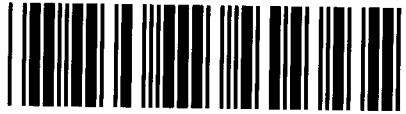




Control Number: 44870



Item Number: 1

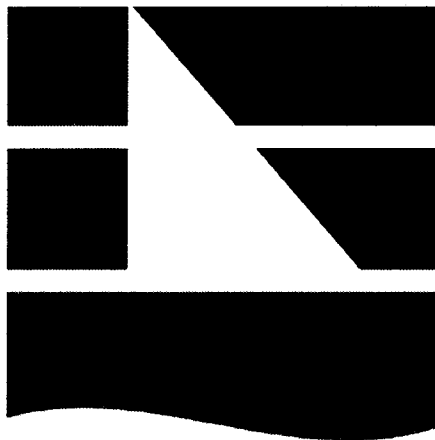
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44870

**APPLICATION FOR SALE, TRANSFER, OR
MERGER OF A RETAIL PUBLIC UTILITY**

**PARTIAL WATER CCN TRANSFER
FROM TERRA SOUTHWEST INC. CCN #11608
TO TOWN OF LITTLE ELM CCN # 11202**

2015 JUN 23 AM 10: 58
FILING CLERK



LITTLE ELM

Denton County, Texas

**Prepared for:
Town of Little Elm**

By:



**TRC ENGINEERS, INC
700 HIGHLANDER BLVD., SUITE 210
ARLINGTON, TEXAS 76015
(817) 522-1000
(817) 522-1060 (FAX)**

APRIL 2015

**APPLICATION FOR SALE, TRANSFER, OR
MERGER OF A RETAIL PUBLIC UTILITY**

**PARTIAL WATER CCN TRANSFER
FROM TERRA SOUTHWEST INC. CCN NO. 11608
TO TOWN OF LITTLE ELM CCN NO. 11202**

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Attachment 5 – Affected Service Area Map

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Attachment 10 – TCEQ Inspection Letter

Attachment 11 – GIS Data DVD



Application for Sale, Transfer, or Merger of a Retail Public Utility

Pursuant to Chapter 13.251 of the Texas Water Code

2015 JUN 23 AM 10: 59

PUBLIC UTILITY COMMISSION
FILING CLERK

Docket Number: 44870

(this number will be assigned by the Public Utility Commission after your application is filed)

7 copies of the application, including the original, along with one copy of the portable electronic storage medium (such as CD or DVD) containing the GIS data shall be filed with

Public Utility Commission of Texas
Attention: Filing Clerk
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

No later than seven days after filing the application for the boundary change, provide a copy of each paper map and a portable electronic storage medium (such as CD, flash drive or DVD) containing complete and identical data to the portable electronic storage medium submitted above to

Texas Natural Resources Information System
1700 N. Congress Ave, Room B40
Austin, Texas 78701

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Part A – General Information

*RN# *CN# * (PRIOR TCEQ ID numbers)

1. Proposed action of application (check all the boxes that apply):

Sale of All Portion of the Water system(s) under CCN No.:
 Acquisition Sewer system(s) under CCN No.:
 Lease/Rental

Transfer of All Portion of the Certificated water service area – CCN No.:
 Certificated sewer service area – CCN No.:

If only a portion of a system or certificated service area is affected by this transaction, please specify the areas or subdivision involved:

The portion of the existing water utility CCN containing the Hilltown subdivision will be transferred from Terra Southwest Inc. (11608) to the Town of Little Elm (11202).

and to:

Obtain a CCN for the transferee (purchaser) – indicate if purchaser will take the seller's CCN
 Amend the transferee's CCN No.:
 Merge or consolidate public utilities
 Cancel CCN of the transferor (seller)

2. Proposed effective date of this transaction:

(Must be at least 120 days after proper notice is provided)

Part B – Current Service Provider or Seller Information

Questions 3 through 5 apply to the transferor (current service provider or seller)

3. For the current CCN holder or service provider please indicate:

A. Name:
(Individual, Corporation or Other Legal Entity)

who is a(n):of Individual Corporation WSC HOA or POA Other

B. Utility Name (if different than above):
Address: Telephone: (AC)

C. Contact person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney or accountant.

Name: Title:
Address: Telephone: (AC)

Fax:

Email:

4. About the last rate increase for the system or facilities being transferred:

A. What was the effective date of the last rate increase?

B. Was notice of this increase provided to the Public Utility Commission of Texas (commission or PUC) or a predecessor regulatory authority?

