>
ASSETS			
Cash and cash equivalents	\$ 130,487	\$ 38,577	\$ 44,658
Receivables (net of allowance for uncollectibles)			
Taxes	-	-	-
Other	6,012	-	-
Prepays	150	-	-
Total assets	<u>\$ 136,649</u>	<u>\$ 38,577</u>	<u>\$ 44,658</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 130	\$ 1,005	\$ -
Deferred revenue	-	-	-
Total liabilities	<u>130</u>	<u>1,005</u>	<u>-</u>
Fund balances			
Non-spendable	150	-	-
Spendable			
Restricted	136,369	37,572	44,658
Committed	-	-	-
Total fund balances	<u>136,519</u>	<u>37,572</u>	<u>44,658</u>
Total liabilities and fund balances	<u>\$ 136,649</u>	<u>\$ 38,577</u>	<u>\$ 44,658</u>

<u>Street Maintenance</u>	<u>Park Development</u>	<u>Red Light Camera</u>	<u>SECO Grant</u>	<u>Stormwater Drainage</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 529,553	\$ 96,610	\$ 214,300	\$ -	\$ 237,973	\$ 1,292,158
87,906	-	-	-	-	87,906
-	-	49,563	-	77,553	133,128
-	-	-	-	-	150
<u>\$ 617,459</u>	<u>\$ 96,610</u>	<u>\$ 263,863</u>	<u>\$ -</u>	<u>\$ 315,526</u>	<u>\$ 1,513,342</u>
\$ 35	\$ -	\$ 120,254	\$ -	\$ 1,030	\$ 122,454
-	-	5,246	-	-	5,246
<u>35</u>	<u>-</u>	<u>125,500</u>	<u>-</u>	<u>1,030</u>	<u>127,700</u>
-	-	-	-	-	150
617,424	-	138,363	-	314,496	1,288,882
-	96,610	-	-	-	96,610
<u>617,424</u>	<u>96,610</u>	<u>138,363</u>	<u>-</u>	<u>314,496</u>	<u>1,385,642</u>
<u>\$ 617,459</u>	<u>\$ 96,610</u>	<u>\$ 263,863</u>	<u>\$ -</u>	<u>\$ 315,526</u>	<u>\$ 1,513,342</u>

**TOWN OF LITTLE ELM, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Grants</u>	<u>Donations</u>	<u>Forfeitures</u>
Revenues:			
Taxes			
General sales and use taxes	\$ -	\$ -	\$ -
Charges for service	-	-	-
Intergovernmental	11,675	6,858	-
Fines	29,860	-	-
Interest	1,887	440	259
Other revenues	2,140	-	45,257
Total revenues	<u>45,562</u>	<u>7,298</u>	<u>45,516</u>
Expenditures:			
Current:			
General government	-	-	10,151
Public safety	9,958	216	-
Public works	-	-	-
Culture and recreation	1,479	3,810	-
Capital outlay	2,339	-	-
Total expenditures	<u>13,776</u>	<u>4,026</u>	<u>10,151</u>
Excess of revenues over expenditures	31,786	3,272	35,365
Other financing uses:			
Transfers out	(221,027)	-	-
Total other financing uses	<u>(221,027)</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	(189,241)	3,272	35,365
Fund balance at beginning of year	325,760	34,300	9,293
Fund balance, end of year	<u>\$ 136,519</u>	<u>\$ 37,572</u>	<u>\$ 44,658</u>

<u>Street Maintenance</u>	<u>Park Development</u>	<u>Red Light Camera</u>	<u>SECO Grant</u>	<u>Stormwater Drainage</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 482,629	\$ -	\$ -	\$ -	\$ -	\$ 482,629
-	-	-	-	361,513	361,513
-	-	-	153,560	-	172,093
-	-	282,234	-	-	312,094
4,379	1,118	2,303	-	1,313	11,699
-	-	-	-	-	47,397
<u>487,008</u>	<u>1,118</u>	<u>284,537</u>	<u>153,560</u>	<u>362,826</u>	<u>1,387,425</u>
-	-	-	-	-	10,151
-	-	241,485	-	-	251,659
32,430	-	-	111,199	48,330	191,959
-	-	-	-	-	5,289
-	-	-	-	-	2,339
<u>32,430</u>	<u>-</u>	<u>241,485</u>	<u>111,199</u>	<u>48,330</u>	<u>461,397</u>
454,578	1,118	43,052	42,361	314,496	926,028
-	-	(12,664)	-	-	(233,691)
<u>-</u>	<u>-</u>	<u>(12,664)</u>	<u>-</u>	<u>-</u>	<u>(233,691)</u>
454,578	1,118	30,388	42,361	314,496	692,337
162,846	95,492	107,975	(42,361)	-	693,305
<u>\$ 617,424</u>	<u>\$ 96,610</u>	<u>\$ 138,363</u>	<u>\$ -</u>	<u>\$ 314,496</u>	<u>\$ 1,385,642</u>



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DISCRETELY PRESENTED COMPONENT UNITS

ECONOMIC DEVELOPMENT CORPORATION – purpose is to promote and develop new and expanded business enterprises to promote and encourage employment in the furtherance of public welfare within the Town.

COMMUNITY DEVELOPMENT CORPORATION – purpose is to improve and expand park and recreational facilities from revenue generated through the Type 4B sales tax.

LITTLE ELM REDEVELOPMENT AUTHORITY (LERA) – The purpose of the LERA is to aid, assist and act on behalf of the Town in the performance of its government functions to promote the common good and welfare of the area including the Reinvestment Zone Numbers One and Two and the neighboring areas in the Town; to promote, develop, encourage and maintain housing, educational facilities, employment, commerce and economic development in the Town.

