



COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT



Town of Little Elm, Texas

*For the Year Ended
September 30, 2013*

The Town of Little Elm completed the \$835,000 expansion and renovation to the existing library. The expansion and renovation doubled the current library space and enabled more room for a larger book and audiovisual collection, more space for all age programming, separate area for adults and youth, increased computer availability, additional meeting rooms, and quiet study areas.



The children's play area is pictured (top left) is popular as are the movable book displays and the Business Center (lower right). The teen room is very popular with the younger crowd and features a large screen TV, computers and a diverse reading selection.

In addition to the newly expanded space, the Library implemented a new schedule that offers services every day of the week for our growing community. The Library officially opened the newly renovated facility in May.



The Town designed and constructed a 3,500 square foot animal shelter located at 1605 Mark Tree Lane near the Public Works Service Center. The new state-of-the-art facility has 24 dog kennels, cat room, adoption/viewing room, quarantine room, check-in room, wash room, reception desk and an office. The project also includes 12 exterior dog runs and a sally port for the off-loading of animals and food supplies. The new Shelter officially opened for business in September.



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, 2013**

**AS PREPARED BY THE
FINANCE DEPARTMENT**

Alan R. Dickerson, CGFO—Director of Finance

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Robin N. Bromiley ~ Crystal Williamson

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**TOWN OF LITTLE ELM, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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INTRODUCTORY SECTION



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Finance Department Town of Little Elm

February 18, 2014

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, 2013. 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, 2013 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

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 demonstrated by more recent estimates of over 31,000. 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.



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.

The Town provides a full range of public services. These services include police, fire protection, emergency medical services, construction and maintenance of streets and other infrastructure; recreation services, library services; parks maintenance and public utilities. The Town's utilities include water and sewer, drainage and sanitation services. The Town operates its own sewer treatment facility. Community Waste Disposal ("CWD") provides solid waste collection; and, the North Texas Municipal Water District ("NTMWD") provides water for the Town on a "take-or-pay" basis. The Town's drainage utility operates to mitigate drainage and environmental hazards and is self-supporting with fees billed monthly to all residential and commercial customers. The Town provides on a contractual basis to areas in its extra-territorial jurisdictions ("ETJ") public safety and construction inspections.

Town Council is required to adopt an annual operating budget no later than the beginning of the fiscal year. The process begins with the staff of each department submitting their revised expenditure estimates for the current year and their estimates for the upcoming year. These expenditure estimates are reviewed and combined with the revenue estimates to present the Town Manager's proposed budget to the governing body. Subsequent to the Council receiving the budget, it is work-shopped and public hearings are held and a final budget is developed and adopted with a supporting tax rate.

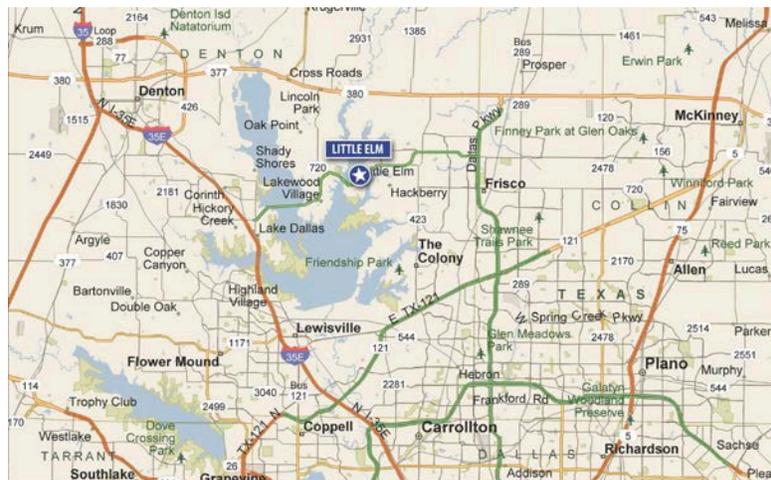
The budget is developed on a departmental level and adopted at the fund level. The level of control at which expenditures may not exceed budget with our Town Council approval is at the fund level. The Town Manager has authority to approve individual departmental budget overages. The budget is amended by ordinance when the budget is exceeded at the fund level or for any that were unforeseen during the regular budget process.

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 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 population has grown in 2013 beyond 31,000. The retail trade demographics for Little Elm have drastically changed in the past twenty years. According to a recent retail analysis in 2013, Little Elm's retail trade demographic has grown from 30,000 in 2000 to over 138,000 in 2013 which is a 455% growth. This tremendous growth increased opportunities for business development for the Town. The following graphic reflects the Town's location in this explosive growth region:



In the previous decade, single family housing in Little Elm experienced dynamic growth, growing at a rate of 1000 single family units per year. In 2012, Little Elm had 9,108 single family units with an average homestead value of \$158,000 compared to 2013 whereby there were 9,285 with an average of \$168,000. Commercial property values remain to be about 14% of total value on the tax rolls. The Town's current retail concentration is along the FM Highway 423 corridor. There is growing interest for commercial expansion on the northern reaches of the Town on State Highway 380 led by Holt Caterpillar that is expected to open in the fall of 2014.

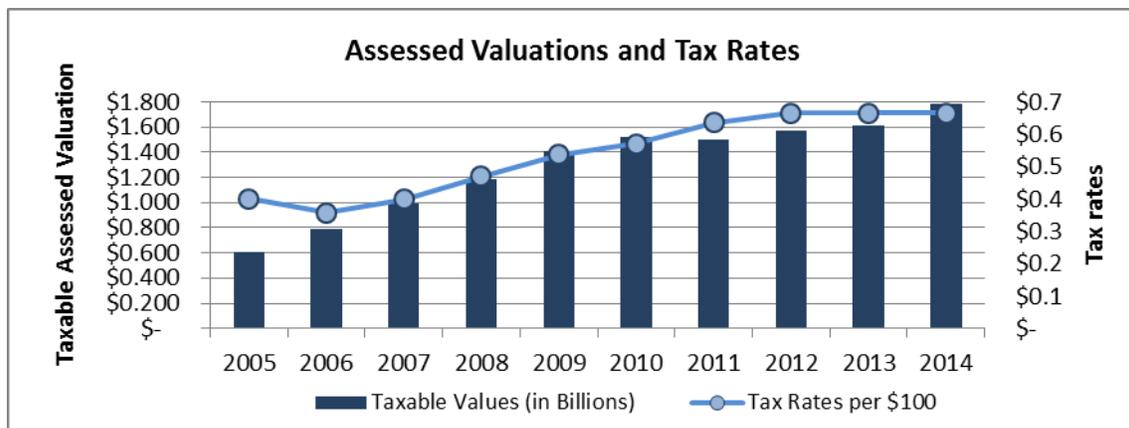
Within the current town limits, the Town is 45% developed. Including the Extraterritorial Jurisdiction (ETJ), the Town will grow in excess of 90,000 people. The Town is primarily a bedroom community, with single family residential values contributing 72% of the total taxable values of all properties on the 2012 tax roll and 73% on the 2013 tax roll. Multi-family residential values have increased with the addition of three

multi-family developments with two that started leasing in late 2012. The expected population from these multi-family units will exceed 2,200. The newly constructed multi-family housing is complimented by McCord Park which is a 38 acre facility with trails and playgrounds.

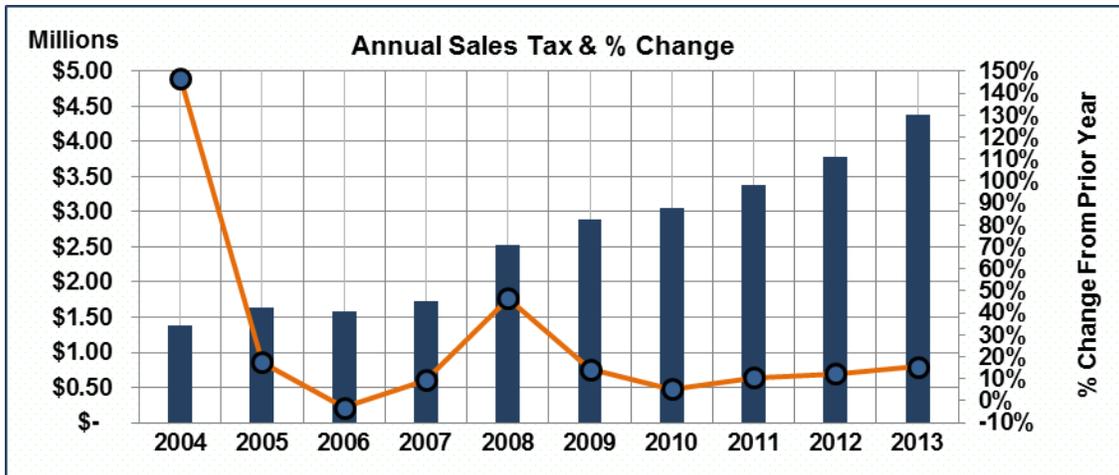
In fiscal year 2012, the Town platted over 475 new residential lots and 437 in 2013 both in the Town and its ETJ. The Town's permitting activity increased over 25% from 588 to 737 single-family residential units in 2013. The estimated construction value from the new housing starts is approximately \$225 million with an average home value of \$297,000. There were 44 new commercial businesses added in 2013 compared to 53 in 2012. However, there were 23 new commercial buildings that started construction in 2013.

Rapid growth in new housing starts contributed to double digit assessed valuation growth year-over-year for much of the 2000's reaching \$1.4 billion by 2008. Assessed value growth then slowed to 8% year-over-year through fiscal year 2009, before decreasing to a modest growth of 1.5% in fiscal year 2010 and the end of the economic decline. Modest growth returned for fiscal year 2011 increasing assessed value 0.5%, followed by a moderate 4.4% growth for fiscal year 2012. The 2013 property tax roll saw an increase of 10% due primarily to a robust housing market in Little Elm aided by new commercial development. The Town added \$165 million in value of which \$81.4 million was new construction.

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 following table reflects the Town's change in taxable values and its current tax rate:



Total sales tax revenues increased by 16% or \$618,675 over the prior fiscal year which correlates to the Town's rapid commercial base growth over the last two strong growth 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 2014.

Sales tax collections have increased consecutively from fiscal year 2008 through 2013 with a 17.6% 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. The Town Manager and the Town Council in strategic work sessions with the community and town staff has developed strategic goals and strategies going into fiscal year 2014 and beyond. These strategic goals are both operational and capital related.

Notable projects closed in fiscal year 2013 were as follows:

- Witt Road Lighting, Streetscape and Fencing
- Witt Road Bridge
- Water and Sewer Force Mains to the West side of Town
- Lobo Lane alignment with Lakeshore Drive: Little Elm Park
- Mainstreet Irrigation Well
- Mainstreet East street reconstructed to concrete divided with sidewalks
- Riney Road reconstruction with water and sewer improvements
- Public Parking improvements in Beard Park to compliment Lakefront District amenities
- Phase 1 of FM 423 Water and Sewer Line relocations
- Animal Control Center and Shelter
- Library and Town Hall Renovations
- Brenda Lane Courtesy Solid Waste Site and Street Improvements
- Lift Stations No.'s 4 and 6 were completed
-

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. Projects that were in progress beyond fiscal year end are as follows:

- 2 MG Elevated Storage Tank
- Beard Park Expansion - Public Parking, Trails and Restoring old park amenities
- Little Elm Park Improvements -swim beach, public parking, boat dock and fishing pier
- Expansion of Little Elm Trail System along Lake Front from Beard Park to McCord Park

The Little Elm Economic Development Corporation continues 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 opened its doors in time for the spring 2013 planting season. Other major commercial projects providing for increases in property tax values, jobs and commercial retail sales are Holt Caterpillar, Firestone Tire, Just Brakes and Sunset Storage systems. The Town continues to benefit from other favorable conditions associated with a desirable location for work, destination and living.

In May and June of 2013, when the Town refunded and issued new bonds for construction of park improvements, 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.

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.

Relevant Financial Policies

The Town has establish reserve policies for its' operating funds. The established reserve policies are as follows:

Governmental Funds	
General Fund	25%
Debt Service	25%
Business-Type Funds	
Water and Sewer Fund	90 days of working capital

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.

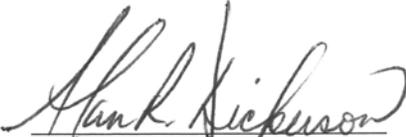
Certificate of Achievement for Financial Reporting

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, 2012. This was the third 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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

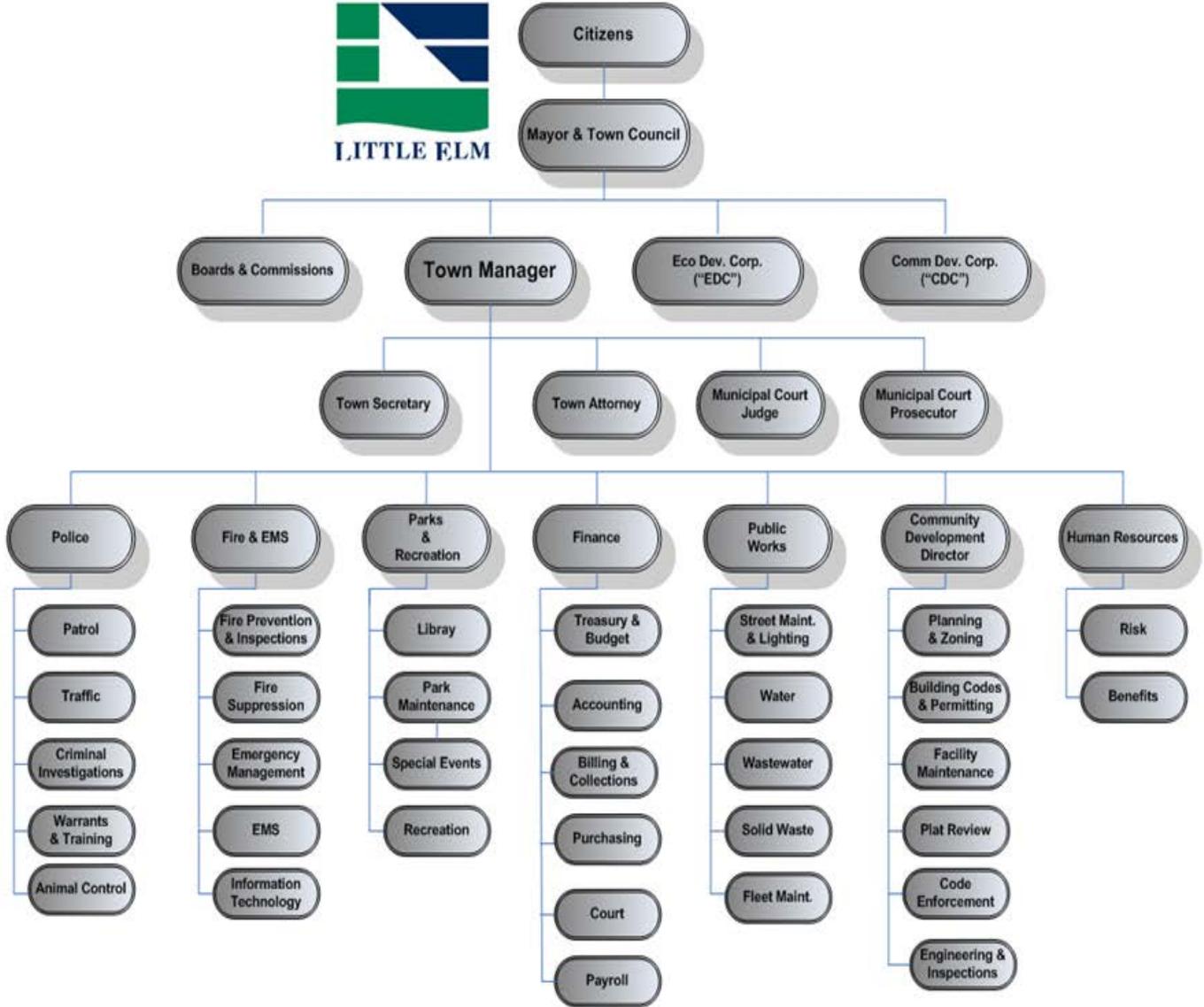
**Town of Little Elm
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

TOWN OF LITTLE ELM, TEXAS
ORGANIZATIONAL CHART



TOWN OF LITTLE ELM, TEXAS

Town Officials

Council Members

David Hillock
James Dominy
Richard C. Stevens
Curtis Cornelious
Chip Norman
Katie Gipson
Bill Roebken

Mayor
Place 2
At Large Place 1
Mayor Pro Tem, Place 3
Place 4
Place 5
At Large Place 6



Front Row: Chip Norman, David Hillock, Curtis Cornelious
Back Row: Bill Roebken, James Dominey, Richard Stevens, Katie Gipson

Executive Staff

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

Town Manager
Assistant Town Manager
Finance Director
Police Chief
Town Secretary
Human Resources Director
Fire Chief
Public Works Director
Parks and Rec Director
Development Services Director/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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Little Elm (the Town), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–14 and 52–54 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Town of Little Elm, TX

Page 3

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2014, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 12, 2014



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MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2013

(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, 2013. 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

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$110,271,082. Of this amount, \$16,353,607 may be used to meet the government's ongoing obligations to citizens and creditors. A \$12,508,308 increase in net assets related to governmental activities was coupled with an increase of \$2,492,823 in net assets in business-type activities.
- The \$5,751,731 unassigned fund balance in the General Fund represents 34% of the total General Fund expenditures.
- The Town's long-term debt increased by approximately \$6,016,029 (8%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Little Elm's basic financial statements. The Town of Little Elm's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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.