No

Yes-

Application/Docket Number:

Date

5. Please provide a list of all customers affected by this transaction who have deposits held by the transferor or seller utility, if any, and include the following information (attach additional sheets if necessary):

Name and Address of Utility Customer	Date of Deposit	Amount of Deposit	Amount of Unpaid Interest on Deposit
N/A - No deposits held with current customers			

Part C – Purchaser or Transferee Information

Questions 6 through 16 refer to the transferee or purchaser.

6. For the person or entity acquiring the facilities and/or CCN:

Applicant:

(Individual, Corporation, or Other Legal Entity)

Utility Name:

(If different than above)

Utility Address:

Fax:

Email:

Telephone (AC):

CCN Numbers held prior to the filing of this application:

7. Check the appropriate box and provide information regarding the legal status of the transferee applicant:

Individual

Home or Property Owners Association

Partnership; attach copy of partnership agreement

Corporation; provide charter number as recorded with the Office of the Secretary of State for

Texas:

Non-profit, member owned, member-controlled Cooperative Corporation (Article 1434(a) Water Sewer Service Corporation); provide charter number:

<input checked="" type="checkbox"/>	Municipally-owned utility
<input type="checkbox"/>	District (MUD, SUD, WCID, etc.)
<input type="checkbox"/>	County
<input type="checkbox"/>	Other (please explain): <input type="text"/>

8. If the applicant is an *Individual* or sole proprietorship, provide the following information. If not, skip to the next question.

Name:	<input type="text"/>	Email:	<input type="text"/>
Address:	<input type="text"/>		
Telephone (AC):	<input type="text"/>	Fax (AC):	<input type="text"/>

9. If the applicant is other than an *Individual*, provide the following information regarding the officers or partners of the legal entity applying for the transfer. You must complete either question 8 or question 9, whichever applies to the transferee applicant.

•Name:	Town of Little Elm	Telephone (AC):	(214) 618-8278
Address:	100 W. Eldorado Pkwy, Little Elm TX 75068		
Position:	Municipality	Ownership % (if applicable):	100.00%

•Name:	<input type="text"/>	Telephone (AC):	<input type="text"/>
Address:	<input type="text"/>		
Position:	<input type="text"/>	Ownership % (if applicable):	0.00%

•Name:	<input type="text"/>	Telephone (AC):	<input type="text"/>
Address:	<input type="text"/>		
Position:	<input type="text"/>	Ownership % (if applicable):	0.00%

•Name:	<input type="text"/>	Telephone (AC):	<input type="text"/>
Address:	<input type="text"/>		
Position:	<input type="text"/>	Ownership % (if applicable):	0.00%

•Name:	<input type="text"/>	Telephone (AC):	<input type="text"/>
Address:	<input type="text"/>		
Position:	<input type="text"/>	Ownership % (if applicable):	0.00%

•Name:	<input type="text"/>	Telephone (AC):	<input type="text"/>
Address:	<input type="text"/>		
Position:	<input type="text"/>	Ownership % (if applicable):	0.00%

- Attach additional sheet(s) if necessary -

Important: • If the applicant is a for-profit corporation, please provide a copy of the corporation's "Certification of Account Status" from the State Comptroller Office. This "Certification of Account Status" can be obtained from:

Texas Comptroller of Public Accounts

P. O. Box 13528, Capitol Station

Austin, Texas 78711

1-800-252-5555

- If the applicant is an Article 1434a water supply or sewer service corporation or other non-profit corporation, please provide a copy of the Articles of Incorporation and By-Laws.