**TOWN OF LITTLE ELM, TEXAS
BALANCE SHEET
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2012**

ASSETS

Cash and cash equivalents	\$ 1,492,731
Receivables	175,812
Due from other governments	48,680
Land available for sale	<u>7,322,952</u>

Total assets \$ 9,040,175

LIABILITIES

Accounts payable and other current liabilities	<u>\$ 18,411</u>
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Total liabilities 18,411

FUND BALANCES

Non-spendable	
Land held for sale	7,322,952
Restricted	1,598,812
Unassigned	<u>100,000</u>

Total fund balances 9,021,764

**Total liabilities
and fund balances** \$ 9,040,175

**TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2012**

Total fund balance - governmental funds \$ 9,021,764

Amounts reported in the Statement of Net Assets
are different because:

Notes payable are not due and payable in the current period and
therefore are not reported in the governmental funds financial
statements. (7,506,542)

Certain debt-related items are expensed at the fund level but are
capitalized and amortized over the life of the debt at the
government-wide level. 116,398

Accrued interest on governmental activities debt is not reported in
the governmental funds financial statements until paid. (10,844)

Compensated absences are not due and payable in the current
period and therefore are not reported in the governmental funds
financial statements. (6,773)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,614,003

**TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Revenues:

Taxes	
General sales and use taxes	\$ 965,259
Interest	17,439
Other revenues	77,120
Total revenues	<u>1,059,818</u>

Expenditures:

Current:	
General government	56,077
Economic and physical development	386,666
Debt service:	
Principal	274,273
Interest and other fiscal charges	536,468
Total expenditures	<u>1,253,484</u>

Deficiency of revenues over expenditures	(193,666)
---	-----------

Other financing sources (uses):

Debt service payment - current refunding	(7,611,472)
Issuance of debt - current refunding	7,780,815
Total other financing sources (uses)	<u>169,343</u>

Net change in fund balance	(24,323)
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Fund balance, beginning of year	<u>9,046,087</u>
Fund balance, end of year	<u>\$ 9,021,764</u>

**TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Net change in fund balances - governmental funds	\$ (24,323)
Amounts reported for component unit funds in the statement of activities are different because:	
Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	1,465
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	7,885,745
Governmental funds reflect proceeds of notes as other financing sources. However, in the government-wide financial statements, the proceeds are reflected as increases in liabilities.	(7,780,815)
Debt issuance costs are expenditures in the fund financial statements when debt is issued, but are amortized over the life of the debt in the government-wide statements.	116,398
Some expenses reported in the statement of activities such as compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(4,592)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 193,878</u></u>

**TOWN OF LITTLE ELM, TEXAS
BALANCE SHEET
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2012**

ASSETS

Cash and cash equivalents	\$ 1,178,499
Receivables	<u>87,906</u>
Total assets	<u><u>\$ 1,266,405</u></u>

LIABILITIES

Accounts payable and other current liabilities	<u>\$ 175</u>
Total liabilities	<u>175</u>

FUND BALANCES

Spendable	
Restricted	<u>1,266,230</u>
Total fund balances	<u>1,266,230</u>
Total liabilities and fund balances	<u><u>\$ 1,266,405</u></u>

**TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2012**

Total fund balance - governmental funds \$ 1,266,230

None

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,266,230

**TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Revenues:

Taxes		
General sales and use taxes	\$	482,629
Interest		<u>13,585</u>
Total revenues		<u><u>496,214</u></u>

Expenditures:

Current:		
General government		12,000
Economic and physical development		129,983
Debt service:		
Principal		<u>186,215</u>
Total expenditures		<u><u>328,198</u></u>

Net change in fund balance 168,016

Fund balance, beginning of year		<u>1,098,214</u>
Fund balance, end of year	\$	<u><u>1,266,230</u></u>

**TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Net change in fund balances - governmental funds \$ 168,016

Amounts reported for component unit funds in the statement of activities are different because:

None

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 168,016

**TOWN OF LITTLE ELM, TEXAS
BALANCE SHEET
LITTLE ELM REDEVELOPMENT AUTHORITY
SEPTEMBER 30, 2012**

ASSETS

Cash and cash equivalents	\$ 35,398
Total assets	\$ 35,398

LIABILITIES

Accounts payable and other current liabilities	\$ 527
Due to other governments	48,680
Total liabilities	49,207

FUND BALANCES (DEFICIT)

Spendable Unassigned	(13,809)
Total fund balances (deficit)	(13,809)
Total liabilities and fund balances (deficit)	\$ 35,398

**TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
LITTLE ELM REDEVELOPMENT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Revenues:	
Intergovernmental	\$ 22,417
Interest	556
Total revenues	<u>22,973</u>
Expenditures:	
Current:	
General government	4,761
Total expenditures	<u>4,761</u>
Excess of revenues over expenditures	18,212
Fund balance, beginning of year	<u>(32,021)</u>
Fund balance, end of year	<u><u>\$ (13,809)</u></u>

**TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
LITTLE ELM REDEVELOPMENT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Net change in fund balances - governmental funds \$ 18,212

Amounts reported for component unit funds in the statement of activities are different because:

None

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 18,212



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STATISTICAL SECTION



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**TOWN OF LITTLE ELM, TEXAS
STATISTICAL SECTION
TABLE OF CONTENTS**

STATISTICAL SECTION

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

<u>Contents</u>	<u>Table #s</u>
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.	A-1 to A-4
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.	B1 to B5
Debt Capacity These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	C1 to C5
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.	D1 to D2
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.	E1 to E3

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

**TOWN OF LITTLE ELM, TEXAS
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS (UNAUDITED)
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year		
	2004	2005	2006
Governmental activities			
Invested in capital assets, net of related debt	\$ 18,434,495	\$ 11,459,359	\$ 17,666,776
Restricted	581,765	2,531,729	2,531,729
Unrestricted	5,859,985	6,027,986	3,287,263
Total governmental activities net assets ^a	<u>\$ 24,876,245</u>	<u>\$ 20,019,074</u>	<u>\$ 23,485,768</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 13,229,275	\$ 5,892,867	\$ 8,246,435
Restricted	-	3,832,517	4,421,129
Unrestricted	-	5,430,243	5,129,690
Total business-type activities net assets	<u>\$ 13,229,275</u>	<u>\$ 15,155,627</u>	<u>\$ 17,797,254</u>
Primary government			
Invested in capital assets, net of related debt	\$ 31,663,770	\$ 17,352,226	\$ 25,913,211
Restricted	581,765	6,364,246	6,952,858
Unrestricted	5,859,985	11,458,229	8,416,953
Total primary governmental net assets	<u>\$ 38,105,520</u>	<u>\$ 35,174,701</u>	<u>\$ 41,283,022</u>