The Statement of Activities presents information showing how the government's net position changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

Both of the government-wide financial statements distinguish functions of the Town of Little Elm that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, community services, public safety, public works, and culture and recreation. The business-type activities of the Town include water and sewer services and solid waste services.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2013

(unaudited)

The government-wide financial statements include not only the Town of Little Elm itself (known as the primary government), but also 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 (LECDC). The Town added a third component 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.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund financial statements. 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. Fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by state law or bond covenants. However, the Town Council also establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the Town of Little Elm can be divided into two categories: governmental funds, and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Little Elm maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund and the capital projects fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Little Elm adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds. The Town of Little Elm maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for the water and sewer fund and the solid waste fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2013
(unaudited)

uses internal service funds to account for its fleet replacement fund. Because this fund predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and the solid waste fund, both of which are considered to be major funds in the Town of Little Elm. Individual fund data for the internal service fund is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-51 of this report.

Other information. In addition to the basic financial statements and accompanying notes, the Town adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net position (Table 1), and the change in net position (Table 2).

The Town's combined net position was \$110,271,082 as of September 30, 2013. Analyzing the net assets of the governmental and business-type activities separately, governmental activities net position was \$78,135,466 while business-type activities' net position was \$32,135,616.

The largest portion of the Town's net position, \$90,915,467, or 82.5%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is 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 capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net position, \$3,002,008, or 2.7%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$16,353,607, or 14.8%, is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2013
 (unaudited)

Table 1
Condensed Schedule of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 26,587,820	\$ 16,253,617	\$ 10,763,414	\$ 14,353,758	\$ 37,351,234	\$ 30,607,375
Capital assets	97,914,090	89,241,178	56,601,649	52,064,299	154,515,739	141,305,477
Total assets	\$ 124,501,910	\$ 105,494,795	\$ 67,365,063	\$ 66,418,057	\$ 191,866,973	\$ 171,912,852
Current liabilities	\$ 1,906,016	\$ 2,985,428	\$ 2,366,796	\$ 2,350,423	\$ 4,272,812	\$ 5,335,851
Noncurrent liabilities	44,460,428	36,882,209	32,862,651	34,424,841	77,323,079	71,307,050
Total liabilities	46,366,444	39,867,637	35,229,447	36,775,264	81,595,891	76,642,901
Net position:						
Net investment in capital assets	63,117,552	52,815,876	27,797,915	23,568,624	90,915,467	76,384,500
Restricted	1,456,437	1,668,737	1,545,571	2,678,605	3,002,008	4,347,342
Unrestricted	13,561,477	11,142,545	2,792,130	3,395,564	16,353,607	14,538,109
Total net position	\$ 78,135,466	\$ 65,627,158	\$ 32,135,616	\$ 29,642,793	\$ 110,271,082	\$ 95,269,951

The following table (Table 2) provides a summary of the Town's operations for the year ended September 30, 2013. Governmental activities increased the Town's net position by \$12,508,308 while business-type activities increased the Town's net position by \$2,492,823, resulting in a \$15,001,131 increase in total net position. The key elements of this increase are as shown as follows:

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 5,252,816	\$ 4,853,017	\$ 12,762,228	\$ 11,847,254	\$ 18,015,044	\$ 16,700,271
Operating grants and contributions	8,481,366	296,234	22,395	-	8,503,761	296,234
Capital grants and contributions	8,196,369	5,072,076	1,828,359	2,382,570	10,024,728	7,454,646
General revenues:						
Property taxes	10,864,585	10,662,787	-	-	10,864,585	10,662,787
Sales taxes	2,775,736	2,369,358	-	-	2,775,736	2,369,358
Franchise taxes	1,730,574	1,670,233	92,009	82,977	1,822,583	1,753,210
Investment Income	136,752	199,751	96,344	139,604	233,096	339,355
Other	522,673	464,013	9,343	-	532,016	464,013
Total revenues	37,960,871	25,587,469	14,810,678	14,452,405	52,771,549	40,039,874
Expenses:						
General government	5,867,144	2,576,483	-	-	5,867,144	2,576,483
Community service	1,638,809	1,238,188	-	-	1,638,809	1,238,188
Public safety	9,335,742	8,002,813	-	-	9,335,742	8,002,813
Public works	6,021,562	5,344,115	-	-	6,021,562	5,344,115
Culture and recreation	2,667,072	1,674,950	-	-	2,667,072	1,674,950
Interest expense	1,473,694	1,655,901	-	-	1,473,694	1,655,901
Water and sewer services	-	-	8,938,110	8,576,299	8,938,110	8,576,299
Solid waste services	-	-	1,828,285	1,542,812	1,828,285	1,542,812
Total expenses:	27,004,023	20,492,450	10,766,395	10,119,111	37,770,418	30,611,561
Increase in net position before transfers	10,956,848	5,095,019	4,044,283	4,333,294	15,001,131	9,428,313
Transfers	1,551,460	1,815,196	(1,551,460)	(1,815,196)	-	-
Change in net position	12,508,308	6,910,215	2,492,823	2,518,098	15,001,131	9,428,313
Net position, beginning of year	65,627,158	58,716,943	29,642,793	27,124,695	95,269,951	85,841,638
Net position, end of year	\$ 78,135,466	\$ 65,627,158	\$ 32,135,616	\$ 29,642,793	\$ 110,271,082	\$ 95,269,951

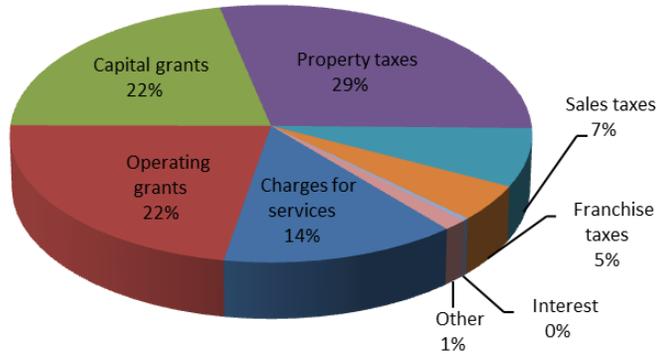


MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2013
(unaudited)

Governmental activities. The Town's revenues for governmental activities are detailed as follows:

**Revenues by Source
Governmental Activities**



Revenues for the Town's governmental activities increased by \$12,373,402 or 48%. Major components of revenue increases are explained as follows:

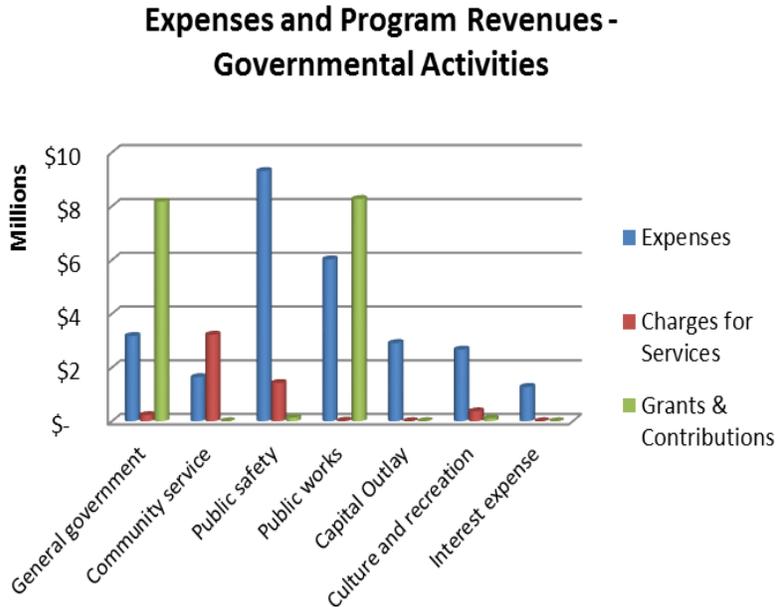
- Property Taxes increased by \$201,798 due to the overall growth in assessed property value. New construction values on the tax roll for FY2013 was \$15,628,562 or a 31.81% increase.
- Sales Taxes increased by \$406,378 due to new retail growth in the Town. Approximately forty-four new commercial businesses added to the sales tax base for the Town as of September 30, 2013.
- There was a modest decrease in investment income due to the decrease value in the total portfolio due to all bond proceeds being exhausted.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2013
(unaudited)

The following graph presents Governmental Activities expenses by function along with associated program revenues:



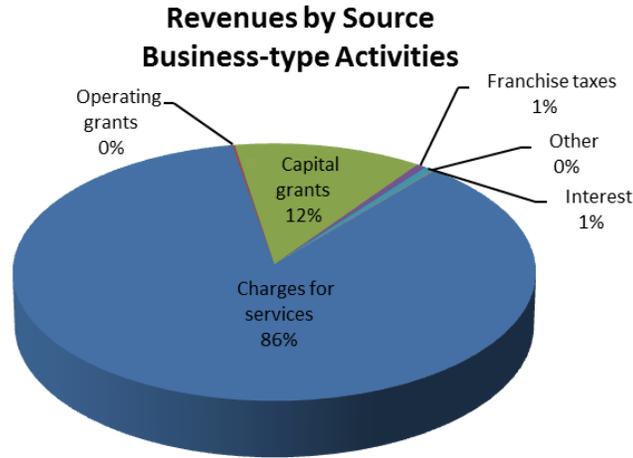
Expenses for governmental activities increased by \$6,511,573 or 32%. Components of increases and decreases are explained as follows:

- Expenses for general government increased by 127% due to various infrastructure needs, increase in Town's share of healthcare costs, and operational needs.
- Public safety activities expense increased by 17% which includes fire, police and animal control.
- Culture and recreation increased by 59% due to the continued promotion and expansion of activities and events for the Recreation Center.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2013
 (unaudited)

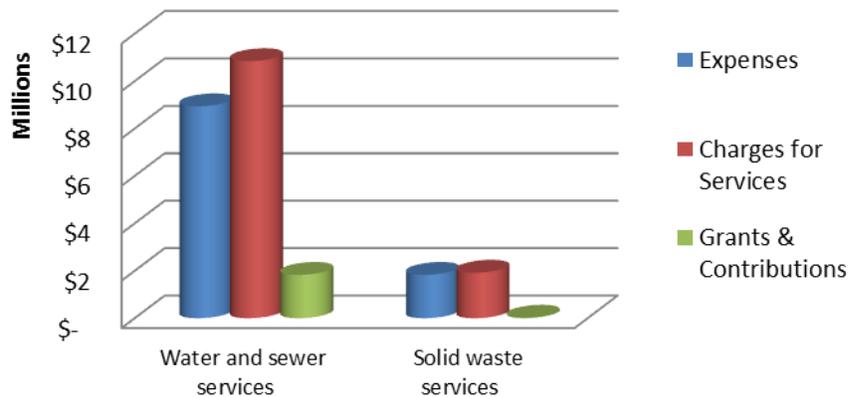
Business-type activities. The Town's revenues by sources for business-type activities are detailed below along with an illustration between expenses and program revenues for business-type activities.



Business-type activities revenues increased \$358,273 or 3%. Major components of the decreases/increases are as follows:

- Capital grants and contributions decreased \$554,211 or 23% due to reduction in development fees from construction activity.
- Charges for services for business-type activities increased by 8% or \$914,974. Water sales increased by 10% while sewer sales increased by 9% due to an increase in customer base including wholesale charges to customers in the Town's extraterritorial jurisdiction (ETJ).

**Expenses and Program Revenues -
Business-type Activities**





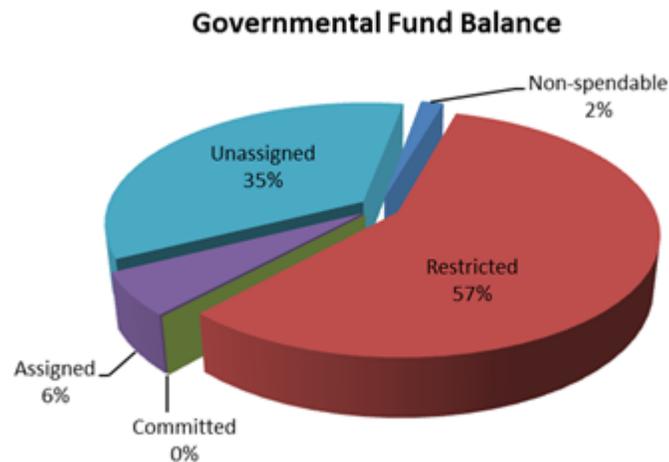
MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2013
(unaudited)

Financial Analysis of the Government's Funds

As noted earlier, the Town of Little Elm uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.



At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$15,685,447, an increase of \$2,962,420 in comparison with the prior year. Approximately thirty-six percent of this total amount, or \$5,751,731, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is assigned for equipment - \$200,000 or capital outlay - \$725,000; committed for street development - \$620,602; restricted: 1) for capital projects - \$6,110,555, 2) to pay debt service - \$567,931, 3) to pay street maintenance - \$387,095, 4) for court - \$129,177, 5) for drainage improvements - \$325,888, 6) for streetscape - \$298,489, 7) for red light camera - \$121,552, 8) for other purpose - \$173,223; or nonspendable due its form as prepaids and inventories - \$274,054.

The general fund is the chief operating fund of the Town of Little Elm. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,751,731, while total fund balance was \$6,950,785. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33% of total general fund expenditures, while total fund balance represents 41% of that same amount.

Fund balance in the General Fund decreased by \$151,392, primarily due to a 16% increase in overall expenditures.

The Debt Service Fund has a total fund balance of \$567,931, all of which is restricted for the payment of debt service. The Debt Service fund balance increased by \$13,037 or 2% primarily for roll back tax collections on property previously classified as agriculture use.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2013
(unaudited)

The General Capital Projects Fund provides information on capital projects and had an ending fund balance of \$7,029,646. The General Capitals Project Fund balance increased by \$3,349,332 or 91%. The balance is comprised of proceeds from the 2013 Certificates of Obligation of \$6,017,128 with the remaining balance, \$1,012,518, from Streetscape and impact fee funds. The Certificates of Obligation were issued for park improvements.

Financial Analysis of the Proprietary Funds

An analysis of the water and sewer fund is provided in the business-type activities discussion above. In addition, the net position of the solid waste fund decreased \$189,148, primarily due to transfers out.

General Fund Budgetary Highlights

The final budget of the General Fund reflects a \$515,900 increase due to budget amendments throughout the year. Amendments were for strategic planning, Beard Park, and a K-9 unit. The variance between the actual ending fund balance at September 30, 2013 of \$6,950,785 and the final budgetary fund balance of \$5,175,498 is primarily attributed to increased license and permits revenue due to an increased number of permits issued.