10. Contact person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney or accountant.

Name:	Jason W. Laumer, P.E.	Title:	Director of Development Svcs
Address:	100 W Eldorado Pkwy, Little Elm TX 75068	Telephone (AC):	(214) 975-0473
Fax #	(214) 618-8278	Email	jlaumer@littleelm.org
Relationship to the applicant:	Town Engineer		

IF THERE ARE MORE THAN TWO PARTIES INVOLVED IN THIS TRANSACTION, PLEASE ATTACH SHEETS PROVIDING THE INFORMATION REQUIRED IN QUESTION 6 THROUGH QUESTION 10 FOR EACH PARTY

11. Please respond to each of the following questions. Attach additional sheets if necessary.

A. Describe the experience and qualifications of the applicant to provide adequate utility service to the requested area

The Town of Little Elm has owned and operated its own water distribution system for over 30 years. There are currently 6 licensed water system operators employed by the Town to ensure that the water system operates dependably and efficiently.

B. Has the applicant acquiring the CCN or facilities or an affiliated interest of the applicant been under enforcement action by the PUC, TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG) or the Environmental Protection Agency (EPA) in the past for noncompliance with rules, orders or State Statutes? Yes No

If yes, please attach copies of any correspondence with these regulatory agencies concerning these enforcement actions and describe any actions and efforts to comply with those requirements. Attach additional sheets if needed.

N/A

C. Describe the source and availability of funds required to make the planned or required improvements, if any, to meet minimum requirements of the TCEQ and PUC and ensure continuous and adequate service.

See Attachment 1 - 2014 Town of Little Elm Financial Report

D. Describe the anticipated impact of this transaction on the quality of utility service and explain any anticipated changes in the quality of service.

Quality of utility service will not be impacted by this transaction. The Town will continue to provide exceptional utility service to all of its customers.

E. How will the transaction serve the public interest?

The existing Hilltown Subdivision will have the honor of being served by the Town of Little Elm.

12. Please describe the nature of the proposed transaction:

The Town is purchasing a portion of CCN No. 11608 from Terra Southwest Inc.

13. If the transferee applicant is an Investor Owned Utility (IOU) and will be under the rate jurisdiction of the PUC, please provide the following information. Water supply or sewer service corporations and political subdivisions of the state should mark this section N/A:

N/A

A.

- Total Purchase Price:
- Total Original Cost (as recorded on books of seller or merging entity):
- Accumulated Depreciation as of the proposed effective date of the transaction:
- Contributions in Aid of Construction:

- Specific surcharges approved by TCEQ or PUC:

- Revenues from explicit customer agreements:

- Developer Contributions (please explain):

- Other Contributions (please explain):

Total Contributions in Aid of Construction

• Net Book Value:

- If the Original Cost or any of the above items has been established in a rate case proceeding by the PUC, the TWC or the TCEQ, please provide the Application/Docket Number and date:

Application/Docket Number: Date:

- If the applicant is not under the rate jurisdiction of the TCEQ, only the purchase price and information related to Contributions in Aid of Construction is required.

Please provide any other information concerning the nature of the transaction you believe should be given consideration if not explained elsewhere in the application.

[attach additional sheet(s) if necessary]:

- C. Complete the following proposed entries listed below as shown in books of purchasing (or surviving) company. Additional entries may be made; the following are suggested only, and not intended to pose descriptive limitations.

Utility Plant in Service:	<input type="text"/>
Plant Acquisition Adjustment:	<input type="text"/>
Extraordinary Loss on Purchase:	<input type="text"/>
Accumulated Depreciation of Plant:	<input type="text"/>
Cash:	<input type="text"/>
Notes Payable:	<input type="text"/>
Mortgage Payable:	<input type="text"/>
Others (please list):	<input type="text"/>

As the purchaser, I understand that it is **my responsibility** in any future rate proceeding to provide written evidence and support for the original cost and installation date of all facilities used and useful for providing utility service.

Purchaser's Initials: Date:

14. Please indicate the proposed effect of this transaction on the rates to be charged to the affected customers:

All the customers will be charged the same rates as they were charged before the transaction.

Some All customers will be charged different rates than they were charged before the transaction.

If rates are changing, please explain:

Terra Southwest Inc. and the Town of Little Elm have differing base rates and volumetric rates. See Attachments 2 & 3 for the current water rates for the parties involved.

Applicant is an IOU and intends to file with the commission or municipal regulatory authority an application to change rates of some/all of its customers as a result of this transaction. If so, please explain:

Other. Please explain:

15. List all neighboring water and /or sewer utilities, cities, and political subdivisions providing the same service within two (2) miles of area affected by this proposed transaction. This information should be available from the water utility database (WUD) or Applicant's licensed water operator.