Source: Comprehensive Annual Financial Report

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

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

TABLE A-1

Fiscal Year					
<u>2007</u>	<u>2008^b</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 19,470,253	\$ 34,946,833	\$ 42,980,036	\$ 47,903,977	\$ 50,204,248	\$ 52,815,876
2,714,442	2,020,133	456,110	2,111,443	2,752,458	4,171,809
5,599,224	7,104,984	5,297,621	2,902,375	5,760,237	8,639,473
<u>\$ 27,783,919</u>	<u>\$ 44,071,950</u>	<u>\$ 48,733,767</u>	<u>\$ 52,917,795</u>	<u>\$ 58,716,943</u>	<u>\$ 65,627,158</u>
\$ 10,616,127	\$ 11,108,371	\$ 12,953,757	\$ 17,697,671	\$ 18,965,595	\$ 23,568,624
4,026,887	3,739,824	6,226,635	3,020,299	3,420,742	2,678,605
5,120,843	5,409,835	2,624,238	3,233,394	4,738,358	3,395,564
<u>\$ 19,763,857</u>	<u>\$ 20,258,030</u>	<u>\$ 21,804,630</u>	<u>\$ 23,951,364</u>	<u>\$ 27,124,695</u>	<u>\$ 29,642,793</u>
\$ 30,086,380	\$ 46,055,204	\$ 55,933,793	\$ 65,601,648	\$ 69,169,843	\$ 76,384,500
6,741,329	5,759,957	6,682,745	5,273,739	6,173,200	6,850,414
10,720,067	12,514,819	7,921,859	5,993,772	10,498,595	12,035,037
<u>\$ 47,547,776</u>	<u>\$ 64,329,980</u>	<u>\$ 70,538,397</u>	<u>\$ 76,869,159</u>	<u>\$ 85,841,638</u>	<u>\$ 95,269,951</u>

**TOWN OF LITTLE ELM, TEXAS
 CHANGES IN NET ASSETS
 LAST NINE FISCAL YEARS (UNAUDITED)
 (ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses			
Governmental activities:			
General government	\$ 1,002,901	\$ 1,746,332	\$ 2,046,546
Public safety	2,534,609	3,817,912	3,904,491
Public works	1,533,972	2,870,899	3,652,686
Culture and recreation	432,751	815,792	811,641
Community services	568,348	612,772	658,666
Interest on long-term debt	704,666	260,137	235,890
Total governmental activities expenses	<u>\$ 6,777,247</u>	<u>\$ 10,123,844</u>	<u>\$ 11,309,920</u>
Business-type activities:			
Water and sewer	\$ 4,160,706	\$ 4,645,710	\$ 4,616,233
Solid waste	-	-	-
Total business-type activities expenses	<u>4,160,706</u>	<u>4,645,710</u>	<u>4,616,233</u>
Total primary government expenses	<u>\$ 10,937,953</u>	<u>\$ 14,769,554</u>	<u>\$ 15,926,153</u>
Program Revenues			
Governmental activities:			
Charges for Services:			
General government	\$ 265,761	\$ 461,562	\$ 679,877
Public safety	144,158	412,446	793,118
Public works	49,279	215,455	185,928
Culture and recreation	48,245	38,205	49,412
Community services	2,548,099	456,953	498,279
Operating grants and contributions	198,653	14,951	27,540
Capital grants and contributions	-	4,708,563	4,141,707
Total governmental activities program revenues	<u>\$ 3,254,195</u>	<u>\$ 6,308,135</u>	<u>\$ 6,375,861</u>
Business-type activities:			
Charges for services:			
Water and sewer	\$ 3,741,867	\$ 4,429,192	\$ 5,218,473
Solid waste	-	-	-
Operating grants and contributions	-	55,299	-
Capital grants and contributions	-	1,514,799	741,816
Total business-type activities program revenues	<u>\$ 3,741,867</u>	<u>\$ 5,999,290</u>	<u>\$ 5,960,289</u>
Total primary government program revenues	<u>\$ 6,996,062</u>	<u>\$ 12,307,425</u>	<u>\$ 12,336,150</u>

TABLE A-2 (CONTINUED)

Fiscal Year						
<u>2007^b</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	
\$ 1,165,132	\$ 1,880,759	\$ 2,286,941	\$ 2,540,722	\$ 2,464,445	\$ 2,576,483	
4,735,242	5,756,355	6,431,906	1,530,292	7,190,910	8,002,813	
3,334,704	4,155,141	3,990,855	8,839,262	4,435,870	5,344,115	
1,033,235	1,091,693	1,358,796	2,853,899	1,483,761	1,674,950	
1,231,869	937,464	1,086,952	1,346,593	1,364,740	1,238,188	
217,332	908,921	1,058,944	1,385,300	1,715,179	1,655,901	
<u>\$ 11,717,514</u>	<u>\$ 14,730,333</u>	<u>\$ 16,214,394</u>	<u>\$ 18,496,068</u>	<u>\$ 18,654,905</u>	<u>\$ 20,492,450</u>	
\$ 4,641,202	\$ 6,474,575	\$ 6,817,172	\$ 6,763,043	\$ 6,950,429	\$ 8,576,299	
-	-	1,827,534	1,641,111	1,465,030	1,542,812	
<u>4,641,202</u>	<u>6,474,575</u>	<u>8,644,706</u>	<u>8,404,154</u>	<u>8,415,459</u>	<u>10,119,111</u>	
<u>\$ 16,358,716</u>	<u>\$ 21,204,908</u>	<u>\$ 24,859,100</u>	<u>\$ 26,900,222</u>	<u>\$ 27,070,364</u>	<u>\$ 30,611,561</u>	
\$ 472,491	\$ 2,268,637	\$ 413,046	\$ 139,313	\$ 168,475	\$ 203,194	
883,435	898,538	576,564	854,090	1,049,754	1,316,490	
129,384	1,264,387	-	29,398	37,297	36,968	
47,779	-	43,395	55,853	115,981	229,245	
288,518	-	1,028,110	1,386,646	1,620,331	3,067,120	
149,774	304,349	182,174	308,121	220,617	296,234	
2,478,539	8,360	4,398,954	4,705,395	4,767,318	5,072,076	
<u>\$ 4,449,920</u>	<u>\$ 4,744,271</u>	<u>\$ 6,642,243</u>	<u>\$ 7,478,816</u>	<u>\$ 7,979,773</u>	<u>\$ 10,221,327</u>	
\$ 4,385,488	\$ 6,694,244	\$ 8,565,303	\$ 8,755,653	\$ 9,743,392	\$ 10,088,464	
-	-	1,845,096	1,965,611	1,645,533	1,758,790	
-	-	-	-	-	-	
1,900,735	-	-	-	473,422	2,382,570	
<u>\$ 6,286,223</u>	<u>\$ 6,694,244</u>	<u>\$ 10,410,399</u>	<u>\$ 10,721,264</u>	<u>\$ 11,862,347</u>	<u>\$ 14,229,824</u>	
<u>\$ 10,736,143</u>	<u>\$ 11,438,515</u>	<u>\$ 17,052,642</u>	<u>\$ 18,200,080</u>	<u>\$ 19,842,120</u>	<u>\$ 24,451,151</u>	