Capital Assets. The Town's investment in capital assets, for its governmental and business-type activities as of September 30, 2013, amount to \$154,515,739 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, park facilities, vehicles, machinery and equipment, roads, bridges and water and sewer lines. About 63% of the capital assets are governmental and 37% are business-type activities.

Table 3
Capital Assets at Year-end
(net of accumulated depreciation)

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 6,885,631	\$ 2,479,696	\$ 1,296,592	\$ 1,296,592	\$ 8,182,223	\$ 3,776,288
Construction in progress	\$ 8,689,153	8,293,314	5,861,594	1,623,017	\$ 14,550,747	\$ 9,916,331
Buildings	\$22,653,850	23,185,529	45,144	49,705	\$ 22,698,994	\$ 23,235,234
Infrastructure	\$51,553,126	48,068,836	48,677,155	48,259,776	\$ 100,230,281	\$ 96,328,612
Other improvements	\$ 3,983,867	3,157,985	-	-	\$ 3,983,867	\$ 3,157,985
Machinery and equipment	\$ 4,148,463	4,055,818	721,164	835,209	\$ 4,869,627	\$ 4,891,027
Total	\$97,914,090	\$ 89,241,178	\$ 56,601,649	\$ 52,064,299	\$ 154,515,739	\$ 141,305,477

The major governmental-type capital improvement projects and developer contributions during the current fiscal year included the following:

- Expansion of parking improvements to Beard Park area and Lakefront District
- Reconstructed Riney Road
- Main Street Phase 2 reconstruction

Business-type capital improvement projects and developer contributions during the current fiscal year include the following:



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2013
(unaudited)

- Construction commenced for 2MG elevated water tower
- Commenced west side water and sewer phase 1 construction

Additional information on the Town's capital assets can be found in Note 5 on page 41 of this report.

Debt Administration. At the end of the current fiscal year, the Town had total bonds outstanding of \$77,323,079. Of this amount, \$71,900,000 is tax-supported debt. The remainder of the Towns of Little Elm's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Table 4
Outstanding Debt
Outstanding Debt and Long-Term Liabilities

	Governmental activities		Business-type activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Gross bonded debt:						
General obligation	\$ 34,335,527	\$ 33,348,254	\$ 7,504,473	\$ 4,866,746	\$ 41,840,000	\$ 38,215,000
Certificates of obligation	8,170,000	2,260,000	21,890,000	22,340,000	\$ 30,060,000	\$ 24,600,000
Revenue bonds	-	-	3,055,000	6,740,000	\$ 3,055,000	\$ 6,740,000
Total bonded debt	42,505,527	35,608,254	32,449,473	33,946,746	74,955,000	69,555,000
Other long-term debt:						
Capital leases	202,689	321,018	-	-	202,689	321,018
Tax notes	-	-	-	-	-	-
Deferred loss on refunding	(132,631)	(146,471)	(314,897)	(175,685)	(447,528)	(322,156)
Unamortized premiums	662,577	559,012	493,282	409,287	1,155,859	968,299
Compensated absences	1,222,266	540,396	234,793	119,493	1,457,059	659,889
Capital appreciation	-	-	-	125,000	-	125,000
Total other long-term debt	1,954,901	1,273,955	413,178	478,095	2,368,079	1,752,050
Total	\$ 44,460,428	\$ 36,882,209	\$ 32,862,651	\$ 34,424,841	\$ 77,323,079	\$ 71,307,050

The Town's tax support debt is rated "Aa3" by Moody's Investors Service. The Town is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term det. Additional information on the Town's outstanding debt can be found in Note 8 on pages 42 - 47 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Little Elm is one of the fastest growing areas in the nation. With this growth, there are new sources and higher amounts of revenues to be collected but there is also a mounting list of needs to accommodate the growth and expectations of the community. During the budget process, the Council's philosophy was to provide the highest level of service at the greatest value. Part of this philosophy and commitment to taxpayer's money was to keep property taxes at the same rate, begin to realize the long term impacts of financial decisions, keep fund balances and reserves at a healthy level, and produce a self-sustaining budget where fund balances are not relied upon to fund ongoing expenses.

The fiscal year 2013-2014 budget incorporates no increase in the property tax rate. It remains at \$.664971 per \$100 valuation. Maintenance and operations tax rate is \$.496646 while the debt rate is \$.168325.

The FY 2014 operating budget increased by 16% or \$5,861,355, from the FY 2013 budget. In general revenues for property taxes were budgeted with an 8% increase and a 12% increase was forecasted for sales tax. Major increases in operational costs are:



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2013
(unaudited)

• Compensation	\$750,000
• Cost of water from North Texas Municipal Water	\$271,000
• Addition of personnel (new and reclass)	\$350,000
• Special event programming	\$200,000
• Benefit costs (health insurance, workers comp and retirement)	\$425,000

For the second year now, money has been budgeted to go into a Fleet Replacement Fund. This fund will allow money to be available to replace vehicles and equipment when their useful life is complete. Staff has diligently been working to create a policy and schedule for incorporation into the FY15 budget. After this year's allocation, a total of \$493,600 will exist in the fund.

Little Elm is facing the issue that many employers are facing which is increasing cost to provide insurance. The total amount budgeted for insurance is \$1.8 million. This is an 18% increase over FY13.

A classification and compensation study completed in FY13 was done to identify how Little Elm's employees compare in the market place. The Town wants to ensure that Little Elm is competitive in our municipal market. The study found that the Town was low in the market compared to similar positions in 19 market cities. A total of \$750,000 was set aside for General Fund and Utility Fund to implement the new pay plan in lieu of step raises this year.

At Council's direction, the water and sewer rates were reviewed. Historically the Town has used an inverted block rate plan that influences usage year-round, but has its greatest effect on peak season use. The inverted block structure rewards customers whose consumption does not increase in the summer. The Council expressed concern that the Town's existing rate structure resulted in an effective subsidy of low volume residential customers by high volume residential customers. Council directed staff and the Town's rate analyst to redesign the rate plan to avoid subsidizing the lower consumption blocks but still encourage conservation. As of January 2014, a 5% increase in rates was adopted. The rate plan is a phase in approach over the next three years.

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.

REQUEST FOR INFORMATION

This report is designed to provide the Town Council, citizens, customers, bond rating agencies, investors and creditors with a general overview of the Town's finances. If you have questions about this report or need additional financial information, contact:

Finance Department
Town of Little Elm
100 W. Eldorado Parkway
Little Elm, TX 75068
(214) 975-0415
www.littleelm.org



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BASIC FINANCIAL STATEMENTS



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**TOWN OF LITTLE ELM, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 15,241,988	\$ 3,044,299	\$ 18,286,287	\$ 3,101,035
Cash restricted for revenue bond reserve	-	4,687,426	4,687,426	-
Receivables (net of allowance for uncollectibles)	2,254,420	2,345,839	4,600,259	302,343
Note receivable from component unit - current portion	240,000	-	240,000	-
Prepays	223,405	149	223,554	-
Inventories	50,799	98,482	149,281	-
Capital assets:				
Land	6,885,631	1,296,592	8,182,223	8,600,462
Depreciable assets, net	82,339,306	49,443,463	131,782,769	-
Construction in progress	8,689,153	5,861,594	14,550,747	-
Note receivable from component unit	7,930,000	-	7,930,000	-
Debt issuance costs	647,208	587,219	1,234,427	149,004
Total assets	\$ 124,501,910	\$ 67,365,063	\$ 191,866,973	\$ 12,152,844
LIABILITIES				
Accounts payable and other current liabilities	\$ 1,091,411	\$ 1,056,851	\$ 2,148,262	\$ 22,100
Accrued interest payable	263,737	198,022	461,759	24,975
Retainage payable	180,526	179,451	359,977	-
Customer deposits	370,342	932,472	1,302,814	-
Non-current liabilities:				
Due within one year	2,783,422	1,746,180	4,529,602	622,774
Due in more than one year	41,677,006	31,116,471	72,793,477	16,730,242
Total liabilities	46,366,444	35,229,447	81,595,891	17,400,091
NET POSITION (DEFICIT)				
Net investment in capital assets	63,117,552	27,797,915	90,915,467	(171,631)
Restricted:				
Enabling legislation	909,990	861,720	1,771,710	1,682,558
Debt service	348,333	683,851	1,032,184	113,361
Other	198,114	-	198,114	-
Unrestricted	13,561,477	2,792,130	16,353,607	(6,871,535)
Total net position (deficit)	78,135,466	32,135,616	110,271,082	(5,247,247)
Total liabilities and net position (deficit)	\$ 124,501,910	\$ 67,365,063	\$ 191,866,973	\$ 12,152,844

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, 2013**

	<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	\$ 5,867,144	\$ 225,645	\$ 8,170,000	\$ -
Community service	1,638,809	3,219,516	-	-
Public safety	9,335,742	1,421,556	136,527	-
Public works	6,021,562	18,219	69,204	8,196,369
Culture and recreation	2,667,072	367,880	105,635	-
Interest expense	1,473,694	-	-	-
Total governmental activities	<u>27,004,023</u>	<u>5,252,816</u>	<u>8,481,366</u>	<u>8,196,369</u>
Business-type activities:				
Water and sewer services	8,938,110	10,843,125	-	1,828,359
Solid waste services	1,828,285	1,919,103	22,395	-
Total business-type activities	<u>10,766,395</u>	<u>12,762,228</u>	<u>22,395</u>	<u>1,828,359</u>
Total primary government	<u>\$ 37,770,418</u>	<u>\$ 18,015,044</u>	<u>\$ 8,503,761</u>	<u>\$ 10,024,728</u>
Component Units:				
Economic Development Corporation	1,134,809	\$ -	\$ -	\$ -
Community Development Corporation	8,708,975	-	-	-
Little Elm Redevelopment Corporation	2,744,435	-	2,678,290	-
Total component units	<u>\$ 12,588,219</u>	<u>\$ -</u>	<u>\$ 2,678,290</u>	<u>\$ -</u>

General revenues:
 Property taxes, penalty, and interest
 Sales taxes
 Franchise taxes
 Interest
 Miscellaneous
 Gain on sale of capital assets
 Transfers
Total general revenues and transfers
 Change in net position
 Net position at beginning of year
Net position (deficit), 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 Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ 2,528,501	\$ -	\$ 2,528,501	\$ -
1,580,707	-	1,580,707	-
(7,777,659)	-	(7,777,659)	-
2,262,230	-	2,262,230	-
(2,193,557)	-	(2,193,557)	-
<u>(1,473,694)</u>	<u>-</u>	<u>(1,473,694)</u>	<u>-</u>
(5,073,472)	-	(5,073,472)	-
-	3,733,374	3,733,374	-
-	113,213	113,213	-
-	<u>3,846,587</u>	<u>3,846,587</u>	-
<u>\$ (5,073,472)</u>	<u>\$ 3,846,587</u>	<u>\$ (1,226,885)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	(1,134,809)
-	-	-	(8,708,975)
-	-	-	(66,145)
<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (9,909,929)</u>
\$ 10,864,585	\$ -	\$ 10,864,585	\$ -
2,775,736	-	2,775,736	1,679,893
1,730,574	92,009	1,822,583	-
136,752	96,344	233,096	26,685
513,343	-	513,343	89,680
9,330	9,343	18,673	-
1,551,460	(1,551,460)	-	-
<u>17,581,780</u>	<u>(1,353,764)</u>	<u>16,228,016</u>	<u>1,796,258</u>
12,508,308	2,492,823	15,001,131	(8,113,671)
65,627,158	29,642,793	95,269,951	2,866,424
<u>\$ 78,135,466</u>	<u>\$ 32,135,616</u>	<u>\$ 110,271,082</u>	<u>\$ (5,247,247)</u>

**TOWN OF LITTLE ELM, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 6,219,477	\$ 570,263	\$ 7,252,584	\$ 1,005,570	\$ 15,047,894
Receivables, net of allowance for doubtful accounts					
Taxes	502,619	41,977	-	100,781	645,377
Franchise fees	668,066	-	-	-	668,066
Due from other governments	-	-	514,509	-	514,509
Other	229,463	-	-	197,005	426,468
Note receivable	-	8,170,000	-	-	8,170,000
Prepays	223,255	-	-	150	223,405
Inventories	50,799	-	-	-	50,799
Total assets	\$ 7,893,679	\$ 8,782,240	\$ 7,767,093	\$ 1,303,506	\$ 25,746,518
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	\$ 769,623	\$ 170	\$ 190,936	\$ 130,659	\$ 1,091,388
Accrued interest payable	-	16,082	-	-	16,082
Retainage payable	-	-	180,526	-	180,526
Deposits	4,357	-	365,985	-	370,342
Deferred revenue	168,914	8,198,057	-	35,762	8,402,733
Total liabilities	942,894	8,214,309	737,447	166,421	10,061,071
Fund balances:					
Nonspendable	274,054	-	-	150	274,204
Restricted	-	567,931	6,409,044	1,136,935	8,113,910
Committed	-	-	620,602	-	620,602
Assigned	925,000	-	-	-	925,000
Unassigned	5,751,731	-	-	-	5,751,731
Total fund balances	6,950,785	567,931	7,029,646	1,137,085	15,685,447
Total liabilities and fund balances	\$ 7,893,679	\$ 8,782,240	\$ 7,767,093	\$ 1,303,506	\$ 25,746,518

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 POSITION
SEPTEMBER 30, 2013**

Total governmental fund balances	\$ 15,685,447
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds financial statements.	97,914,090
Accrued interest on governmental activities debt is not reported in the governmental funds financial statements until paid.	(247,655)
Revenues earned but not available within sixty days of fiscal year-end are not recognized as revenue in the governmental funds financial statements.	232,733
Bond issuance costs on governmental activity debt are included in expenditures in the funds when paid.	647,208
Internal service funds are used by management to charge the cost of certain activities, such as fleet management, to individual funds. This amount represents the assets less the liabilities of the internal service fund allocated to governmental activities.	194,071
Premiums on bond issuance for governmental activities debt are included in other financing sources in the governmental funds financial statements.	(662,577)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.	(1,222,266)
Long-term receivables from component units are not considered current financial resources, and, therefore the recognition of revenue on such receivables is deferred in the governmental funds financial statements.	8,170,000
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>(42,575,585)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 78,135,466</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, 2013**

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Taxes:					
Property taxes, penalty, and interest	\$ 7,937,479	\$ 3,031,498	\$ -	\$ -	\$ 10,968,977
General sales and use taxes	2,215,771	-	-	559,965	2,775,736
Other taxes and franchise fees	1,696,813	-	-	33,761	1,730,574
Licenses and permits	2,280,136	-	-	-	2,280,136
Intergovernmental	171,404	255,005	1,489,319	139,962	2,055,690
Charges for services	1,069,531	-	-	451,863	1,521,394
Impact fees	-	-	1,274,372	-	1,274,372
Fines	371,497	-	-	295,982	667,479
Interest	73,615	16,090	35,019	11,557	136,281
Other revenues	700,064	-	403,345	30,840	1,134,249
Total revenues	16,516,310	3,302,593	3,202,055	1,523,930	24,544,888
Expenditures:					
Current:					
General government	2,975,209	-	2,678,290	8,577	5,662,076
Community services	1,604,716	-	-	-	1,604,716
Public safety	7,899,914	-	-	285,972	8,185,886
Public works	1,732,899	-	-	684,323	2,417,222
Culture and recreation	2,121,153	-	-	90,336	2,211,489
Debt service:					
Principal retirement	-	1,837,728	-	-	1,837,728
Interest and fiscal agent fees	-	1,451,828	197,760	-	1,649,588
Capital outlay	768,545	-	7,703,874	286,531	8,758,950
Total expenditures	17,102,436	3,289,556	10,579,924	1,355,739	32,327,655
Excess (deficiency) of revenues over (under) expenditures	(586,126)	13,037	(7,377,869)	168,191	(7,782,767)
Other financing sources (uses):					
Transfers in	1,388,245	-	1,579,552	68,086	3,035,883
Proceeds from sale of assets	9,330	-	499,903	-	509,233
Issuance of refunding bonds	-	-	8,735,000	-	8,735,000
Premium on bond issuance	-	-	143,094	-	143,094
Transfers out	(962,841)	-	(230,348)	(484,834)	(1,678,023)
Total other financing sources (uses)	434,734	-	10,727,201	(416,748)	10,745,187
Net change in fund balances	(151,392)	13,037	3,349,332	(248,557)	2,962,420
Fund balance at beginning of year	7,102,177	554,894	3,680,314	1,385,642	12,723,027
Fund balance, end of year	\$ 6,950,785	\$ 567,931	\$ 7,029,646	\$ 1,137,085	\$ 15,685,447