Town of Lakewood Village - 10201; Aqua Texas - 13201; Mustang SUD - 11856; Knob Hill WSC - 11414; Monarch Utilities I LP - 12983

16. Financial, Managerial and Technical information for the acquiring entity.

See Attachment 1 - 2014 Town of Little Elm Financial Report

Part D – Historical Financial Information

HISTORICAL BALANCE SHEETS	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
Income Tax Receivable						
Other						
Total						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
Total						
TOTAL ASSETS						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
TOTAL						
LONGTERM LIABILITIES						
Notes Payable, Long-term						
Other						
TOTAL LIABILITIES						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES AND EQUITY						
WORKING CAPITAL						
CURRENT RATIO						
DEBT TO EQUITY RATIO EQUITY TO TOTAL ASSETS						

HISTORICAL INCOME STATEMENT	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
METER NUMBER						
Existing Number of Taps						
New Taps Per Year						
Total Meters at Year End						
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees						
Other						
Gross Income						
OPERATING EXPENSES						
General & Administrative						
Interest						
Other						
NET INCOME						

HISTORICAL EXPENSE DETAIL	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
Total						
% Increase Per Year						
OPERATIONAL EXPENSES						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
Total						
% Increase Per Year						
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

Part E – Projected Information

PROJECTED BALANCE SHEETS

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
Income Tax Receivable						
Other						
Total						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
Total						
TOTAL ASSETS						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
Total						
LONGTERM LIABILITIES						
Notes Payable, Long-term						
Other						
TOTAL LIABILITIES						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES AND EQUITY						
WORKING CAPITAL						
CURRENT RATIO						
DEBT TO EQUITY RATIO						
EQUITY TO TOTAL ASSETS						

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
METER NUMBER						
Existing Number of Taps						
New Taps Per Year						
Total Meters at Year End						
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees						
Other						
Gross Income						
OPERATING EXPENSES						
General & Administrative						
Interest						
Other						
NET INCOME						

PROJECTED EXPENSE DETAIL

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
Total						
% Increase Per Year	0 00%	0 00%	0 00%	0 00%	0 00%	0 00%
OPERATIONAL EXPENSES						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
Total						
% Increase Per Year	0 00%	0 00%	0 00%	0 00%	0 00%	0 00%
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

PROJECTED SOURCES AND USES OF CASH STATEMENTS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
SOURCES OF CASH						
Net Income						
Depreciation (If Funded)						
Loan Proceeds						
Other						
Total Sources						
USES OF CASH						
Net Loss						
Principle Portion of Pmts.						
Fixed Asset Purchase						
Reserve						
Other						
Total Uses						
NET CASH FLOW						
DEBT SERVICE COVERAGE						
Cash Available for Debt						
SERVICE (CADS)						
Net Income (Loss)						
Depreciation, or Reserve Interest						
Total						
REQUIRED DEBT SERVICE (RDS)						
Principle Plus Interest						
DEBT SERVICE COVERAGE RATIO						
CADS Divided by RDS						

Part F – TCEQ Public Water or Sewer System Information

Please answer questions 17 through 22 on a different sheet for each physically Distinct system being transferred or acquired.

17. A. For Water Systems. TCEQ Public Water System Identification Number:

0	6	1	0	1	1	2
---	---	---	---	---	---	---

Date of last inspection:

9/15/2014

B. For Wastewater Systems:

-TCEQ Discharge Permit Number: W Q

	N	/	A	
--	---	---	---	--

 -

--	--	--

 -Name of Permittee:

--

 -Date of application to transfer Discharge Permit submitted:

--

 -Date of application to transfer Discharge Permit approved by TCEQ:

--

18. A. Are any improvements required to meet TCEQ or PUC standards? Yes No. If yes, please explain:

--

B. Is there a moratorium on new connections? Yes No. If yes, please explain:

--

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ or PUC standards (attach additional sheets if necessary):

Description of the Required Improvement	Schedule to Complete	Estimated Cost
N/A		

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? Yes No

If yes, indicate the number of customers within the city limits or district boundaries:

8,963 Water Sewer

Attach copy of franchise agreement or consent letter from the city or district.