**TOWN OF LITTLE ELM, TEXAS
CHANGES IN NET ASSETS – CONTINUED
LAST NINE FISCAL YEARS (UNAUDITED)
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net (Expenses) Revenue			
Governmental activities	\$ (3,523,052)	\$ (3,815,709)	\$ (4,934,060)
Business-type activities	(418,839)	1,353,580	1,344,056
Total primary government net expenses	<u>\$ (3,941,891)</u>	<u>\$ (2,462,129)</u>	<u>\$ (3,590,004)</u>
General Revenues and other Changes in Net Assets			
Governmental activities:			
Taxes:			
Property taxes	\$ 3,082,183	\$ 4,842,770	\$ 5,154,268
Sales & Other taxes	508,695	1,992,412	1,735,286
Penalties and interest	21,792	44,256	50,504
Unrestricted investment earnings	79,314	213,359	388,712
Gains on sale of assets	-	-	78,482
Developer contributions	12,252,588	-	-
Impact Fees	993,346	-	-
Miscellaneous	275,569	85,503	100,660
Transfers	(358,824)	210,932	263,260
Total governmental activities	<u>\$ 16,854,663</u>	<u>\$ 7,389,232</u>	<u>\$ 7,771,172</u>
Business-type activities:			
Taxes	\$ -	\$ -	\$ -
Unrestricted investment earnings	90,823	77,650	144,682
Gains on sale of assets	-	-	-
Miscellaneous	136,522	-	-
Developer contributions	7,008,101	-	-
Transfers	358,824	(210,932)	(263,260)
Total business-type activities	<u>\$ 7,594,270</u>	<u>\$ (133,282)</u>	<u>\$ (118,578)</u>
Total primary government	<u>\$ 24,448,933</u>	<u>\$ 7,255,950</u>	<u>\$ 7,652,594</u>
Change in Net Assets			
Governmental activities	\$ 13,331,611	\$ 3,573,523	\$ 2,837,112
Business-type activities	7,175,431	1,220,298	1,225,478
Total primary government	<u>\$ 20,507,042</u>	<u>\$ 4,793,821</u>	<u>\$ 4,062,590</u>

Source: Comprehensive Annual Financial Report

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

^b General Revenue classifications modified.

TABLE A-2 (CONCLUDED)

Fiscal Year					
<u>2007^b</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ (7,267,594)	\$ (9,986,062)	\$ (9,572,151)	\$ (11,017,252)	\$ (10,675,132)	\$ (10,271,123)
1,645,021	219,669	1,765,693	2,317,110	3,446,888	4,110,713
<u>\$ (5,622,573)</u>	<u>\$ (9,766,393)</u>	<u>\$ (7,806,458)</u>	<u>\$ (8,700,142)</u>	<u>\$ (7,228,244)</u>	<u>\$ (6,160,410)</u>
\$ 5,790,305	\$ 7,563,027	\$ 8,828,874	\$ 9,668,429	\$ 10,195,279	\$ 10,662,787
3,310,322	3,199,197	2,904,368	3,221,191	3,438,665	4,039,591
-	-	-	-	-	-
367,476	539,838	334,206	388,935	271,988	199,751
(7,805)	-	-	31,158	-	-
-	-	-	-	-	-
-	-	-	-	-	-
94,695	1,614,934	1,148,956	561,919	1,329,395	464,013
367,145	897,379	1,017,564	1,329,648	1,238,953	1,815,196
<u>\$ 9,922,138</u>	<u>\$ 13,814,375</u>	<u>\$ 14,233,968</u>	<u>\$ 15,201,280</u>	<u>\$ 16,474,280</u>	<u>\$ 17,181,338</u>
\$ -	\$ -	\$ -	\$ -	\$ 56,342	\$ 82,977
204,514	288,977	455,159	333,428	150,655	139,604
9,694	-	-	-	-	-
-	596,409	307,312	566,639	758,399	-
-	-	-	-	-	-
(367,145)	(867,379)	(981,564)	(1,070,443)	(1,238,953)	(1,815,196)
<u>\$ (152,937)</u>	<u>\$ 18,007</u>	<u>\$ (219,093)</u>	<u>\$ (170,376)</u>	<u>\$ (273,557)</u>	<u>\$ (1,592,615)</u>
<u>\$ 9,769,201</u>	<u>\$ 13,832,382</u>	<u>\$ 14,014,875</u>	<u>\$ 15,030,904</u>	<u>\$ 16,200,723</u>	<u>\$ 15,588,723</u>
\$ 2,654,544	\$ 3,828,313	\$ 4,661,817	\$ 4,184,028	\$ 5,799,148	\$ 6,910,215
1,492,084	237,676	1,546,600	2,146,734	3,173,331	2,518,098
<u>\$ 4,146,628</u>	<u>\$ 4,065,989</u>	<u>\$ 6,208,417</u>	<u>\$ 6,330,762</u>	<u>\$ 8,972,479</u>	<u>\$ 9,428,313</u>

**TOWN OF LITTLE ELM, TEXAS
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS (UNAUDITED)
 (ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
Reserved ^a	\$ 5,398,701	\$ -	\$ 2,545,432	\$ 2,552,744
Nonspendable ^a				
Restricted				
Committed				
Assigned				
Unassigned				
Unreserved, designated for				
Unbudgeted expenditures	-	-	-	-
Unreserved, undesignated	1,205,621	5,859,985	2,328,596	3,283,945
Total general fund	<u>\$ 6,604,322</u>	<u>\$ 5,859,985</u>	<u>\$ 4,874,028</u>	<u>\$ 5,836,689</u>
All Other				
Govern				
mental				
Funds				
Reserved for:				
Debt service	123,578	100,743	-	10,363
Nonspendable ^a				
Restricted				
Committed				
Assigned				
Unassigned				
Unreserved, reported in:				
Special revenue funds	430,112	481,022	662,364	1,131,265
Debt service	-	-	-	-
Capital projects funds	-	-	2,996,670	10,111,140
Total all other governmental funds	<u>\$ 553,690</u>	<u>\$ 581,765</u>	<u>\$ 3,659,034</u>	<u>\$ 11,252,768</u>