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, 2013**

Net change in fund balances - total governmental funds	\$ 2,962,420
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.	176,159
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is capitalized.	8,691,393
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 position.	(4,818,601)
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.	5,300,023
The repayment of the principal of long term debt consumes the current financial resources of governmental funds, but has no effect on net position. 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 (\$8,735,000)	
o Debt issuance costs \$197,760	
o Bond premiums (\$143,094)	
o Repayments \$1,837,728	
o Amortization of premium on bonds, \$39,529, less the amortization of debt issue costs (\$32,026) and deferred loss on refunding (\$13,840)	(6,848,954)
Governmental funds reflect capital lease proceeds as other financing sources and payments as expenditures. This amount represent current year payments, which are reflected as a reduction of liabilities in the government-wide financial statements.	118,329
Changes in compensated absences are not reported in the fund financial statements. The net effect of the current year increase is to decrease net position.	(681,870)
Reimbursement for the transfer of capital assets increases fund balance of governmental funds; but in the government-wide statements, it is reported as a change in assets.	(499,903)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, to individual funds. The net income of the internal service fund is allocated entirely to governmental activities.	194,071
Long-term receivables from component units are not considered current financial resources, and, therefore are not reported in the governmental funds financial statements. They are expensed when incurred in the government-wide financial statements, however.	8,170,000
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.	<u>(14,759)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 12,748,308</u>

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 POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Governmental Activities- Internal Service Fund</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,856,550	\$ 187,749	\$ 3,044,299	\$ 194,094
Cash restricted for revenue bond reserve	4,687,426	-	4,687,426	-
Receivables (net of allowance for uncollectibles)	2,146,779	199,060	2,345,839	-
Inventories	98,482	-	98,482	-
Prepays	149	-	149	-
Total current assets	<u>9,789,386</u>	<u>386,809</u>	<u>10,176,195</u>	<u>194,094</u>
Noncurrent assets:				
Debt issuance costs	587,219	-	587,219	-
Land	1,296,592	-	1,296,592	-
Depreciable assets, net	49,375,289	68,174	49,443,463	-
Construction in progress	5,861,594	-	5,861,594	-
Total property and equipment	<u>56,533,475</u>	<u>68,174</u>	<u>56,601,649</u>	<u>-</u>
Total noncurrent assets	<u>57,120,694</u>	<u>68,174</u>	<u>57,188,868</u>	<u>-</u>
Total assets	<u>\$ 66,910,080</u>	<u>\$ 454,983</u>	<u>\$ 67,365,063</u>	<u>\$ 194,094</u>
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable and other accrued expenses	\$ 879,862	\$ 176,989	\$ 1,056,851	\$ 23
Accrued interest payable	198,022	-	198,022	-
Retainage payable	179,451	-	179,451	-
Customer deposits	932,472	-	932,472	-
Current portion of long-term debt	1,746,180	-	1,746,180	-
Total current liabilities	<u>3,935,987</u>	<u>176,989</u>	<u>4,112,976</u>	<u>23</u>
Long-term debt, net of current portion	31,116,471	-	31,116,471	-
Total liabilities	<u>35,052,458</u>	<u>176,989</u>	<u>35,229,447</u>	<u>23</u>
Net position:				
Net investment in capital assets	27,729,741	68,174	27,797,915	-
Restricted for:				
Debt service	683,851	-	683,851	-
Impact fees	861,720	-	861,720	-
Unrestricted	2,582,310	209,820	2,792,130	194,071
Total net position	<u>31,857,622</u>	<u>277,994</u>	<u>32,135,616</u>	<u>194,071</u>
Total liabilities and net position	<u>\$ 66,910,080</u>	<u>\$ 454,983</u>	<u>\$ 67,365,063</u>	<u>\$ 194,094</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 POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Water and Sewer	Solid Waste	Total	Governmental- Activities Internal Service Fund
Operating revenues:				
Water sales	\$ 5,810,948	\$ -	\$ 5,810,948	\$ -
Charges for sewer services	4,458,626	-	4,458,626	-
Tap, connections, and other fees	552,971	-	552,971	-
Charges for solid waste	-	1,919,101	1,919,101	-
Taxes	-	92,009	92,009	-
Other revenue	20,580	2	20,582	-
Total operating revenues	10,843,125	2,011,112	12,854,237	-
Operating expenses:				
Personnel services	1,822,278	11,146	1,833,424	-
Contractual services	276,984	1,738,576	2,015,560	-
Repairs and maintenance	197,418	73,566	270,984	-
Supplies	2,914,402	-	2,914,402	-
Depreciation and amortization	1,744,231	4,997	1,749,228	-
Other operating expenses	678,452	-	678,452	-
Total operating expenses	7,633,765	1,828,285	9,462,050	-
Operating income	3,209,360	182,827	3,392,187	-
Non-operating revenues (expenses):				
Developer reimbursement	(44,140)	-	(44,140)	-
Intergovernmental	-	22,395	22,395	-
Gain (loss) on sale of assets	9,343	-	9,343	-
Interest income	93,114	3,230	96,344	471
Interest expense	(1,260,205)	-	(1,260,205)	-
Total non-operating revenue (expenses)	(1,201,888)	25,625	(1,176,263)	471
Income before capital contributions and transfers	2,007,472	208,452	2,215,924	471
Capital contributions and transfers				
Contributions	579,316	-	579,316	-
Impact fees	1,249,043	-	1,249,043	-
Transfers in	-	-	-	193,600
Transfers out	(1,153,860)	(397,600)	(1,551,460)	-
Total capital contributions and transfers	674,499	(397,600)	276,899	193,600
Change in net position	2,681,971	(189,148)	2,492,823	194,071
Net position at beginning of year	29,175,651	467,142	29,642,793	-
Net position, end of year	\$ 31,857,622	\$ 277,994	\$ 32,135,616	\$ 194,071

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, 2013**

	Water and Sewer	Solid Waste	Total	Governmental Activities- Internal Service Fund
Cash flow from operating activities:				
Receipts from customers and users	\$ 10,757,069	\$ 1,993,916	\$ 12,750,985	\$ -
Payments to suppliers	(4,234,056)	(1,765,367)	(5,999,423)	23
Payments to employees	(1,530,823)	(12,793)	(1,543,616)	-
Net cash provided by operating activities	4,992,190	215,756	5,207,946	\$ 23
Cash flow from noncapital financing activities:				
Transfers in	-	-	-	193,600
Transfers out	(1,153,860)	(397,600)	(1,551,460)	-
Developer reimbursement	(44,140)	-	(44,140)	-
Intergovernmental revenue	-	22,395	22,395	-
Net cash provided by (used by) noncapital financing activities	(1,198,000)	(375,205)	(1,573,205)	193,600
Cash flow from capital financing activities:				
Proceeds from long-term debt	3,040,000	-	3,040,000	-
Acquisition of capital assets	(5,645,451)	(25,576)	(5,671,027)	-
Proceeds from sale of capital assets	9,343	-	9,343	-
Impact fees	1,249,043	-	1,249,043	-
Bond issuance costs	(60,167)	-	(60,167)	-
Principal paid on capital debt	(4,662,273)	-	(4,662,273)	-
Interest paid on capital debt	(1,298,315)	-	(1,298,315)	-
Net cash used by capital financing activities	(7,367,820)	(25,576)	(7,393,396)	-
Cash flow from investing activities:				
Interest and dividends on investments	93,114	3,230	96,344	471
Net cash provided by investing activities	93,114	3,230	96,344	471
Net increase (decrease) in cash and cash equivalents	(3,480,516)	(181,795)	(3,662,311)	194,094
Cash and cash equivalents, beginning of year	11,024,492	369,544	11,394,036	-
Cash and cash equivalents, end of the year	\$ 7,543,976	\$ 187,749	\$ 7,731,725	194,094
Reconciliation to Statement of Net Position				
Cash and cash equivalents	\$ 2,856,550	\$ 187,749	\$ 3,044,299	\$ 194,094
Cash restricted to revenue bond reserve	4,687,426	-	4,687,426	-
	\$ 7,543,976	\$ 187,749	\$ 7,731,725	\$ 194,094
Noncash transactions:				
Capital contributions	\$ 579,316	\$ -	\$ 579,316	\$ -

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, 2013**

(CONTINUED)

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Internal Service Fund</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 3,209,360	\$ 182,827	\$ 3,392,187	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,744,231	4,997	1,749,228	-
Effects of changes in assets and liabilities:				
Decrease (increase) in receivables	(85,874)	(17,196)	(103,070)	-
Decrease (increase) in inventories	(182)	-	(182)	-
Increase (decrease) in payables	(30,360)	45,128	14,768	23
Increase (decrease) in deposits	39,715	-	39,715	-
Increase (decrease) in compensated absences	115,300	-	115,300	-
Net cash provided by operating activities	<u>\$ 4,992,190</u>	<u>\$ 215,756</u>	<u>\$ 5,207,946</u>	<u>\$ 23</u>

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

**TOWN OF LITTLE ELM, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2013**

	Economic Development Corporation	Community Development Corporation	Little Elm Redevelopment Authority	Total
ASSETS				
Cash and cash equivalents	\$ 1,900,466	\$ 1,200,569	\$ -	\$ 3,101,035
Receivables (net of allowance for uncollectibles)	201,562	100,781	-	302,343
Debt issuance costs	149,004	-	-	149,004
Noncurrent assets:				
Land	8,600,462	-	-	8,600,462
Total Assets	<u>10,851,494</u>	<u>1,301,350</u>	<u>-</u>	<u>12,152,844</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	19,215	2,885	-	22,100
Accrued interest payable	24,975	-	-	24,975
Non-current liabilities:				
Due within one year	382,774	240,000	-	622,774
Due in more than one year	8,800,242	7,930,000	-	16,730,242
Total Liabilities	<u>9,227,206</u>	<u>8,172,885</u>	<u>-</u>	<u>17,400,091</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	(171,631)	-	-	(171,631)
Restricted by enabling legislation	1,682,558	-	-	1,682,558
Restricted for debt service	113,361	-	-	113,361
Unrestricted	-	(6,871,535)	-	(6,871,535)
Total Net Position (Deficit)	<u>\$ 1,624,288</u>	<u>\$ (6,871,535)</u>	<u>\$ -</u>	<u>\$ (5,247,247)</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 POSITION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<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	1,134,809	\$ -	\$ -	\$ -
Community Development Corporation	8,708,975	-	-	-
Little Elm Redevelopment Authority	2,744,435	-	2,678,290	-
Total component units	<u>\$ 12,588,219</u>	<u>\$ -</u>	<u>\$ 2,678,290</u>	<u>\$ -</u>

General revenues:
Sales taxes
Investment income
Intergovernmental
Miscellaneous
Total general revenues
Change in net position
Net position (deficit) - beginning of year
Net position (deficit) - 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
\$ (1,134,809)	\$ -	\$ -	\$ (1,134,809)
-	(8,708,975)	-	(8,708,975)
-	-	(66,145)	(66,145)
<u>\$ (1,134,809)</u>	<u>\$ (8,708,975)</u>	<u>\$ (66,145)</u>	<u>\$ (9,909,929)</u>
\$ 1,119,929	\$ 559,964	\$ -	\$ 1,679,893
14,955	11,246	484	26,685
-	-	79,470	79,470
10,210	-	-	10,210
<u>1,145,094</u>	<u>571,210</u>	<u>79,954</u>	<u>1,796,258</u>
10,285	(8,137,765)	13,809	(8,113,671)
1,614,003	1,266,230	(13,809)	2,866,424
<u>\$ 1,624,288</u>	<u>\$ (6,871,535)</u>	<u>\$ -</u>	<u>\$ (5,247,247)</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

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 position and statement of activities. Significantly, the Town's statement of net position 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, 2013**

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 position 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, 2013**

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.

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, 2013**

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.

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, 2013**

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. **Stormwater Drainage Fund** accounts for fees charged for stormwater drainage services.
- h. **PEG Fund** accounts for fees used to defer the cost of streaming Council meeting videos of all meetings to meet the objective of local government transparency.
- i. **Farmers Market Grant Fund** accounts for proceeds and expenditures relating to the Farmers Market grant.

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 position.

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 enterprise 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.

Additionally, the Town reports an **Internal Service Fund** to account for the financing of goods or services provided by one department to other departments within the Town. The Vehicle Replacements fund is used to account for the acquisition and disposal of vehicles and large dollar equipment for the Town.

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.

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Cash and Cash Equivalents – Continued

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

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.

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, 2013, 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, 2013**

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:

Assets	Years
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 position.

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, 2013**

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 an unassigned fund balance in the General Fund equal to 25% of the budgeted expenditures in the General Fund for unanticipated expenditures, unforeseen revenue fluctuations, or other adverse circumstances. The fund balance level may be reduced to the equivalent of 15% of budgeted expenditures in unusual financial circumstances. If such a situation should occur, the Town will implement necessary corrective action

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Fund Equity - Continued

with a three-year plan to restore the unassigned fund balance to the equivalent of 25% of budgeted expenditures.

Net position represents the difference between assets and liabilities. Net investment in capital assets 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, 2013 up through February 12, 2014, the date the financial statements were issued. Significant subsequent events are described in Note 13.

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 \$ 26,070,898 and the bank balance was \$ 27,083,912 . 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, 2013 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:	
Primary Government	
Cash and cash equivalents	\$ 18,286,287
Restricted cash and cash equivalents	<u>4,687,426</u>
Total Primary Government	22,973,713
Component Unit	
Cash and cash equivalents	<u>3,101,035</u>
Total Cash and investments	<u>\$ 26,074,748</u>
Cash on hand	\$ 2,850
Deposits with financial institution	26,070,898
Investments	<u>1,000</u>
Total cash and investments	<u>\$ 26,074,748</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
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, 2013, the Town had the following investments

Investment Type	Amount	Weighted Average Maturity
TexPool	<u>\$ 1,000</u>	55 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.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
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, 2013**

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, 2013 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 position 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 2013 levy was based was approximately \$1,680,000,000. 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, 2013 was \$0.664971 per \$100 of assessed valuation. Current tax collections for the year ended September 30, 2013 were approximately 99% of the tax levy.