N/A - The City or district is the Transferee

20. Do you currently purchase water or sewer treatment capacity from another source? Yes No
 Water Sewer Purchased on a Regular Seasonal Emergency Basis

• Source: % of total supply:

21. List the number of existing connections to be effected by this transaction.

Water			Sewer		
0	-Non Metered	5	-2" meter	-Residential Connection	0
0	-5/8" or 3/4" meter	0	-3" meter	-Commercial Connection	0
32	-1" meter	0	-4" meter	-Industrial Connection	0
0	-1 1/2" meter	0	-Other	-Other	0
Total Water Connections:			37	Total Sewer Connections	0

20. Has the system reached 85% of its capacity based on TCEQ's minimum requirements? Yes No
 If yes, please explain what steps are being taken to address the capacity issues:

23. List the name, class, and license number of the operator(s) that will be responsible for the system:

Name	Class	License#
<input type="text" value="See Attachment 4 - Licensed Operators"/>		

24. Attach the following maps with each copy of the application:

- a. One small scale map clearly showing affected service area with enough detail to accurately locate the area if the application is for the transfer of all or a portion of a CCN.
- b. One large scale map showing the proposed service area boundaries being sold, transferred, or merged and, if available, the existing and proposed facilities. Color coding should be used to differentiate existing from proposed facilities. Facilities and service area boundaries should be shown with such exactness that they can be located on the ground. If transferring area not currently in a CCN or a portion of an existing CCN area please attach the following hard copy maps with each copy of the application:
 1. A general location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county.
 2. A map showing only the proposed area by:
 - i. metes and bounds survey certified by a licensed state or registered professional land surveyor; or
 - ii. projectable digital data with metadata (proposed areas should be in a single record and clearly labeled, data disk should be included); or
 - iii. following verifiable natural and man-made landmarks, or
 - iv. a copy of recorded plat map with metes and bounds.
 3. A written description of the proposed service area.

Part G – Oaths and Notices

OATH FOR SELLER OR FORMER SERVICE PROVIDER

STATE OF Texas

COUNTY OF Denton

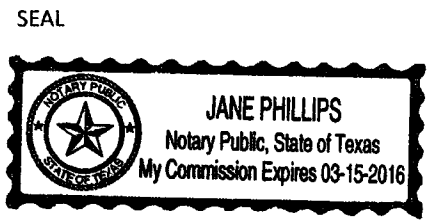
I, James D. Presley & Rouana Presley, being duly sworn, file this application for sale, lease, rental or merger or consolidation as PRES, V. Pres (indicate relationship to applicant) that is, owner, member of partnership, title as officer of corporation, or other authorized representative of applicant); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I further state that I have provided to the purchaser or transferee a written disclosure statement about any contributed property as required under Section 13.301(j) and copies of any outstanding Orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas, or Attorney General and have also complied with the notice requirements in Section 13.301(k) of the Texas Water Code.

James D. Presley Rouana Presley
AFFIANT
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this day 29 of May, 20 15.



Jane Phillips
NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS
Jane Phillips
PRINT OR TYPE NAME OF NOTARY
MY COMMISSION EXPIRES 3.15.16

One copy of this page must be submitted for each utility involved in this transaction.

OATH FOR PURCHASER OR ACQUIRING ENTITY

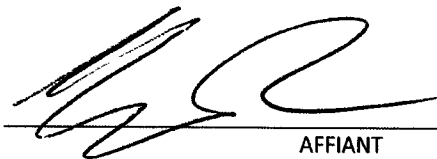
STATE OF Texas

COUNTY OF Denton

I, Matt Huettel, being duly sworn, file this application for

sale, lease, rental or merger or consolidation as Town Manager
(indicate relationship to applicant) that is, owner, member of partnership, title as officer of corporation, or other authorized representative of applicant); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I am also authorized and do agree to be bound by and comply with any outstanding orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.



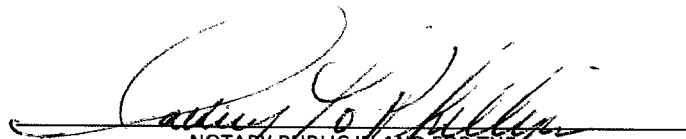
AFFIANT
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

Applicant represents that all other parties to this transaction have been furnished copies of this completed application.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this day 5th of May, 20 15.