Source: Comprehensive Annual Financial Report

Notes: ^a Includes inventory and prepaid

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

TABLE A-3

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011^b</u>	<u>2012</u>
\$ 2,793,187	\$ 2,020,133	\$ 26,117	\$ 35,410	\$ -	\$ -
				48,944	56,704
					221,155
				3,326,289	-
				1,519,500	693,600
				943,210	6,130,718
-	-	1,153,325	1,662,286		
3,356,355	5,398,287	3,086,147	3,309,224		
<u>\$ 6,149,542</u>	<u>\$ 7,418,420</u>	<u>\$ 4,265,589</u>	<u>\$ 5,006,920</u>	<u>\$ 5,837,943</u>	<u>\$ 7,102,177</u>
76,933	-	-	-	-	-
					150
				14,255,397	4,346,848
				702,364	1,273,852
				-	-
				(42,361)	-
1,447,159	227,961	759,750	544,399	-	-
-	218,843	226,226	301,863	-	-
7,855,095	5,614,493	19,196,982	25,980,408	-	-
<u>\$ 9,379,187</u>	<u>\$ 6,061,297</u>	<u>\$ 20,182,958</u>	<u>\$ 26,826,670</u>	<u>\$ 14,915,400</u>	<u>\$ 5,620,850</u>

**TOWN OF LITTLE ELM, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (UNAUDITED)
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2002	2003	2004	2005
REVENUES				
Property taxes, penalties and interest	\$ 1,088,300	\$ 1,820,583	\$ 2,493,573	\$ 2,962,576
Sales tax	386,513	627,316	1,308,251	1,667,422
Franchise and other taxes	214,757	461,843	508,695	614,367
Licenses and permits	1,484,869	1,661,194	1,579,673	1,926,686
Charges for services	273,838	442,001	554,173	1,232,031
Impact fees	-	-	-	-
Fines and forfeitures	168,687	174,174	265,761	250,796
Intergovernmental revenue and grants	140,649	177,221	198,652	342,532
Contributions	-	-	-	-
Interest earnings	118,661	90,247	79,314	243,196
Other revenue	234,182	356,936	199,413	177,674
Total revenues	<u>4,110,456</u>	<u>5,811,515</u>	<u>7,187,505</u>	<u>9,417,280</u>
EXPENDITURES				
General government	620,458	630,234	679,693	1,302,788
Public safety	1,509,973	2,069,348	2,459,182	2,902,564
Public works	528,279	777,881	1,220,266	2,304,509
Culture and recreation	157,025	241,350	369,049	479,282
Community services	167,277	230,654	561,531	363,251
Capital outlay	1,738,340	2,767,840	2,564,167	3,749,115
Debt service				
Principal retirement	214,061	217,074	450,804	464,655
Interest and fiscal charges	296,660	358,749	533,777	445,811
Total expenditures	<u>5,232,073</u>	<u>7,293,130</u>	<u>8,838,469</u>	<u>12,011,975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,121,617)</u>	<u>(1,481,615)</u>	<u>(1,650,964)</u>	<u>(2,594,695)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bonds	2,500,000	-	300,000	3,914,080
Proceeds from sale of capital assets	-	-	-	-
Proceeds from capital lease obligation	-	-	-	-
Developer fees and contributions	542,275	1,392,217	993,526	944,595
Premium on bonds issued	-	-	-	-
Operating transfer from component units	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfer from other funds	-	183,170	459,350	299,672
Transfer to other funds	(250,950)	-	(818,174)	(472,343)
Total other financing sources (uses)	<u>2,791,325</u>	<u>1,575,387</u>	<u>934,702</u>	<u>4,686,004</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,669,708</u>	<u>\$ 93,772</u>	<u>\$ (716,262)</u>	<u>\$ 2,091,309</u>
Debt service as a percentage of noncapital expenditures	14.6%	12.7%	15.7%	11.0%

Source: Comprehensive Annual Financial Report

TABLE A-4

							Fiscal Year						
2006		2007		2008		2009		2010		2011		2012	
\$	3,952,201	\$	5,644,249	\$	7,678,109	\$	8,717,659	\$	9,613,969	\$	10,246,572	\$	10,459,636
	1,554,438		1,751,857		1,814,759		1,787,109		1,959,630		2,125,984		2,369,358
	868,904		971,299		1,395,846		1,117,259		1,261,561		1,312,681		1,670,233
	2,065,029		1,542,637		1,264,387		966,645		1,419,336		1,629,588		2,386,244
	1,504,403		1,905,967		2,268,637		535,005		598,873		662,181		1,227,622
	-		-		-		-		-		-		1,555,857
	698,938		622,940		898,538		288,748		526,084		698,289		628,399
	618,983		323,297		312,709		4,702,445		4,887,144		4,219,559		2,996,983
	-		-		-		-		-		-		5,500
	729,047		951,392		539,838		361,633		388,935		271,988		199,751
	513,296		300,864		266,466		1,108,938		812,000		1,153,103		1,312,349
	12,505,239		14,014,502		16,439,289		19,585,441		21,467,532		22,319,945		24,811,932
	1,694,438		2,067,815		2,410,803		2,160,346		2,321,233		2,317,911	\$	2,501,809
	3,684,917		4,827,076		5,527,997		6,041,672		6,455,094		6,865,071		7,577,815
	2,359,076		2,763,980		3,530,078		1,447,644		2,123,823		2,658,522		1,766,131
	670,386		891,579		951,798		1,230,166		1,322,676		1,307,687		1,533,497
	442,312		176,853		-		1,062,917		1,278,090		1,364,740		1,261,237
	7,236,375		6,424,139		5,686,126		6,593,015		8,041,519		16,817,298		17,189,209
	955,245		863,504		1,132,700		1,185,222		1,489,211		1,537,070		1,671,146
	683,790		943,950		921,717		874,526		1,514,543		1,770,846		1,609,606
	17,726,539		18,958,896		20,161,219		20,595,508		24,546,189		34,639,145		35,110,450
	(5,221,300)		(4,944,394)		(3,721,930)		(1,010,067)		(3,078,657)		(12,319,200)		(10,298,518)
	12,136,709		-		-		12,500,000		9,353,007		-		3,885,000
	-		-		-		-		-		-		-
	-		178,905		342,168		-		-		-		386,487
	1,389,369		2,758,921		1,240,467		-		-		-		-
	-		-		-		-		-		-		180,716
	-		-		30,000		-		-		-		-
	-		-		-		-		-		-		(3,999,197)
	796,918		931,123		1,837,105		3,127,865		1,535,132		4,160,575		3,523,887
	(545,301)		(485,283)		(969,725)		(2,110,301)		(424,439)		(2,921,622)		(1,708,691)
	13,777,695		3,383,666		2,480,015		13,517,564		10,463,700		1,238,953		2,268,202
\$	8,556,395	\$	(1,560,728)	\$	(1,241,915)	\$	12,507,497	\$	7,385,043	\$	(11,080,247)	\$	(8,030,316)
	15.6%		14.4%		14.2%		14.7%		18.2%		18.6%		18.2%