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

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, 2013 are as follows:

	Governmental Funds				Total
	General	Debt Service	Capital Projects	Nonmajor Funds	
Ad valorem taxes	\$ 123,108	\$ 51,296	\$ -	\$ -	\$ 174,404
Sales taxes	403,124	-	-	100,781	503,905
Court	591,730	-	-	316,281	908,011
Ambulance	210,284	-	-	-	210,284
Storm drainage	-	-	-	110,976	110,976
Franchise fees	668,066	-	-	7,703	675,769
Intergovernmental	-	-	514,509	-	514,509
Other	19,282	-	-	29,556	48,838
Gross receivables	2,015,594	51,296	514,509	565,297	3,146,696
Less: allowances	(615,446)	(9,319)	-	(267,511)	(892,276)
Net total receivables	<u>\$ 1,400,148</u>	<u>\$ 41,977</u>	<u>\$ 514,509</u>	<u>\$ 297,786</u>	<u>\$ 2,254,420</u>

	Proprietary Funds		
	Water and Sewer	Solid Waste	Total
Customer accounts	\$ 1,765,158	\$ 218,497	\$ 1,983,655
Other	558,097	-	558,097
Gross receivables	2,323,255	218,497	2,541,752
Less: allowances	(176,476)	(19,437)	(195,913)
Net total receivables	<u>\$ 2,146,779</u>	<u>\$ 199,060</u>	<u>\$ 2,345,839</u>

	Component Units			
	EDC	CDC	LERA	Total
Sales taxes	\$ 201,562	\$ 100,781	\$ -	\$ 302,343
Total receivables	<u>\$ 201,562</u>	<u>\$ 100,781</u>	<u>\$ -</u>	<u>\$ 302,343</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 2,479,696	\$ 4,405,935	\$ -	\$ -	\$ 6,885,631
Construction in progress	8,293,314	7,472,524	-	(7,076,685)	8,689,153
Total capital assets, not being depreciated	<u>10,773,010</u>	<u>11,878,459</u>	<u>-</u>	<u>(7,076,685)</u>	<u>15,574,784</u>
Capital assets being depreciated:					
Infrastructure	73,154,472	257,323	(516,029)	7,076,685	79,972,451
Buildings	24,557,237	86,910	-	-	24,644,147
Improvements other than buildings	4,157,905	998,576	-	-	5,156,481
Machinery and Equipment	8,321,627	770,148	(167,338)	-	8,924,437
Total capital assets being depreciated	<u>110,191,241</u>	<u>2,112,957</u>	<u>(683,367)</u>	<u>7,076,685</u>	<u>118,697,516</u>
Less accumulated depreciation for:					
Infrastructure	25,085,636	3,349,815	(16,126)	-	28,419,325
Buildings	1,371,708	618,589	-	-	1,990,297
Improvements other than buildings	999,920	172,694	-	-	1,172,614
Machinery and Equipment	4,265,809	677,503	(167,338)	-	4,775,974
Total accumulated depreciation	<u>31,723,073</u>	<u>4,818,601</u>	<u>(183,464)</u>	<u>-</u>	<u>36,358,210</u>
Total capital assets being depreciated, net	<u>78,468,168</u>	<u>(2,705,644)</u>	<u>(499,903)</u>	<u>7,076,685</u>	<u>82,339,306</u>
Governmental activities capital assets, net	<u>\$ 89,241,178</u>	<u>\$ 9,172,815</u>	<u>\$ (499,903)</u>	<u>\$ -</u>	<u>\$ 97,914,090</u>
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,296,592	\$ -	-	\$ -	\$ 1,296,592
Construction in progress	1,623,017	4,238,577	-	-	5,861,594
Total capital assets, not being depreciated	<u>2,919,609</u>	<u>4,238,577</u>	<u>-</u>	<u>-</u>	<u>7,158,186</u>
Capital assets being depreciated:					
Buildings	173,679	-	-	-	173,679
Water system improvements	27,636,569	1,152,946	-	-	28,789,515
Sewer system improvements	28,968,818	839,860	-	-	29,808,678
Machinery and equipment	1,786,379	39,960	(21,000)	-	1,805,339
Total capital assets being depreciated	<u>58,565,445</u>	<u>2,032,766</u>	<u>(21,000)</u>	<u>-</u>	<u>60,577,211</u>
Less accumulated depreciation for:					
Buildings	123,974	4,561	-	-	128,535
Water system improvements	3,595,283	798,338	-	-	4,393,621
Sewer system improvements	4,750,328	777,089	-	-	5,527,417
Machinery and equipment	951,170	154,005	(21,000)	-	1,084,175
Total accumulated depreciation	<u>9,420,755</u>	<u>1,733,993</u>	<u>(21,000)</u>	<u>-</u>	<u>11,133,748</u>
Total capital assets being depreciated, net	<u>49,144,690</u>	<u>298,773</u>	<u>-</u>	<u>-</u>	<u>49,443,463</u>
Business-type activities capital assets, net	<u>\$ 52,064,299</u>	<u>\$ 4,537,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,601,649</u>

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

Governmental activities:	
General government	\$ 171,300
Public safety	780,134
Public works	3,429,194
Culture and recreation	437,973
	<u>\$ 4,818,601</u>
Business-type activities:	
Water and Sewer	<u>\$ 1,733,993</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

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	\$ 1,388,245	\$ 962,841
Capital Projects Fund	1,579,552	230,348
Nonmajor Governmental Funds	68,086	484,834
Internal Service Fund	193,600	-
Water and Sewer Fund	-	1,153,860
Solid Waste Fund	-	397,600
	\$ 3,229,483	\$ 3,229,483

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	\$ 70,702	\$ 28,057	\$ -	\$ -	\$ 98,759
Note receivable	-	8,170,000	-	-	8,170,000
Court fines	70,482	-	-	-	70,482
Other	27,730	-	-	35,762	63,492
Total	\$ 168,914	\$ 8,198,057	\$ -	\$ 35,762	\$ 8,402,733

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, 2013:

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

NOTE 8. LONG-TERM DEBT - CONTINUED

General Obligation Bonds	Outstanding		Outstanding	
	Governmental	Due in one year	Business-Type	Due in one year
\$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%	\$ 2,295,000	\$ 105,000		
\$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%	3,690,000	215,000		
\$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%	4,960,000	255,000		
\$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%	8,695,000	365,000		
\$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%	8,535,527	407,789		
\$2,735,000 Series 2012A General Obligation due in annual installments of \$130,000 to \$210,000 through September 2027, plus interest at 2.09%	2,605,000	160,000		
\$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%	-	-	\$ 1,579,473	\$ 192,211
\$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%	3,555,000	350,000	2,885,000	230,000
\$3,040,000 Series 2013 General Obligation Refunding due in annual installments of \$205,000 to \$525,000 through September 2025, plus interest at 2.00% to 2.50%			3,040,000	205,000
	<u>\$ 34,335,527</u>	<u>\$ 1,857,789</u>	<u>\$ 7,504,473</u>	<u>\$ 627,211</u>

Revenue Bonds	Outstanding		Outstanding	
	Governmental	Due in one year	Business-Type	Due in one year
\$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%			\$ 3,055,000	\$ 130,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,055,000</u>	<u>\$ 130,000</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

NOTE 8. LONG-TERM DEBT – CONTINUED

Certificates of Obligation	Outstanding		Outstanding	
	Governmental	Due in one year	Business-Type	Due in one year
\$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%	\$ 2,170,000	\$ 90,000		
\$6,000,000 Series 2013 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$150,000 to \$335,000 through August 2028, plus interest at 1.50% to 3.00%	6,000,000	150,000		
\$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%			\$ 6,170,000	\$ 180,000
\$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	315,000.00
\$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%			5,720,000	335,000
	<u>\$ 8,170,000</u>	<u>\$ 240,000</u>	<u>\$ 21,890,000</u>	<u>\$ 830,000</u>

During the year ended September 30, 2013, the Town issued \$2,735,000 General Obligation Bonds, Series 2012A. Proceeds from the sale of the obligation were used for payment of an outstanding contractual economic development commitment to reimburse a developer.

During the year ended September 30, 2013, the Town issued \$6,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2013. Proceeds from the sale of the certificates will be used for the purpose of paying the Town's contractual obligations to be uncured for (i) the construction of public works, to wit: acquiring, constructing, improving and equipping municipal park and recreational facilities, including the acquisition of land therefor (the "Project"), and (ii) professional services rendered in connection with the construction and financing of the foregoing projects.

During the year ended September 30, 2013, the Town issued \$3,040,000 General Obligation Refunding Bonds, Series 2013. Net proceeds from the sale of the bonds totaled \$3,529,218. Of these proceeds, \$3,466,993 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 \$1,316,606, 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 \$1,173,729. As a result of this transaction, \$3,380,000 of revenue bonds was refunded and is considered legally defeased, and are no longer included as liabilities in the Town's basic financial statements.

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

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, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Governmental activities:					
General obligation bonds	\$ 33,348,254	\$ 2,735,000	\$ (1,747,728)	\$ 34,335,527	\$ 1,857,789
Unamortized bond premium	559,012	143,094	(39,529)	662,577	44,257
Certificates of obligation	2,260,000	6,000,000	(90,000)	8,170,000	240,000
Deferred loss on refunding	(146,471)	-	13,840	(132,631)	(13,840)
Capital leases	321,018	-	(118,329)	202,689	122,162
Compensated absences	540,396	1,610,996	(929,126)	1,222,266	533,054
	<u>36,882,209</u>	<u>10,489,090</u>	<u>(2,910,872)</u>	<u>44,460,428</u>	<u>2,783,422</u>
Business-type activities:					
General obligation bonds	4,866,746	3,040,000	(402,273)	7,504,473	627,211
Certificates of obligation	22,340,000	-	(450,000)	21,890,000	830,000
Revenue bonds	6,740,000	-	(3,685,000)	3,055,000	130,000
Deferred loss on refunding	(175,685)	(159,566)	20,354	(314,897)	(28,510)
Unamortized bond premium	409,287	105,957	(21,962)	493,282	36,103
Capital appreciation notes	125,000	-	(125,000)	-	-
Compensated absences	119,493	286,291	(170,991)	234,793	151,376
	<u>34,424,841</u>	<u>3,272,682</u>	<u>(4,834,872)</u>	<u>32,862,651</u>	<u>1,746,180</u>
Total Primary Government	<u>\$ 71,307,050</u>	<u>\$ 13,761,772</u>	<u>\$ (7,745,744)</u>	<u>\$ 77,323,079</u>	<u>\$ 4,529,602</u>
Component Units:					
Notes payable - EDC	\$ 7,506,542	\$ 2,000,000	\$ (330,449)	\$ 9,176,093	\$ 380,466
Notes payable - CDC	-	8,359,000	(189,000)	8,170,000	240,000
Compensated absences	6,773	12,659	(12,509)	6,923	2,308
	<u>\$ 7,513,315</u>	<u>\$ 10,371,659</u>	<u>\$ (531,958)</u>	<u>\$ 17,353,016</u>	<u>\$ 622,774</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
2014	\$ 1,857,789	\$ 1,296,466	\$ 3,154,255	\$ 627,211	\$ 204,716	\$ 831,927
2015	1,914,432	1,239,571	3,154,003	665,568	171,873	837,441
2016	2,000,254	1,176,615	3,176,869	669,747	157,809	827,556
2017	2,076,897	1,110,215	3,187,112	678,104	142,367	820,471
2018	2,148,539	1,038,200	3,186,739	691,460	126,674	818,134
2019-2023	11,542,616	3,983,996	15,526,612	3,112,383	363,147	3,475,530
2024-2028	10,550,000	1,793,383	12,343,383	1,060,000	36,013	1,096,013
2029-2033	2,245,000	140,719	2,385,719	-	-	-
Total	<u>\$ 34,335,527</u>	<u>\$ 11,779,165</u>	<u>\$ 46,114,692</u>	<u>\$ 7,504,473</u>	<u>\$ 1,202,599</u>	<u>\$ 8,707,072</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

NOTE 8. LONG-TERM DEBT – CONTINUED

Certificates of Obligation

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 240,000	\$ 266,788	\$ 188,755	\$ 830,000	\$ 877,069	\$ 1,707,069
2015	350,000	247,105	186,055	850,000	852,706	1,702,706
2016	355,000	240,430	188,355	880,000	826,956	1,706,956
2017	365,000	231,605	190,505	915,000	799,381	1,714,381
2018	375,000	222,455	190,505	945,000	770,619	1,715,619
2019-2023	2,055,000	950,775	962,275	5,265,000	3,372,019	8,637,019
2024-2028	2,400,000	616,920	975,295	5,900,000	2,350,778	8,250,778
2029-2033	2,030,000	205,935	394,640	5,115,000	1,129,763	6,244,763
2034-2036	-	-	-	1,190,000	62,248	1,252,248
Total	<u>\$ 8,170,000</u>	<u>\$ 2,982,013</u>	<u>\$ 3,276,385</u>	<u>\$ 21,890,000</u>	<u>\$ 11,041,539</u>	<u>\$ 32,931,539</u>

Revenue Bonds

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ -	\$ -	\$ -	\$ 130,000	\$ 136,410	\$ 266,410
2015	-	-	-	135,000	129,910	264,910
2016	-	-	-	145,000	124,645	269,645
2017	-	-	-	150,000	118,990	268,990
2018	-	-	-	155,000	112,990	267,990
2019-2023	-	-	-	910,000	460,510	1,370,510
2024-2028	-	-	-	1,160,000	234,363	1,394,363
2029-2033	-	-	-	270,000	12,825	282,825
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,055,000</u>	<u>\$ 1,330,643</u>	<u>\$ 4,385,643</u>

Capital Leases

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 122,162	\$ 5,802	\$ 127,964	\$ -	\$ -	\$ -
2015	68,429	1,833	70,262	-	-	-
2016	12,098	486	12,584	-	-	-
Total	<u>\$ 202,689</u>	<u>\$ 8,121</u>	<u>\$ 210,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2013 consists of the following:

Series	Type	Amount
2003	Waterworks and Sewer System Revenue Bonds	\$ 3,380,000
		<u>\$ 3,380,000</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

NOTE 8. LONG-TERM DEBT – CONTINUED

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, 2013 are as follows:

Payee	Description	Balance 9/30/2013
Southside Bank	\$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%.	\$ 7,223,525
Southside Bank	\$2,000,000, payable to bank, made May 2013, payable in semi-annual installments of \$72,366 through September 15, 2031, including interest at 3.3%	1,952,568
		<u>\$ 9,176,093</u>

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

Year	Principal	Interest	Total
2014	\$ 380,466	\$ 314,012	\$ 694,478
2015	388,015	300,938	688,953
2016	401,544	287,409	688,953
2017	415,545	273,408	688,953
2018	430,034	258,919	688,953
2019-2023	2,385,841	1,058,929	3,444,770
2024-2028	2,831,895	612,875	3,444,770
2029-2031	1,942,753	119,523	2,062,276
Total	<u>\$ 9,176,093</u>	<u>\$ 3,226,013</u>	<u>\$ 12,402,106</u>

Discretely presented component units – Community Development Corporation

Note Payable to Primary Government / Note Receivable From Component Unit

The Little Elm Community Development Corporation (“CDC”) has entered into agreements with the Town to reimburse the Town for annual debt service costs associated with the Series 2009A and Series 2013 Combination Tax and Revenue Certificates of Obligation. The outstanding obligation as of September 30, 2013, \$8,170,000, has been recorded as a non-current liability of the CDC and as a non-current asset of the governmental activities in the statement of net position.

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

NOTE 8. LONG-TERM DEBT – CONTINUED

Annual debt service requirements for the CDC notes are as follows:

Year	Principal	Interest	Total
2014	\$ 240,000	\$ 266,788	\$ 506,788
2015	350,000	247,105	597,105
2016	355,000	240,430	595,430
2017	365,000	231,605	596,605
2018	375,000	222,455	597,455
2019-2023	2,055,000	950,775	3,005,775
2024-2028	2,400,000	616,920	3,016,920
2029-2033	2,030,000	205,935	2,235,935
Total	\$ 8,170,000	\$ 2,982,013	\$ 11,152,013

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, 2011 valuation is effective for rates beginning January 2013.)