SEAL



NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

Kathy Jo Phillips
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES

10-12-2018

One copy of this page must be submitted for each utility involved in this transaction.

Notice to Current Customers, Neighboring Systems and Cities

Terra Southwest Inc. 'S
(Seller's or Transferor's Name)

NOTICE OF INTENT TO SELL FACILITIES AND TRANSFER CERTIFICATE OF CONVENIENCE AND

NECESSITY (CCN) NO 11608 TO Town of Little Elm
(Purchaser's or Transferee's Name)

IN Denton COUNTY, TEXAS

To: _____ Date Notice Mailed _____, 20 ____
(Name of Customer, Neighboring System or City)

(Address)

City State Zip

Terra Southwest Inc. PO Box 140 Alvord/Texas/76225-0140
Sellers or Transferors' Name Address City/State/Zip Code

has submitted an application with the Public Utility Commission of Texas to sell facilities and transfer
water or sewer (please select) CCN No. 11608 in Denton [County Name]

County to:

Town of Little Elm 100 W Eldorado Pkwy Little Elm/Texas/75068
Purchasers or Transferee's Name Address City/State/Zip Code

The sale is scheduled to take place as approved by the Commission (V.T.C.A., Water Code §13.301). The transaction and the transfer of
the CCN include the following subdivision(s):

A portion of Hilltown subdivision

The area subject to this transaction is located approximately 2.6 miles west [direction] of
downtown Little Elm (town hall), [City or Town] Texas, and is generally bounded on the north by
Misty Trail; on the east by Edgewood Place
; on the south by FM 720; and on the west by Oak Grove Pkwy

The total area being requested includes approximately 164 acres and serves 16 current customers.
This transaction will have the following effect on the current customer's rates and services:

Affected persons may file written protests and/or request a public hearing within 30 days of this notice.

To request a hearing, you must:

- (1) state your name, mailing address and daytime telephone number;
- (2) state the applicant's name, application number or another recognizable reference to this application;
- (3) include the statement "I/we request a public hearing";
- (4) write a brief description of how you, the persons you represent, or the public interest would be adversely affected by the proposed transaction and transfer of the CCN; and
- (5) state your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Only those persons who submit a written request to be notified of a hearing will receive notice if a hearing is scheduled. The Commission will issue the CCN requested in the referenced application unless a hearing is scheduled to consider the transaction. If no protests or requests for hearing are filed during the comment period, the Commission may issue the CCN 30 days after publication of this notice.

Persons who wish to protest or request a hearing on this application should write the:

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

**Se desea informacion en Espanol, puede llamar al
1-888-782-8477**

Utility Representative

Utility Name

Notice to Current Customers, Neighboring Systems, Landowner and Cities

Terra Southwest Inc. 'S NOTICE OF INTENT TO SELL FACILITIES TO
(Seller's or Transferor's Name)

Town of Little Elm AND FOR
(Purchaser's or Transferee's Name) Purchaser's or Transferee's Name

TO OBTAIN OR AMEND A CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) IN
Denton COUNTY, TEXAS

To: _____ Date Notice Mailed _____, 20 ____
(Name of Customer, Neighboring System, Landowner or City)

(Address)

City State Zip

Terra Southwest Inc. PO Box 140 Alvord/Texas/76225-0140
Sellers or Transferors' Name Address City/State/Zip Code

has submitted an application with the Public Utility Commission of Texas to sell water or sewer (please
select) Facilities in Denton [County Name] County to:

Town of Little Elm 100 W Eldorado Pkwy Little Elm/Texas/75068
Purchasers or Transferee's Name Address City/State/Zip Code

The transferee has also requested to obtain/amend a CCN in this application. The sale is scheduled to take place as approved by the
Commission (Texas Water Code §13.301). The transaction and the proposed service area include the following subdivision(s):

A portion of Hilltown subdivision

The area subject to this transaction is located approximately 2.6 miles west [direction] of
downtown Little Elm (town hall), [City or Town] Texas, and is generally bounded on the north by
Misty Trail; on the east by Edgewood Place;
on the south by FM 720; and on the west by Oak Grove Pkwy

The total area being requested includes approximately 164 acres and serves 16 current customers.
This transaction will have the following effect on the current customer's rates and services:

Affected persons may file written protests and/or request a public hearing within 30 days of this notice.