**TOWN OF LITTLE ELM, TEXAS
 APPRAISED VALUE OF PROPERTY
 LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE B-1

Fiscal Year	Market Valuation			Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property	Less: Tax- Exempt Property		
2003	\$ 417,145,722	\$ 12,600,204	\$ 21,197,478	\$ 408,548,448	\$ 0.43380
2004	662,839,264	8,973,042	65,932,546	605,879,760	0.39980
2005	829,864,748	19,728,820	62,170,135	787,423,433	0.35750
2006	1,011,635,024	27,648,064	50,140,143	989,142,945	0.39902
2007	1,248,468,966	23,323,625	87,911,083	1,183,881,508	0.47000
2008	1,511,223,287	36,738,700	140,574,678	1,407,387,309	0.53580
2009	1,634,323,354	52,518,511	166,456,684	1,520,385,181	0.56996
2010	1,611,491,597	54,925,483	169,295,917	1,497,121,163	0.63449
2011	1,618,970,465	55,366,141	169,498,939	1,504,837,667	0.66523
2012	1,691,659,713	55,542,364	175,488,594	1,571,713,483	0.66497

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)

TABLE B-2

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	
2003	\$ 0.28848	\$ 0.14532	\$ 0.43380	\$ 1.71120	\$ 0.24897	\$ 2.39397
2004	0.29250	0.10730	0.39980	1.73000	0.24717	2.37697
2005	0.28740	0.07010	0.35750	1.82000	0.25480	2.43230
2006	0.28252	0.11650	0.39902	1.84000	0.24648	2.48550
2007	0.32363	0.14637	0.47000	1.74000	0.23192	2.44192
2008	0.39625	0.13955	0.53580	1.46000	0.23589	2.23169
2009	0.44636	0.12360	0.56996	1.53000	0.23577	2.33573
2010	0.46218	0.17231	0.63449	1.54000	0.24980	2.42429
2011	0.45279	0.21244	0.66523	1.54000	0.27390	2.47913
2012	0.46691	0.19807	0.66497	1.54000	0.27736	2.48233

Source: Town, Denton County and ISD

TABLE B-3

**TOWN OF LITTLE ELM, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)**

FY 2011-2012 (2011 Certified Tax Roll)			FY 2002-2003 (2002 Certified Tax Roll)		
Taxpayer	Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value
Little Elm Towne Crossing Partners, LTD	\$ 18,975,000	1.21%	Centex Homes P/S	\$ 10,214,176	2.50%
Pulte Homes of Texas, LP	16,507,042	1.05%	Eldorado West, LLC	8,128,995	1.99%
Kroger Texas, LP	13,216,475	0.84%	Pulte Homes of Texas, LP	4,632,249	1.13%
Retractable Technologies, Inc.	12,430,091	0.79%	Kimball Hill Development, CO	3,540,043	0.87%
Tribute Partners, LP	10,494,663	0.67%	CMH Parks, INC	3,442,922	0.84%
CoServ Electric CO-OP	9,896,840	0.63%	RH of Texas, LTD	3,008,316	0.74%
National Golf Operating P/S LP	6,197,425	0.39%	Gehan Homes, LTD	2,969,603	0.73%
YES Companies, LLC	5,972,916	0.38%	Highland Homes, LTD	1,799,142	0.44%
Rosebriar Littl Elm, LP	4,876,644	0.31%	Choice Homes, INC	1,680,255	0.41%
FM 423 Partners LTD	4,322,080	0.27%	Myran Corp	1,551,220	0.38%
Total	\$ 102,889,176	6.55%	Total	\$ 40,966,921	10.03%
Total Assessed Valuation	\$ 1,571,713,483	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 town by July 25 for taxable values

**TOWN OF LITTLE ELM, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE B-4

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 1,782,169	\$ 1,745,788	97.96%	\$ 32,950	\$ 1,778,738	99.81%
2004	2,486,808	2,438,311	98.05%	45,846	2,484,157	99.89%
2005	2,842,365	2,786,851	98.05%	51,154	2,838,005	99.85%
2006	3,906,167	3,836,765	98.22%	65,202	3,901,967	99.89%
2007	5,461,711	5,446,283	99.72%	^a (9,217)	5,437,066	99.55%
2008	7,499,616	7,395,195	98.61%	71,614	7,466,809	99.56%
2009	8,604,592	8,506,674	98.86%	49,369	8,556,043	99.44%
2010	9,415,320	9,303,185	98.81%	52,996	9,356,181	99.37%
2011	9,913,611	9,858,712	99.45%	^a (24,496)	9,834,216	99.20%
2012	10,358,921	10,279,526	99.23%	-	10,279,526	99.23%

Source: Denton County Tax Office

^a Refunds and recalculations

**TOWN OF LITTLE ELM, TEXAS
MUNICIPAL SALES TAX AND RATIO TO AD VALOREM TAX LEVY
AND AD VALOREM TAX RATE
LAST TEN YEARS (UNAUDITED)**

TABLE B-5

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

Fiscal Year Ended Sept 30	Total Collected	1¼%^(a) City	% of Ad Valorem Tax Levy	(\$) Equivalent of Ad Valorem Tax Rate	0.50% 4A EDC	0.25% 4B CDC
2003	\$ 691,080	\$ 460,720	25.85%	0.11214	\$ 230,360	N/A
2004	1,347,342	898,228	36.12%	0.14441	449,114	N/A
2005	1,661,170	1,107,447	38.96%	0.13929	553,723	N/A
2006	1,584,272	1,131,623	28.97%	0.11560	452,649	N/A
2007	1,751,857	1,250,277	23.37%	0.10985	501,580	N/A
2008 ^(b)	2,877,072	1,814,759	22.41%	0.12006	726,203	\$ 336,110
2009	2,873,899	1,787,100	21.05%	0.11998	724,533	362,266
2010 ^(c)	3,126,064	1,947,430	20.26%	0.12852	785,756	392,878
2011	3,392,058	2,111,001	21.29%	0.14165	854,038	427,019
2012	3,861,036	2,413,148	23.30%	0.15491	965,259	482,630