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

NOTE 9. PENSION PLAN

B. Contributions – Continued

Schedule of Actuarial Liabilities and Funding Progress:

Actuarial Valuation Date	12/31/12	12/31/11	12/31/10
Actuarial Value of Assets	\$ 11,940,507	\$ 10,019,596	\$ 8,183,361
Actuarial Accrued Liability	14,843,857	13,122,562	11,343,566
Percentage Funded	80.4%	76.4%	72.1%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	2,903,350	3,102,966	3,160,205
Annual Covered Payroll	8,859,638	8,219,825	7,908,759
UAAL as a Percentage of Covered Payroll	32.8%	37.7%	40.0%
Net Pension Obligation (NPO) at the Beginning of Period	-	-	-
Annual Pension Cost:			
Annual required contribution (ARC)	991,338	846,564	723,469
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
	<u>991,338</u>	<u>846,564</u>	<u>723,469</u>
Contributions Made (100% of cost)	991,338	846,564	723,469
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	20.4 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, 2013**

NOTE 11. NET POSITION / FUND BALANCE

A. Restricted Net Position

Net position is reported in the government-wide statement of net position consisted of the following as of September 30, 2013:

	Governmental Activities	Business-type Activities	Total Primary Government	Discretely Presented Component Units
Restricted by enabling legislation	\$ 909,990	\$ 861,720	\$ 1,771,710	\$ 1,682,558
Restricted for debt service	348,333	683,851	1,032,184	113,361
Restricted for other:				
Grant requirements	146,939	-	146,939	-
Donor stipulations	18,416	-	18,416	-
Forfeitures	32,759	-	32,759	-
Total restricted for other	198,114	-	198,114	-
	<u>\$ 1,456,437</u>	<u>\$ 1,545,571</u>	<u>\$ 3,002,008</u>	<u>\$ 1,795,919</u>

B. Fund Balance

The composition of the governmental fund balances at September 30, 2013 is as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Non major Governmental Funds	Total Governmental Funds
Non-spendable:					
Inventory	\$ 50,799	\$ -	\$ -	\$ -	\$ 50,799
Prepays	223,255	-	-	150	223,405
	274,054	-	-	150	274,204
Restricted for:					
Debt service	-	567,931	-	-	567,931
Street maintenance	-	-	-	387,095	387,095
Police	-	-	-	25,516	25,516
Fire	-	-	-	7,236	7,236
Stormwater drainage	-	-	-	325,888	325,888
Court	-	-	-	129,177	129,177
Red Light camera	-	-	-	121,552	121,552
Library	-	-	-	1,275	1,275
Animal Control	-	-	-	2,151	2,151
Forfeiture	-	-	-	32,759	32,759
Farmers Market	-	-	-	28,831	28,831
PEG	-	-	-	75,455	75,455
Streetscape	-	-	298,489	-	298,489
Capital projects	-	-	6,110,555	-	6,110,555
	-	567,931	6,409,044	1,136,935	8,113,910
Committed to:					
Park development	-	-	-	-	-
Street development	-	-	620,602	-	620,602
	-	-	620,602	-	620,602
Assigned to:					
Equipment replace/reserve	200,000	-	-	-	200,000
Capital outlay	725,000	-	-	-	725,000
	925,000	-	-	-	925,000
Unassigned	5,751,731	-	-	-	5,751,731
	<u>\$ 6,950,785</u>	<u>\$ 567,931</u>	<u>\$ 7,029,646</u>	<u>\$ 1,137,085</u>	<u>\$ 15,685,447</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

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, 2013, the cost of water purchased under this contract was \$2,027,885.

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 Contract Revenue 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, 2013, the payments made under this contract were \$425,541. Also during the year ended September 30, 2013, the NTMWD issued its Water Transmission Facilities Contract Revenue Refunding Bonds, Series 2013 (Town of Little Elm) in the amount of \$3,555,000 for the purpose of defeasing the Series 2003 obligations.

At September 30, 2013 and subsequent to year end, the Town is committed to numerous contracts for capital improvements totaling approximately \$3,900,000.

NOTE 13. SUBSEQUENT EVENTS

On October 15, 2013, Town Council voted to create the Hwy 380 Municipal Management District (MMD). The MMD covers 475 acres with an expansion planned up to 760 acres. The MMD was created during the 83rd legislative session of the Texas Legislature through the passage of SB 1878 pursuant to Chapter 3920 Special District Local Government Code and Chapter 49 Texas Water Code. The total estimated cost of improvements by the MMD is \$48,745,000.

On October 15, 2013, the Town entered into a developer agreement on 671 acres with Union Park Developer, Hillwood; with a future build-out of 2,500 residential lots and linear park facilities. The agreement sets forth Town responsibilities for construction inspections and development requirements per Town building standards; and payment of \$3.5M from the developer for future public safety service center.

On November 5, 2013, the Town issued \$3,000,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013A. Proceeds from the sale of the certificates will be used primarily for the purpose of constructing public park and recreation improvements to include public parking, building improvements, utility improvements and acquisition of easements.

On December 17, 2013, Town Council voted to create TIRZ#4 (Valencia TIRZ) and to define the Board and Tax Increment Fund whereby 46 % of the tax levy on the increment is to be paid to the TIRZ.

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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
Revenues:				
Taxes:				
Property taxes, penalty, and interest	\$ 7,753,502	\$ 7,753,502	\$ 7,937,479	\$ 183,977
General sales and use taxes	2,170,000	2,170,000	2,215,771	45,771
Other taxes and franchise fees	1,635,175	1,635,175	1,696,813	61,638
Licenses and permits	1,479,000	1,479,000	2,280,136	801,136
Intergovernmental revenue	142,000	142,000	171,404	29,404
Charges for services	813,032	813,032	1,069,531	256,499
Fines	325,000	325,000	371,497	46,497
Interest	90,000	90,000	73,615	(16,385)
Miscellaneous	392,350	392,350	700,064	307,714
Total revenues	<u>14,800,059</u>	<u>14,800,059</u>	<u>16,516,310</u>	<u>1,716,251</u>
Expenditures:				
General government:				
Town council	33,307	48,307	47,482	825
Town manager	334,746	334,746	244,524	90,222
Town secretary	141,694	141,694	126,424	15,270
Municipal court	318,409	318,409	293,532	24,877
Finance	996,936	996,936	948,169	48,767
Information technology	601,501	601,501	636,231	(34,730)
Human resources	433,022	433,022	403,417	29,605
Town attorney	195,000	195,000	275,430	(80,430)
Total general government	<u>3,054,615</u>	<u>3,069,615</u>	<u>2,975,209</u>	<u>94,406</u>
Community services:				
Inspections	1,161,436	1,257,436	1,307,363	(49,927)
Planning and zoning	293,802	293,802	297,353	(3,551)
Total community services	<u>1,455,238</u>	<u>1,551,238</u>	<u>1,604,716</u>	<u>(53,478)</u>
Public safety:				
Police	3,720,982	3,737,982	3,675,744	62,238
Fire	4,199,926	4,210,926	4,105,527	105,399
Animal control	120,389	120,389	118,643	1,746
Total public safety	<u>8,041,297</u>	<u>8,069,297</u>	<u>7,899,914</u>	<u>169,383</u>
Public works:				
Streets	940,536	940,536	907,316	33,220
Fleet maintenance	220,084	220,084	214,114	5,970
Facility maintenance	626,128	626,128	611,469	14,659
Total public works	<u>1,786,748</u>	<u>1,786,748</u>	<u>1,732,899</u>	<u>53,849</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
Culture and recreation:				
Library	424,568	424,568	397,711	26,857
Parks and recreation	1,777,892	1,777,892	1,723,442	54,450
Total culture and recreation	<u>2,202,460</u>	<u>2,202,460</u>	<u>2,121,153</u>	<u>81,307</u>
Capital outlay	374,715	751,615	768,545	(16,930)
Total expenditures	<u>16,915,073</u>	<u>17,430,973</u>	<u>17,102,436</u>	<u>328,537</u>
Excess (deficiency) of revenues over (under) expenditures	(2,115,014)	(2,630,914)	(586,126)	2,044,788
Other financing sources (uses):				
Transfers in	1,388,834	1,371,834	1,388,245	16,411
Gain on sale of assets	-	-	9,330	9,330
Transfers out	(693,600)	(667,601)	(962,841)	(295,240)
Total other financing sources (uses)	<u>695,234</u>	<u>704,233</u>	<u>434,734</u>	<u>(269,499)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,419,780)	(1,926,681)	(151,392)	1,775,289
Fund balance at beginning of year	7,102,177	7,102,177	7,102,177	-
Fund balance, end of year	<u>\$ 5,682,397</u>	<u>\$ 5,175,496</u>	<u>\$ 6,950,785</u>	<u>\$ 1,775,289</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance from Final Budget</u>
Revenues:				
Property taxes	\$ 2,916,129	\$ 2,916,129	\$ 3,031,498	\$ 115,369
Intergovernmental	-	-	255,005	255,005
Interest	23,500	23,500	16,090	(7,410)
Total revenues	<u>2,939,629</u>	<u>2,939,629</u>	<u>3,302,593</u>	<u>362,964</u>
Expenditures:				
Principal retirement	1,706,968	1,706,968	1,837,728	(130,760)
Interest and fiscal charges	1,410,062	1,410,062	1,451,828	(41,766)
Total expenditures	<u>3,117,030</u>	<u>3,117,030</u>	<u>3,289,556</u>	<u>(172,526)</u>
Excess (deficiency) of revenues under expenditures	(177,401)	(177,401)	13,037	190,438
Other financing sources:				
Transfers in	188,755	188,755	-	(188,755)
Total other financing sources	<u>188,755</u>	<u>188,755</u>	<u>-</u>	<u>(188,755)</u>
Net change in fund balance	11,354	11,354	13,037	1,683
Fund balances, beginning	<u>554,894</u>	<u>554,894</u>	<u>554,894</u>	<u>-</u>
Fund balances, ending	<u>\$ 566,248</u>	<u>\$ 566,248</u>	<u>\$ 567,931</u>	<u>\$ 1,683</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.

STORMWATER DRAINAGE FUND

Accounts for fees charged for storm water drainage services.

PEG FUND

Accounts for fees used to defer the cost of streaming Council meeting videos of all meetings to meet the objective of local government transparency.

FARMERS MARKET FUND

Accounts for proceeds and expenditures relating to the Farmers Market grant.

**TOWN OF LITTLE ELM, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013**

	<u>Grants</u>	<u>Donations</u>	<u>Forfeitures</u>	<u>Street Maintenance</u>
ASSETS				
Cash and cash equivalents	\$ 142,375	\$ 19,381	\$ 32,759	\$ 286,462
Receivables (net of allowance for uncollectibles)				
Taxes	-	-	-	100,781
Other	6,199	-	-	-
Prepays	-	150	-	-
Total assets	<u>\$ 148,574</u>	<u>\$ 19,531</u>	<u>\$ 32,759</u>	<u>\$ 387,243</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ 1,635	\$ 965	\$ -	\$ 148
Deferred revenue	-	-	-	-
Total liabilities	<u>1,635</u>	<u>965</u>	<u>-</u>	<u>148</u>
Fund balances				
Non-spendable	-	150	-	-
Spendable				
Restricted	146,939	18,416	32,759	387,095
Total fund balances	<u>146,939</u>	<u>18,566</u>	<u>32,759</u>	<u>387,095</u>
Total liabilities and fund balances	<u>\$ 148,574</u>	<u>\$ 19,531</u>	<u>\$ 32,759</u>	<u>\$ 387,243</u>

<u>Park Development</u>	<u>Red Light Camera</u>	<u>Stormwater Drainage</u>	<u>PEG Fund</u>	<u>Farmers Market Grant</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 201,737	\$ 236,809	\$ 67,752	\$ 18,295	\$ 1,005,570
-	-	-	-	-	100,781
-	59,868	111,083	7,703	12,152	197,005
-	-	-	-	-	150
<u>\$ -</u>	<u>\$ 261,605</u>	<u>\$ 347,892</u>	<u>\$ 75,455</u>	<u>\$ 30,447</u>	<u>\$ 1,303,506</u>
\$ -	\$ 104,291	\$ 22,004	\$ -	\$ 1,616	\$ 130,659
-	35,762	-	-	-	35,762
-	140,053	22,004	-	1,616	166,421
-	-	-	-	-	150
-	121,552	325,888	75,455	28,831	1,136,935
-	121,552	325,888	75,455	28,831	1,137,085
<u>\$ -</u>	<u>\$ 261,605</u>	<u>\$ 347,892</u>	<u>\$ 75,455</u>	<u>\$ 30,447</u>	<u>\$ 1,303,506</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, 2013**

	<u>Grants</u>	<u>Donations</u>	<u>Forfeitures</u>	<u>Street Maintenance</u>
Revenues:				
Taxes				
General sales and use taxes	\$ -	\$ -	\$ -	\$ 559,965
Franchise tax and other				
Charges for service	-	-	14	-
Intergovernmental	-	32,224	-	35,000
Fines	31,874	-	-	-
Interest	997	273	413	4,399
Other revenues	-	5,000	25,130	-
Total revenues	<u>32,871</u>	<u>37,497</u>	<u>25,557</u>	<u>599,364</u>
Expenditures:				
Current:				
General government	-	-	8,577	-
Public safety	2,665	2,767	14,576	-
Public works	-	-	-	470,990
Culture and recreation	2,146	53,736	-	-
Capital outlay	7,256	-	-	-
Total expenditures	<u>12,067</u>	<u>56,503</u>	<u>23,153</u>	<u>470,990</u>
Excess of revenues over expenditures	20,804	(19,006)	2,404	128,374
Other financing sources (uses):				
Transfers in	-	-	2,697	-
Transfers in (out)	(10,384)	-	(17,000)	(358,703)
Total other financing uses	<u>(10,384)</u>	<u>-</u>	<u>(14,303)</u>	<u>(358,703)</u>
Net changes in fund balance	10,420	(19,006)	(11,899)	(230,329)
Fund balance at beginning of year	136,519	37,572	44,658	617,424
Fund balance, end of year	<u>\$ 146,939</u>	<u>\$ 18,566</u>	<u>\$ 32,759</u>	<u>\$ 387,095</u>

<u>Park Development</u>	<u>Red Light Camera</u>	<u>Stormwater Drainage</u>	<u>PEG Fund</u>	<u>Farmers Market Grant</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 559,965
-	-	451,849	33,761	-	33,761
-	-	34,204	-	-	451,863
-	264,108	-	-	38,534	139,962
509	1,572	3,048	306	40	295,982
-	-	-	-	710	11,557
<u>509</u>	<u>265,680</u>	<u>489,101</u>	<u>34,067</u>	<u>39,284</u>	<u>1,523,930</u>
-	-	-	-	-	8,577
-	265,964	-	-	-	285,972
-	-	213,333	-	-	684,323
-	-	-	-	34,454	90,336
<u>23,899</u>	<u>-</u>	<u>255,376</u>	<u>-</u>	<u>-</u>	<u>286,531</u>
<u>23,899</u>	<u>265,964</u>	<u>468,709</u>	<u>-</u>	<u>34,454</u>	<u>1,355,739</u>
(23,390)	(284)	20,392	34,067	4,830	168,191
-	-	-	41,388	24,001	68,086
<u>(73,220)</u>	<u>(16,527)</u>	<u>(9,000)</u>	<u>-</u>	<u>-</u>	<u>(484,834)</u>
<u>(73,220)</u>	<u>(16,527)</u>	<u>(9,000)</u>	<u>41,388</u>	<u>24,001</u>	<u>(416,748)</u>
(96,610)	(16,811)	11,392	75,455	28,831	(248,557)
<u>96,610</u>	<u>138,363</u>	<u>314,496</u>	<u>-</u>	<u>-</u>	<u>1,385,642</u>
<u>\$ -</u>	<u>\$ 121,552</u>	<u>\$ 325,888</u>	<u>\$ 75,455</u>	<u>\$ 28,831</u>	<u>\$ 1,137,085</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, 2013**

ASSETS

Cash and cash equivalents	\$ 1,900,466
Receivables	<u>201,562</u>
Total assets	<u>\$ 2,102,028</u>

LIABILITIES

Accounts payable and other current liabilities	<u>\$ 19,215</u>
Total liabilities	<u>19,215</u>

FUND BALANCES

Restricted	1,298,465
Unassigned	<u>784,348</u>
Total fund balances	<u>2,082,813</u>
Total liabilities and fund balances	<u>\$ 2,102,028</u>

**TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2013**

Total fund balance - governmental funds \$ 2,082,813

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds
financial statements. \$ 8,600,462

Notes payable are not due and payable in the current period and
therefore are not reported in the governmental funds financial
statements. (9,176,093)

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. 149,004

Accrued interest on governmental activities debt is not reported in
the governmental funds financial statements until paid. (24,975)

Compensated absences are not due and payable in the current
period and therefore are not reported in the governmental funds
financial statements. (6,923)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,624,288

**TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Revenues:

Taxes	
General sales and use taxes	\$ 1,119,929
Interest	14,955
Other revenues	10,210
Total revenues	<u>1,145,094</u>

Expenditures:

Current:	
General government	30,000
Economic and physical development	841,389
Debt service:	
Principal	330,449
Interest and other fiscal charges	281,745
Capital outlay	8,600,462
Total expenditures	<u>10,084,045</u>

Deficiency of revenues under expenditures	(8,938,951)
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Other financing sources (uses):

Issuance of debt	2,000,000
Total other financing sources (uses)	<u>2,000,000</u>

Net change in fund balance	(6,938,951)
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Fund balance, beginning of year	<u>9,021,764</u>
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Fund balance, end of year	<u><u>\$ 2,082,813</u></u>
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**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, 2013**

Net change in fund balances - governmental funds	\$ (6,938,951)
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.	(14,131)
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets are capitalized.	\$ 8,600,462
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	330,449
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.	(2,000,000)
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. This amount is \$40,000 of current year issuance costs less \$7,394 of current year amortization.	32,606
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>(150)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 10,285</u></u>

**TOWN OF LITTLE ELM, TEXAS
BALANCE SHEET
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2013**

ASSETS

Cash and cash equivalents	\$ 1,200,569
Receivables	<u>100,781</u>
Total assets	<u>\$ 1,301,350</u>

LIABILITIES

Accounts payable and other current liabilities	<u>\$ 2,885</u>
Total liabilities	<u>2,885</u>

FUND BALANCES

Spendable	
Restricted	<u>1,298,465</u>
Total fund balances	<u>1,298,465</u>
Total liabilities and fund balances	<u>\$ 1,301,350</u>

**TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2013**

Total fund balance - governmental funds	\$ 1,298,465
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds financial statements.	(8,170,000)
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (6,871,535)</u></u>

**TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Revenues:

Taxes	
General sales and use taxes	\$ 559,964
Interest	11,246
Total revenues	<u>571,210</u>

Expenditures:

Current:	
General government	12,000
Economic and physical development	337,975
Debt service:	
Principal	189,000
Total expenditures	<u>538,975</u>

Net change in fund balance	32,235
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Fund balance, beginning of year	<u>1,266,230</u>
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Fund balance, end of year	<u><u>\$ 1,298,465</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, 2013**

Net change in fund balances - governmental funds	\$ 32,235
Amounts reported for component unit funds in the statement of activities are different because:	
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	189,000
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds financial statements. This amount represents commitments made to reimburse debt service costs associated with projects that will be capitalized by the Town.	<u>(8,359,000)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (8,137,765)</u></u>

**TOWN OF LITTLE ELM, TEXAS
BALANCE SHEET
LITTLE ELM REDEVELOPMENT AUTHORITY
SEPTEMBER 30, 2013**

ASSETS

Cash and cash equivalents	\$ -
Total assets	\$ -

LIABILITIES

Accounts payable and other current liabilities	\$ -
Due to other governments	-
Total liabilities	-

FUND BALANCES

Spendable Unassigned	-
Total fund balances	-
Total liabilities and fund balances	\$ -

**TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
LITTLE ELM REDEVELOPMENT AUTHORITY
SEPTEMBER 30, 2013**

Total fund balance - governmental funds	\$ -
None	
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ -</u></u>

**TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
LITTLE ELM REDEVELOPMENT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Revenues:	
Intergovernmental	\$ 2,757,760
Interest	484
Total revenues	<u>2,758,244</u>
Expenditures:	
Current:	
General government	140
Economic and physical development	2,678,290
Debt service - financing costs	66,005
Total expenditures	<u>2,744,435</u>
Excess of revenues over expenditures	13,809
Fund balance (deficit) , beginning of year	<u>(13,809)</u>
Fund balance, end of year	<u><u>\$ -</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, 2013**

Net change in fund balances - governmental funds \$ 13,809

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

None

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 13,809



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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 POSITION BY COMPONENT
LAST TEN FISCAL YEARS (UNAUDITED)
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Net investment in capital assets	\$ 18,434,495	\$ 11,459,359	\$ 17,666,776	\$ 19,470,253
Restricted	581,765	2,531,729	2,531,729	2,714,442
Unrestricted	5,859,985	6,027,986	3,287,263	5,599,224
Total governmental activities net assets ^a	<u>\$ 24,876,245</u>	<u>\$ 20,019,074</u>	<u>\$ 23,485,768</u>	<u>\$ 27,783,919</u>
Business-type activities				
Net investment in capital assets	\$ 13,229,275	\$ 5,892,867	\$ 8,246,435	\$ 10,616,127
Restricted	-	3,832,517	4,421,129	4,026,887
Unrestricted	-	5,430,243	5,129,690	5,120,843
Total business-type activities net assets	<u>\$ 13,229,275</u>	<u>\$ 15,155,627</u>	<u>\$ 17,797,254</u>	<u>\$ 19,763,857</u>
Primary government				
Net investment in capital assets	\$ 31,663,770	\$ 17,352,226	\$ 25,913,211	\$ 30,086,380
Restricted	581,765	6,364,246	6,952,858	6,741,329
Unrestricted	5,859,985	11,458,229	8,416,953	10,720,067
Total primary governmental net assets	<u>\$ 38,105,520</u>	<u>\$ 35,174,701</u>	<u>\$ 41,283,022</u>	<u>\$ 47,547,776</u>

Source: Comprehensive Annual Financial Report

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

TABLE A-1

Fiscal Year						
<u>2008^a</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	
\$ 34,946,833	\$ 42,980,036	\$ 47,903,977	\$ 50,204,248	\$ 52,815,876	\$ 63,117,552	
2,020,133	456,110	2,111,443	2,752,458	4,171,809	1,456,437	
7,104,984	5,297,621	2,902,375	5,760,237	8,639,473	13,561,477	
<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>	<u>\$ 78,135,466</u>	
\$ 11,108,371	\$ 12,953,757	\$ 17,697,671	\$ 18,965,595	\$ 23,568,624	\$ 27,797,915	
3,739,824	6,226,635	3,020,299	3,420,742	2,678,605	1,545,571	
5,409,835	2,624,238	3,233,394	4,738,358	3,395,564	2,792,130	
<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>	<u>\$ 32,135,616</u>	
\$ 46,055,204	\$ 55,933,793	\$ 65,601,648	\$ 69,169,843	\$ 76,384,500	\$ 90,915,467	
5,759,957	6,682,745	5,273,739	6,173,200	6,850,414	3,002,008	
12,514,819	7,921,859	5,993,772	10,498,595	12,035,037	16,353,607	
<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>	<u>\$ 110,271,082</u>	

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

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007 b</u>
Expenses				
Governmental activities:				
General government	\$ 1,002,901	\$ 1,746,332	\$ 2,046,546	\$ 1,165,132
Public safety	2,534,609	3,817,912	3,904,491	4,735,242
Public works	1,533,972	2,870,899	3,652,686	3,334,704
Culture and recreation	432,751	815,792	811,641	1,033,235
Community services	568,348	612,772	658,666	1,231,869
Interest on long-term debt	704,666	260,137	235,890	217,332
Total governmental activities expenses	<u>\$ 6,777,247</u>	<u>\$ 10,123,844</u>	<u>\$ 11,309,920</u>	<u>\$ 11,717,514</u>
Business-type activities:				
Water and sewer	\$ 4,160,706	\$ 4,645,710	\$ 4,616,233	\$ 4,641,202
Solid waste	-	-	-	-
Total business-type activities expenses	<u>4,160,706</u>	<u>4,645,710</u>	<u>4,616,233</u>	<u>4,641,202</u>
Total primary government expenses	<u>\$ 10,937,953</u>	<u>\$ 14,769,554</u>	<u>\$ 15,926,153</u>	<u>\$ 16,358,716</u>
Program Revenues				
Governmental activities:				
Charges for Services:				
General government	\$ 265,761	\$ 461,562	\$ 679,877	\$ 472,491
Public safety	144,158	412,446	793,118	883,435
Public works	49,279	215,455	185,928	129,384
Culture and recreation	48,245	38,205	49,412	47,779
Community services	2,548,099	456,953	498,279	288,518
Operating grants and contributions	198,653	14,951	27,540	149,774
Capital grants and contributions	-	4,708,563	4,141,707	2,478,539
Total governmental activities program revenues	<u>\$ 3,254,195</u>	<u>\$ 6,308,135</u>	<u>\$ 6,375,861</u>	<u>\$ 4,449,920</u>
Business-type activities:				
Charges for services:				
Water and sewer	\$ 3,741,867	\$ 4,429,192	\$ 5,218,473	\$ 4,385,488
Solid waste	-	-	-	-
Operating grants and contributions	-	55,299	-	-
Capital grants and contributions	-	1,514,799	741,816	1,900,735
Total business-type activities program revenues	<u>\$ 3,741,867</u>	<u>\$ 5,999,290</u>	<u>\$ 5,960,289</u>	<u>\$ 6,286,223</u>
Total primary government program revenues	<u>\$ 6,996,062</u>	<u>\$ 12,307,425</u>	<u>\$ 12,336,150</u>	<u>\$ 10,736,143</u>

Source: Comprehensive Annual Financial Report

Notes: ^b General Revenue classifications modified.

TABLE A-2 (CONTINUED)

							Fiscal Year								
							2008	2009		2010	2011		2012	2013	
\$	1,880,759	\$	2,286,941	\$	2,540,722	\$	2,464,445	\$	2,576,483	\$	5,867,144				
	5,756,355		6,431,906		1,530,292		7,190,910		8,002,813		9,335,742				
	4,155,141		3,990,855		8,839,262		4,435,870		5,344,115		6,021,562				
	1,091,693		1,358,796		2,853,899		1,483,761		1,674,950		2,667,072				
	937,464		1,086,952		1,346,593		1,364,740		1,238,188		1,638,809				
	908,921		1,058,944		1,385,300		1,715,179		1,655,901		1,473,694				
\$	14,730,333	\$	16,214,394	\$	18,496,068	\$	18,654,905	\$	20,492,450	\$	27,004,023				
\$	6,474,575	\$	6,817,172	\$	6,763,043	\$	6,950,429	\$	8,576,299	\$	8,938,110				
	-		1,827,534		1,641,111		1,465,030		1,542,812		1,828,285				
	6,474,575		8,644,706		8,404,154		8,415,459		10,119,111		10,766,395				
\$	21,204,908	\$	24,859,100	\$	26,900,222	\$	27,070,364	\$	30,611,561	\$	37,770,418				
\$	2,268,637	\$	413,046	\$	139,313	\$	168,475	\$	203,194	\$	225,645				
	898,538		576,564		854,090		1,049,754		1,316,490		1,421,556				
	1,264,387		-		29,398		37,297		36,968		18,219				
	-		43,395		55,853		115,981		229,245		367,880				
	-		1,028,110		1,386,646		1,620,331		3,067,120		3,219,516				
	304,349		182,174		308,121		220,617		296,234		8,481,366				
	8,360		4,398,954		4,705,395		4,767,318		5,072,076		8,196,369				
\$	4,744,271	\$	6,642,243	\$	7,478,816	\$	7,979,773	\$	10,221,327	\$	21,930,551				
\$	6,694,244	\$	8,565,303	\$	8,755,653	\$	9,743,392	\$	10,088,464	\$	10,843,125				
	-		1,845,096		1,965,611		1,645,533		1,758,790		1,919,103				
	-		-		-		-		-		22,395				
	-		-		-		473,422		2,382,570		1,828,359				
\$	6,694,244	\$	10,410,399	\$	10,721,264	\$	11,862,347	\$	14,229,824	\$	14,612,982				
\$	11,438,515	\$	17,052,642	\$	18,200,080	\$	19,842,120	\$	24,451,151	\$	36,543,533				

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

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007^b</u>
Net (Expenses) Revenue				
Governmental activities	\$ (3,523,052)	\$ (3,815,709)	\$ (4,934,060)	\$ (7,267,594)
Business-type activities	(418,839)	1,353,580	1,344,056	1,645,021
Total primary government net expenses	<u>\$ (3,941,891)</u>	<u>\$ (2,462,129)</u>	<u>\$ (3,590,004)</u>	<u>\$ (5,622,573)</u>
General Revenues and other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 3,082,183	\$ 4,842,770	\$ 5,154,268	\$ 5,790,305
Sales & Other taxes	508,695	1,992,412	1,735,286	3,310,322
Penalties and interest	21,792	44,256	50,504	-
Unrestricted investment earnings	79,314	213,359	388,712	367,476
Gains on sale of assets	-	-	78,482	(7,805)
Developer contributions	12,252,588	-	-	-
Impact Fees	993,346	-	-	-
Miscellaneous	275,569	85,503	100,660	94,695
Transfers	(358,824)	210,932	263,260	367,145
Total governmental activities	<u>\$ 16,854,663</u>	<u>\$ 7,389,232</u>	<u>\$ 7,771,172</u>	<u>\$ 9,922,138</u>
Business-type activities:				
Taxes	\$ -	\$ -	\$ -	\$ -
Unrestricted investment earnings	90,823	77,650	144,682	204,514
Gains on sale of assets	-	-	-	9,694
Miscellaneous	136,522	-	-	-
Developer contributions	7,008,101	-	-	-
Transfers	358,824	(210,932)	(263,260)	(367,145)
Total business-type activities	<u>\$ 7,594,270</u>	<u>\$ (133,282)</u>	<u>\$ (118,578)</u>	<u>\$ (152,937)</u>
Total primary government	<u>\$ 24,448,933</u>	<u>\$ 7,255,950</u>	<u>\$ 7,652,594</u>	<u>\$ 9,769,201</u>
Change in Net Position				
Governmental activities	\$ 13,331,611	\$ 3,573,523	\$ 2,837,112	\$ 2,654,544
Business-type activities	7,175,431	1,220,298	1,225,478	1,492,084
Total primary government	<u>\$ 20,507,042</u>	<u>\$ 4,793,821</u>	<u>\$ 4,062,590</u>	<u>\$ 4,146,628</u>

Source: Comprehensive Annual Financial Report

Notes: ^a General Revenue classifications modified.

TABLE A-2 (CONCLUDED)

Fiscal Year					
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ (9,986,062)	\$ (9,572,151)	\$ (11,017,252)	\$ (10,675,132)	\$ (10,271,123)	\$ (5,073,472)
219,669	1,765,693	2,317,110	3,446,888	4,110,713	3,846,587
<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>	<u>\$ (1,226,885)</u>
\$ 7,563,027	\$ 8,828,874	\$ 9,668,429	\$ 10,195,279	\$ 10,662,787	\$ 10,864,585
3,199,197	2,904,368	3,221,191	3,438,665	4,039,591	4,506,310
-	-	-	-	-	-
539,838	334,206	388,935	271,988	199,751	136,752
-	-	31,158	-	-	9,330
-	-	-	-	-	-
-	-	-	-	-	-
1,614,934	1,148,956	561,919	1,329,395	464,013	513,343
897,379	1,017,564	1,329,648	1,238,953	1,815,196	1,551,460
<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>	<u>\$ 17,581,780</u>
\$ -	\$ -	\$ -	\$ 56,342	\$ 82,977	\$ 92,009
288,977	455,159	333,428	150,655	139,604	96,344
-	-	-	-	-	9,343
596,409	307,312	566,639	758,399	-	-
-	-	-	-	-	-
(867,379)	(981,564)	(1,070,443)	(1,238,953)	(1,815,196)	(1,551,460)
<u>\$ 18,007</u>	<u>\$ (219,093)</u>	<u>\$ (170,376)</u>	<u>\$ (273,557)</u>	<u>\$ (1,592,615)</u>	<u>\$ (1,353,764)</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>	<u>\$ 16,228,016</u>
\$ 3,828,313	\$ 4,661,817	\$ 4,184,028	\$ 5,799,148	\$ 6,910,215	\$ 12,508,308
237,676	1,546,600	2,146,734	3,173,331	2,518,098	2,492,823
<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>	<u>\$ 15,001,131</u>