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

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

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

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

**TOWN OF LITTLE ELM, TEXAS
RATIO OF OUTSTANDING BONDED DEBT BY TYPE
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE C-1

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income ^b	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Other Obligations ^a	Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Other Obligations ^a			
2003	\$ 7,000	\$ 6,734,650	\$ 452,352	\$ 4,900,000	-	\$ 3,445,350	\$ 40,680	\$ 15,580,032	6.34%	\$ 1,391
2004	6,000	6,507,400	698,602	4,900,000	-	7,817,600	20,340	19,949,942	6.45%	1,415
2005	3,290,000	6,239,000	1,158,346	8,555,000	-	7,376,000	-	26,618,346	7.06%	1,552
2006	9,340,000	10,758,300	1,836,354	8,405,000	-	7,131,700	-	37,471,354	8.46%	1,881
2007	13,795,000	5,766,450	1,688,606	8,155,000	-	6,878,550	-	36,283,606	7.32%	1,665
2008	13,350,000	5,513,450	1,113,569	7,820,000	-	6,676,550	-	34,473,569	6.85%	1,521
2009	22,885,000	7,749,300	657,496	11,670,000	-	18,760,700	-	61,722,496	11.31%	2,572
2010	31,684,000	6,980,000	273,586	11,225,000	2,106,000	16,500,000	270,000	69,038,586	10.92%	2,666
2011	30,679,400	6,630,000	90,000	10,755,000	1,950,600	16,500,000	270,000	66,875,000	10.58%	2,582
2012	33,348,254	2,260,000	-	6,740,000	4,866,746	22,340,000	125,000	69,680,000	9.90%	2,417

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

^aIncludes Tax Notes and Capital Leases

^bSee Table D-1 for personal income and population data.

**TOWN OF LITTLE ELM, TEXAS
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET VALUE BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE C-2

Fiscal Year	General Bonded Debt Outstanding ^c			Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Total		
2003	\$ 7,000	\$ 10,180,000	\$ 10,187,000	2.49%	910
2004	6,000	14,325,000	14,331,000	2.37%	1,016
2005	3,290,000	13,615,000	16,905,000	2.15%	986
2006	9,340,000	17,890,000	27,230,000	2.75%	1,367
2007	13,795,000	12,645,000	26,440,000	2.23%	1,213
2008	13,350,000	12,190,000	25,540,000	1.81%	1,127
2009	22,885,000	26,510,000	49,395,000	3.25%	2,058
2010	33,790,000	23,480,000	57,270,000	3.83%	2,211
2011	32,630,000	23,130,000	55,760,000	3.71%	2,077
2012	38,215,000	24,600,000	62,815,000	4.00%	2,178

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

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

^b See Table D-1 for population data.

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

**TOWN OF LITTLE ELM, TEXAS
DIRECT AND OVERLAPPING DEBT
AS OF SEPTEMBER 30, 2012 (UNAUDITED)**

TABLE C-3

Governmental Unit	As of	Bonded Debt Principal	Percentage of Debt Applicable to Area ^d	Town of Little Elm Share of Overlapping Debt ^c
Debt repaid with property taxes				
Frisco I.S.D.	Apr-12	\$ 1,295,493,456	2.20%	\$ 28,500,856
Little Elm I.S.D.	Apr-12	130,470,660	57.91%	75,555,559
Denton County	Apr-12	<u>572,625,000</u>	<u>2.81%</u>	<u>16,090,763</u>
Subtotal, overlapping debt		\$ 1,998,589,116		<u>120,147,178</u>
Town of Little Elm Direct Debt ^a		Sep-12	\$ 35,608,254	100.00%
Total direct and overlapping debt				<u><u>\$ 155,755,432</u></u>
Ratio of direct and overlapping debt principal to taxable values ^b				9.91%
Ratio of direct and overlapping debt principal to actual market values ^b				9.30%

Source: Municipal Advisory Council of Texas

Notes: ^a Includes Governmental Activities' debt

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

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

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

**TOWN OF LITTLE ELM, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS (UNAUDITED)**

TABLE C-4

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

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Maximum Rate	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Total Tax Rate	0.4338	0.3998	0.3575	0.3990	0.4700	0.5358	0.5700	0.6345	0.6652	0.6650
Legal Debt Margin	<u>\$ 2.0662</u>	<u>\$ 2.1002</u>	<u>\$ 2.1425</u>	<u>\$ 2.1010</u>	<u>\$ 2.0300</u>	<u>\$ 1.9642</u>	<u>\$ 1.9300</u>	<u>\$ 1.8655</u>	<u>\$ 1.8348</u>	<u>\$ 1.8350</u>

**TOWN OF LITTLE ELM, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE C-5

Water and Sewer System Revenue Bonds

<u>Fiscal Year</u>	<u>Total Revenues^a</u>	<u>Less: Operating Expenses^b</u>	<u>Net Available Revenue</u>	<u>Annual Requirement^c</u>	<u>Times Coverage</u>
2003	\$ 3,222,153	\$ 2,297,093	\$ 925,060	\$ 682,073	1.36
2004	3,969,212	2,991,245	977,967	947,934	1.03
2005	5,390,762	3,488,294	1,902,468	1,236,386	1.54
2006	7,295,428	4,291,128	3,004,300	1,388,991	2.16
2007	6,354,101	4,321,359	2,032,742	1,447,980	1.40
2008	7,041,071	5,862,757	1,178,314	1,400,696	0.84
2009	9,326,523	5,725,257	3,601,266	1,009,520	3.57
2010	9,654,239	4,778,442	4,875,797	1,399,923	3.48
2011	10,650,297	5,045,588	5,604,709	2,737,299	2.05
2012	11,319,089	5,495,379	5,823,710	1,283,032	4.54

Notes: ^aIncludes operating and non-operating revenues.

^bIncludes operating expenses minus depreciation.

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

**TOWN OF LITTLE ELM, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
(UNAUDITED)**

TABLE D-1

<u>Year</u>	<u>Estimated Population^a</u>	<u>Personal Income</u>	<u>Per Capita Personal Income^b</u>	<u>School Enrollment^c Little ELM ISD</u>	<u>Unemployment Rate^d Denton County</u>
2003	11,200	\$ 245,638,400	\$ 21,932	2,989	5.5%
2004	14,100	309,241,200	21,932	3,472	3.6%
2005	17,150	377,042,750	21,985	4,070	4.2%
2006	19,925	443,072,225	22,237	4,643	3.8%
2007	21,793	496,008,680	22,760	5,147	4.0%
2008	22,668	503,252,268	22,201	5,371	5.1%
2009	24,000	545,736,000	22,739	5,855	7.2%
2010	25,898	632,377,364	24,418	6,044	7.5%
2011	26,840	674,999,160	25,149	6,245	7.1%
2012	28,835	704,093,030	25,504	6,344	6.3%

Sources: ^aEstimated population provided Zoomprospertor.com

^bPer Capita Income provided by Census.gov

^cLittle Elm Independent School Districts.

^dFederal Deposit Insurance Corporation, FDIC.org

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

**TOWN OF LITTLE ELM, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND EIGHT YEARS AGO (UNAUDITED)**

TABLE D-2

<u>2012</u>			<u>2004</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Little Elm ISD	737	21.36%	Little Elm ISD	348	23.64%
Kroger	225	6.52%	Retractable Technologies	137	9.31%
Town of Little Elm	198	5.74%	Town of Little Elm	93	3.40%
Retractable Technologies	150	4.35%	G.P.E.	50	3.33%
Lowes Home Center	136	3.94%	Sonic Drive-in	40	2.72%
Applebee's	100	2.90%	Animal Quackers	22	1.49%
24 Hour Fitness	50	1.45%	Key's Supermarket	20	1.36%
CVS	35	1.01%	U.S. Post Office	17	1.15%
Walgreen's	30	0.87%	Chef Jeff	15	1.02%
Children's Lighthouse	28	0.81%	Dollar General	14	0.95%
Total	1,689	48.96%		756	48.37%
Total Little Elm Daytime Employees	3,450		Total Little Elm Daytime Employees	1,472	

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

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

**TOWN OF LITTLE ELM, TEXAS
 FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE E-1

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government	8.00	9.00	11.00	14.00	14.00	14.50	15.00	15.00	16.00	15.50
Public Safety	28.00	39.00	50.00	57.00	65.00	69.00	74.00	75.00	76.00	80.00
Public Works	6.00	8.00	9.00	11.00	12.00	13.00	16.00	18.00	20.00	22.00
Culture and Recreational	9.00	12.50	15.50	16.00	17.50	21.00	24.50	24.00	21.00	29.50
Planning and Development	4.00	6.00	10.00	10.00	10.00	10.50	11.00	8.00	7.00	13.00
Water and Sewer	<u>15.00</u>	<u>18.50</u>	<u>20.00</u>	<u>23.00</u>	<u>29.00</u>	<u>29.00</u>	<u>30.00</u>	<u>26.00</u>	<u>30.00</u>	<u>23.50</u>
Total	<u>70.00</u>	<u>93.00</u>	<u>115.50</u>	<u>131.00</u>	<u>147.50</u>	<u>157.00</u>	<u>170.50</u>	<u>166.00</u>	<u>170.00</u>	<u>183.50</u>

Source: Town Departments



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**TOWN OF LITTLE ELM, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS^A (UNAUDITED)**

<u>Function/Program</u>	<u>Fiscal Year</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Public Safety			
Police			
Number of employees ^b	31	31	32
Number of violations (citations)	2,833	8,559	6,929
Fire			
Number of employees ^b	18	24	31
Number of volunteers	20	16	9
Number of fire runs	847	807	828
Number of EMS runs	603	997	1,221
Public Works			
Streets (miles)	126	128	134
Community Services		0	
Residential permits	1,006	708	416
Commercial permits	14	N/A	13
Cultural and Recreational			
Parks and recreation			
Park maintain & operate per acre	400	400	400
Participants in parks programs	425	425	425
Participants in senior program	80	100	100
Library			
Volumes in Collection	15,198	16,107	22,665
Circulation	24,128	22,569	24,097
Water and Sewer			
Number of water connections	7,167	7,525	7,841
Number of sewer connections	7,167	7,228	7,652
Average daily water consumption ^c	2,425	2,663	2,205
Maximum ground storage capacity ^c	6,000	7,000	7,000
Maximum elevated storage capacity ^c	1,500	1,500	1,500
Water purchased ^c	610,450	1,137,400	775,874

Source: City Departments

Notes:

N/A - Data not Available

^a Information was only available back to 2005

^b Department Administration and EMS Staff included

^c Stated in millions of gallons

TABLE E-2

Fiscal Year				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
34	38	34	36	41
8,198	5,396	5,200	4,198	3,974
32	35	36	37	40
9	9	2	5	1
725	746	954	980	888
1,207	1,278	1,195	1,369	1,327
140	140	140	140	140
0				
242	283	434	488	588
12	20	34	49	47
400	500	500	500	500
425	2,500	2,650	3,500	3,800
100	150	200	300	320
28,908	32,905	37,096	32,329	69,114
36,012	41,526	37,850	35,081	37,785
8,035	8,204	8,368	8,712	8,963
7,594	7,792	8,067	8,399	8,636
2,650	2,230	2,266	3,148	3,179
7,000	7,000	7,000	7,000	7,000
1,500	1,500	1,500	1,500	1,500
857,694	888,950	899,844	1,080,672	1,160,174

**TOWN OF LITTLE ELM, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE E-3

Function/Program	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	8	8	9	10	11	13	16	16	16	16
Fire Stations	1	1	1	1	2	2	2	2	2	2
Police Motorcycle Units	0	0	0	2	2	2	2	2	2	2
Public Works										
Streets-Paved	103	120	126	128	134	140	140	140	140	140
Cultural and Recreational										
Parks (acres)	400	400	400	400	400	400	500	500	500	500
Playgrounds ^a	3	5	5	5	5	5	5	5	5	5
Library	1	1	1	1	1	1	1	1	1	1
Senior Center	0	0	0	0	0	0	0	0	0	1
Recreation Center	0	0	0	0	0	0	0	0	0	1
Water and Sewer										
Fire Hydrants	667	667	754	784	883	902	908	1,063	1,070	1,206
Ground Storage Facilities	4	4	4	6	6	6	6	4	4	4
Elevated Storage Facilities	2	2	2	2	2	2	2	2	2	2
Lift Stations	12	14	16	16	18	18	18	17	16	17

Source: City Departments

Notes: ^a Does not include HOA playgrounds