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

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund				
Reserved ^a	\$ -	\$ 2,545,432	\$ 2,552,744	\$ 2,793,187
Nonspendable ^a				
Restricted				
Committed				
Assigned				
Unassigned				
Unreserved, designated for				
Unbudgeted expenditures	-	-	-	-
Unreserved, undesignated	5,859,985	2,328,596	3,283,945	3,356,355
Total general fund	<u>\$ 5,859,985</u>	<u>\$ 4,874,028</u>	<u>\$ 5,836,689</u>	<u>\$ 6,149,542</u>
All Other				
Governmental Funds				
Reserved for:				
Debt service	100,743	-	10,363	76,933
Nonspendable ^a				
Restricted				
Committed				
Assigned				
Unassigned				
Unreserved, reported in:				
Special revenue funds	481,022	662,364	1,131,265	1,447,159
Debt service				
Capital projects funds		2,996,670	10,111,140	7,855,095
Total all other governmental funds	<u>\$ 581,765</u>	<u>\$ 3,659,034</u>	<u>\$ 11,252,768</u>	<u>\$ 9,379,187</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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011^b</u>	<u>2012</u>	<u>2013</u>
\$ 2,020,133	\$ 26,117	\$ 35,410	\$ -	\$ -	\$ -
			48,944	56,704	274,054
				221,155	
			3,326,289		
			1,519,500	693,600	925,000
			943,210	6,130,718	5,751,731
-	1,153,325	1,662,286			
5,398,287	3,086,147	3,309,224			
<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>	<u>\$ 6,950,785</u>
-	-	-	-	-	-
				150	150
			14,255,397	4,346,848	8,113,910
			702,364	1,273,852	620,602
			(42,361)		
227,961	759,750	544,399			
218,843	226,226	301,863			
5,614,493	19,196,982	25,980,408			
<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>	<u>\$ 8,734,662</u>

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

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
REVENUES				
Property taxes, penalties and interest	\$ 2,493,573	\$ 2,962,576	\$ 3,952,201	\$ 5,644,249
Sales tax	1,308,251	1,667,422	1,554,438	1,751,857
Franchise and other taxes	508,695	614,367	868,904	971,299
Licenses and permits	1,579,673	1,926,686	2,065,029	1,542,637
Charges for services	554,173	1,232,031	1,504,403	1,905,967
Impact fees	-	-	-	-
Fines and forfeitures	265,761	250,796	698,938	622,940
Intergovernmental revenue and grants	198,652	342,532	618,983	323,297
Contributions	-	-	-	-
Interest earnings	79,314	243,196	729,047	951,392
Other revenue	199,413	177,674	513,296	300,864
Total revenues	7,187,505	9,417,280	12,505,239	14,014,502
EXPENDITURES				
General government	679,693	1,302,788	1,694,438	2,067,815
Public safety	2,459,182	2,902,564	3,684,917	4,827,076
Public works	1,220,266	2,304,509	2,359,076	2,763,980
Culture and recreation	369,049	479,282	670,386	891,579
Community services	561,531	363,251	442,312	176,853
Capital outlay	2,564,167	3,749,115	7,236,375	6,424,139
Debt service				
Principal retirement	450,804	464,655	955,245	863,504
Interest and fiscal charges	533,777	445,811	683,790	943,950
Total expenditures	8,838,469	12,011,975	17,726,539	18,958,896
Excess (deficiency) of revenues over (under) expenditures	(1,650,964)	(2,594,695)	(5,221,300)	(4,944,394)
OTHER FINANCING SOURCES (USES)				
Proceeds from bonds	300,000	3,914,080	12,136,709	-
Proceeds from sale of capital assets	-	-	-	-
Proceeds from capital lease obligation	-	-	-	178,905
Developer fees and contributions	993,526	944,595	1,389,369	2,758,921
Premium on bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfer from other funds	459,350	299,672	796,918	931,123
Transfer to other funds	(818,174)	(472,343)	(545,301)	(485,283)
Total other financing sources (uses)	934,702	4,686,004	13,777,695	3,383,666
NET CHANGE IN FUND BALANCES	\$ (716,262)	\$ 2,091,309	\$ 8,556,395	\$ (1,560,728)
Debt service as a percentage of noncapital expenditures	15.7%	11.0%	15.6%	14.4%

Source: Comprehensive Annual Financial Report

TABLE A-4

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	7,678,109	\$	8,717,659	\$	9,613,969	\$	10,246,572	\$	10,459,636	\$	10,968,977
	1,814,759		1,787,109		1,959,630		2,125,984		2,369,358		2,775,736
	1,395,846		1,117,259		1,261,561		1,312,681		1,670,233		1,730,574
	1,264,387		966,645		1,419,336		1,629,588		2,386,244		2,280,136
	2,268,637		535,005		598,873		662,181		1,227,622		1,521,394
	-		-		-		-		1,555,857		1,274,372
	898,538		288,748		526,084		698,289		628,399		667,479
	312,709		4,702,445		4,887,144		4,219,559		2,996,983		2,055,690
	-		-		-		-		5,500		-
	539,838		361,633		388,935		271,988		199,751		136,281
	266,466		1,108,938		812,000		1,153,103		1,312,349		1,134,249
	16,439,289		19,585,441		21,467,532		22,319,945		24,811,932		24,544,888
	2,410,803		2,160,346		2,321,233		2,317,911		2,501,809		5,662,076
	5,527,997		6,041,672		6,455,094		6,865,071		7,577,815		8,185,886
	3,530,078		1,447,644		2,123,823		2,658,522		1,766,131		2,417,222
	951,798		1,230,166		1,322,676		1,307,687		1,533,497		2,211,489
	-		1,062,917		1,278,090		1,364,740		1,261,237		1,604,716
	5,686,126		6,593,015		8,041,519		16,817,298		17,189,209		8,758,950
	1,132,700		1,185,222		1,489,211		1,537,070		1,671,146		1,837,728
	921,717		874,526		1,514,543		1,770,846		1,609,606		1,649,588
	20,161,219		20,595,508		24,546,189		34,639,145		35,110,450		32,327,655
	(3,721,930)		(1,010,067)		(3,078,657)		(12,319,200)		(10,298,518)		(7,782,767)
	-		12,500,000		9,353,007		-		3,885,000		8,735,000
	-		-		-		-		-		509,233
	342,168		-		-		-		386,487		-
	1,240,467		-		-		-		-		-
	30,000		-		-		-		180,716		143,094
	-		-		-		-		(3,999,197)		-
	1,837,105		3,127,865		1,535,132		4,160,575		3,523,887		3,035,883
	(969,725)		(2,110,301)		(424,439)		(2,921,622)		(1,708,691)		(1,678,023)
	2,480,015		13,517,564		10,463,700		1,238,953		2,268,202		10,745,187
\$	(1,241,915)	\$	12,507,497	\$	7,385,043	\$	(11,080,247)	\$	(8,030,316)	\$	2,962,420
	14.2%		14.7%		18.2%		18.6%		18.2%		14.8%

**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		
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
2013	1,661,535,865	64,223,721	181,089,163	1,544,670,423	0.66497

Source: 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	Town Direct Rates			Overlapping Rates ^a		Total Direct and Overlapping Rates
	Operating Rate	Debt Service Rate	Total Town Rate	Little Elm Independent School District	Denton County	
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
2013	0.48129	0.18369	0.66497	1.54000	0.28287	2.48784

^a Overlapping rates are those of local and county governments that apply to property owners within the Town of Little Elm. A typical property tax bill would consist of the Town, School District, and County taxes.

Source: Town of Little Elm, Denton County and Little Elm ISD

Note: Tax rates are applied on each \$100 of assessed value and are levied on 100% of assessed value.

TABLE B-3

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

FY 2012-2013 (2012 Certified Tax Roll)			FY 2003-2004 (2003 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	1.23%	Eldorado West, LLC	\$ 13,270,744	2.19%
Kroger Texas, LP	13,216,475	0.86%	Centex Homes P/S	12,559,478	2.07%
Retractable Technologies, Inc.	12,430,091	0.80%	Pulte Homes of Texas, LP	5,436,464	0.90%
Village at Eldorado/CMC LP	12,164,000	0.79%	Gehan Homes, LTD	5,161,658	0.85%
CoServ Electric CO-OP	9,005,090	0.58%	Retractable Technologies, Inc.	4,261,297	0.70%
NWC FM 423 and Eldorado Parkway LTD	7,476,017	0.48%	LSR Developments Inc	3,951,011	0.65%
Scarborough Sunset III LP	6,479,978	0.42%	CMH Parks, INC	3,918,622	0.65%
Paloma Creek All Storage LTD	6,391,329	0.41%	Little Elm /2000, LTD	3,732,478	0.62%
YES Companies, LLC	5,972,916	0.39%	RH of Texas, LTD	3,190,705	0.53%
Western Rim Investors 2011-6 LP	5,431,474	0.35%	Highland Homes, LTD	2,737,940	0.45%
Total	\$ 97,542,370	6.31%	Total	\$ 58,220,397	9.61%
Total Assessed Valuation	\$ 1,544,670,423	100.00%	Total Assessed Valuation	\$ 605,879,760	100.00%

Source: Denton Central Appraisal District.

Note: Property is assessed as of January 1 and certified to the 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
2004	\$ 2,486,808	\$ 2,438,311	98.05%	\$ 45,066	\$ 2,483,377	99.86%
2005	2,842,365	2,786,851	98.05%	52,863	2,839,714	99.91%
2006	3,906,167	3,836,765	98.22%	65,042	3,901,807	99.89%
2007	5,461,711	5,446,283	99.72%	11,592	5,457,875	99.93%
2008	7,499,616	7,395,195	98.61%	98,900	7,494,095	99.93%
2009	8,604,592	8,506,674	98.86%	90,674	8,597,348	99.92%
2010	9,415,320	9,303,185	98.81%	98,199	9,401,384	99.85%
2011	9,913,611	9,858,712	99.45%	34,097	9,892,809	99.79%
2012	10,358,921	10,279,526	99.23%	55,192	10,334,718	99.77%
2013	10,554,328	10,514,194	99.62%	-	10,514,194	99.62%

Source: Denton Central Appraisal District

**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	Total	1¼%^(a)	% of	(\$)	0.50%	0.25%	
Sept 30	Collected	City	Ad Valorem	of Ad Valorem	4A EDC	4B CDC	
			Tax Levy	Tax Rate			
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	
2013	4,479,710	2,799,819	26.53%	0.17640	1,119,927	559,964	

^(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
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	9.48%	2,417
2013	34,335,527	8,170,000	-	3,055,000	7,504,473	21,890,000	-	74,955,000	8.09%	2,138

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			Less: Available Debt Service Funds	Net General Bonded Debt	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Total				
2004	\$ 6,000	\$ 6,507,400	\$ 6,513,400	\$ -	\$ 6,513,400	1.08%	462
2005	3,290,000	6,239,000	9,529,000	-	9,529,000	1.21%	556
2006	9,340,000	10,758,300	20,098,300	-	20,098,300	2.03%	1,009
2007	13,795,000	5,766,450	19,561,450	-	19,561,450	1.65%	898
2008	13,350,000	5,513,450	18,863,450	-	18,863,450	1.34%	832
2009	22,885,000	7,749,300	30,634,300	-	30,634,300	2.01%	1,276
2010	31,684,000	6,980,000	38,664,000	-	38,664,000	2.58%	1,493
2011	30,679,400	6,630,000	37,309,400	451,192	36,858,208	2.48%	1,390
2012	38,215,000	2,260,000	40,475,000	554,894	39,920,106	2.54%	1,384
2013	41,840,000	8,170,000	50,010,000	567,931	49,442,069	3.20%	1,410

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 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, 2013 (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.	Sep-13	\$ 1,353,110,843	2.45%	\$ 33,151,216
Little Elm I.S.D.	Sep-13	141,436,817	55.35%	78,285,278
Denton County	Sep-13	596,245,000	2.96%	17,648,852
Subtotal, overlapping debt		\$ 2,090,792,660		129,085,346
Town of Little Elm Direct Debt ^a	Sep-13	\$ 42,708,216	100.00%	42,708,216
Total direct and overlapping debt				\$ 171,793,562
Ratio of direct and overlapping debt principal to taxable values ^b				11.12%
Ratio of direct and overlapping debt principal to actual market values ^b				9.95%

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>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>	<u>2013</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	0.3998	0.3575	0.3990	0.4700	0.5358	0.5700	0.6345	0.6652	0.6650	0.6650
Legal Debt Margin	<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>	<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>
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
2013	12,194,625	5,889,534	6,305,091	1,558,701	4.05

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</u>	<u>Unemployment Rate^d</u>
				<u>Little ELM ISD</u>	<u>Denton County</u>
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	735,407,840	25,504	6,344	6.3%
2013	35,059	926,188,662	26,418	6,606	5.5%

Sources: ^aEstimated population provided North Central Texas Council of Governments

^bPer Capita Income provided by Census.gov

^cLittle Elm Independent School Districts.

^dFederal Deposit Insurance Corporation, FDIC.gov

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

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

TABLE D-2

<u>2013</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	751	21.46%	Little Elm ISD	348	23.64%
Kroger	225	6.43%	Retractable Technologies	137	9.31%
Town of Little Elm	191	5.46%	Town of Little Elm	93	3.40%
Retractable Technologies	150	4.29%	G.P.E.	50	3.33%
Lowes Home Center	136	3.89%	Sonic Drive-in	40	2.72%
Applebee's	100	2.86%	Animal Quackers	22	1.49%
24 Hour Fitness	50	1.43%	Key's Supermarket	20	1.36%
CVS	35	1.00%	U.S. Post Office	17	1.15%
Walgreen's	30	0.86%	Chef Jeff	15	1.02%
Children's Lighthouse	28	0.80%	Dollar General	14	0.95%
Total	1,696	48.46%		712	48.37%
Total Little Elm Daytime Employees	3,500		Total Little Elm Daytime Employees	1,472	

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

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

TABLE E-1

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2013</u>
General Government	9.00	11.00	14.00	14.00	14.50	15.00	15.00	16.00	15.50	21.00
Public Safety	39.00	50.00	57.00	65.00	69.00	74.00	75.00	76.00	80.00	85.50
Public Works	8.00	9.00	11.00	12.00	13.00	16.00	18.00	20.00	22.00	21.00
Culture and Recreational	12.50	15.50	16.00	17.50	21.00	24.50	24.00	21.00	29.50	31.50
Planning and Development	6.00	10.00	10.00	10.00	10.50	11.00	8.00	7.00	13.00	10.00
Water and Sewer	<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>	<u>27.00</u>
Total	<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>	<u>196.00</u>

Source: Town Departments



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**TOWN OF LITTLE ELM, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST NINE 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			
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
Participants at Recreation Center	N/A	N/A	N/A
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>	<u>2013</u>
34	38	34	36	41	44
8,198	5,396	5,200	4,198	3,974	4,434
32	35	36	37	40	42
9	9	2	5	1	0
725	746	954	980	888	1,011
1,207	1,278	1,195	1,369	1,327	1,437
140	140	140	140	140	140
242	283	434	488	588	737
12	20	34	49	47	59
400	500	500	500	500	500
425	2,500	2,650	3,500	3,800	22,700
100	150	200	300	320	1,020
N/A	N/A	N/A	N/A	N/A	30,400
28,908	32,905	37,096	32,329	37,785	45,538
36,012	41,526	37,850	35,081	69,114	92,684
8,035	8,204	8,368	8,712	8,963	9,257
7,594	7,792	8,067	8,399	8,636	8,927
2,650	2,230	2,266	2,726	2,547	2,710
7,000	7,000	7,000	7,000	7,000	7,000
1,500	1,500	1,500	1,500	1,500	1,500
857,694	888,950	899,844	1,080,672	1,160,174	1,161,074

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

TABLE E-3

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2013</u>
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	8	9	10	11	13	16	16	16	16	16
Fire Stations	1	1	1	2	2	2	2	2	2	2
Police Motorcycle Units	0	0	2	2	2	2	2	2	2	2
Public Works										
Streets-Paved	120	126	128	134	140	140	140	140	140	140
Cultural and Recreational										
Parks (acres)	400	400	400	400	400	500	500	500	500	500
Playgrounds ^a	5	5	5	5	5	5	5	5	5	4
Library	1	1	1	1	1	1	1	1	1	1
Senior Center	0	0	0	0	0	0	0	0	1	1
Recreation Center	0	0	0	0	0	0	0	0	1	1
Water and Sewer										
Fire Hydrants	667	754	784	883	902	908	1,063	1,070	1,206	1,216
Ground Storage Facilities	4	4	6	6	6	6	4	4	4	4
Elevated Storage Facilities	2	2	2	2	2	2	2	2	2	2
Lift Stations	14	16	16	18	18	18	17	16	17	17

Source: City Departments

Notes: ^a Does not include HOA playgrounds