To request a hearing, you must:

- (1) state your name, mailing address and daytime telephone number;
(2) state the applicant's name, application number or another recognizable reference to this application;
(3) include the statement "I/we request a public hearing";
(4) write a brief description of how you, the persons you represent, or the public interest would be adversely
affected by the proposed transaction and transfer of the CCN; and
(5) state your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw
your request for a hearing.

Only those persons who submit a written request to be notified of a hearing will receive notice if a hearing is scheduled. The
Commission will issue the CCN requested in the referenced application unless a hearing is scheduled to consider the transaction. If no

protests or requests for hearing are filed during the comment period, the Commission may issue the CCN 30 days after publication of this notice.

Persons who wish to protest or request a hearing on this application should write the:

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

**Se desea informacion en Espanol, puede llamar al
1-888-782-8477**

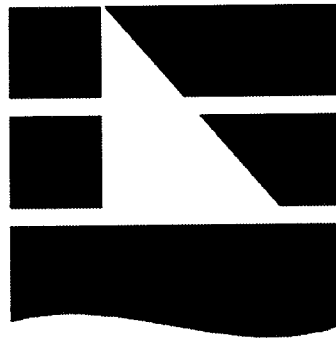
Utility Representative

Utility Name

Attachment 1
2014 Financial Report
Town of Little Elm

Town of Little Elm, Texas

Comprehensive Annual Financial Report



LITTLE ELM

**Fiscal Year Ended
September 30, 2014**

**AS PREPARED BY THE
FINANCE DEPARTMENT**

Alan R. Dickerson, CGFO—Director of Finance
Dianne Lawson, CGFO—Asst. Director of Finance
Robin N. Bromiley, CGFO ~ Crystal Williamson
Shelly Newell



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**TOWN OF LITTLE ELM, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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INTRODUCTORY SECTION



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Finance Department Town of Little Elm

March 17, 2015

Honorable Mayor, Members of Town Council and
Citizens of Little Elm.

The Town Manager and the Finance Department are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Town of Little Elm, Texas (the Town), for the fiscal year ending September 30, 2014.

This report is published to provide the Town Council, our citizens, Town staff, and other readers with detailed information concerning the financial position and activities of the Town. Management has prepared the report and is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is complete and reliable in all material aspects. 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 unmodified ("clean") opinion on the Town of Little Elm's financial statements for the year ended September 30, 2014 issued by Weaver, L.L.P. The independent auditors' report is located in the beginning of the financial section of the CAFR.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal.

CITY PROFILE

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. 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 32,000. 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.

Services Provided

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.

Financial System and Budgetary Controls

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 workshopped 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.

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)

ECONOMIC CONDITIONS AND OUTLOOK

Regional Economy

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 state. 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 21 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 to an estimated 32,248 in 2014. Including active subdivisions in the ETJ, that figure exceeds 45,000. Little Elm's build-out population is anticipated to be over 90,000.

In fiscal year 2014, 581 new residential lots were platted in the Town and ETJ, an increase over the 475 lots in FY 2013. The Town's permitting activity increased 17% from 737 single family units in FY 2013 to 860 in FY 2014. The FY 2014 total estimated construction value of new home starts is \$288,332,614 with an average home value of \$335,270. There were 62 new commercial businesses added in FY 2014, compared to 44 in FY 2013. Some of these businesses are housed in the 24 new commercial buildings permitted in FY 2014.

LONG-TERM FINANCIAL PLANNING

Long-Term Financial Planning Process

- **Operations and Maintenance:** Each year, the Town prepares a balanced budget, with the involvement of the Town Council, Town Manager, Executive Management Team, finance staff and other employees. Discussions regarding the future of the Town's financial health are a high priority during budget preparation. Fiscal year 2014 was the first year for the Town to utilize a multi-year budgeting format. The multi-year budget process takes historical trends and changes in policy and economic conditions (now and projected) into consideration as applicable. The total number of budgeted full-time equivalents (FTE's) is 216.2 for the 2014 budget.
- **Capital Improvement Program:** A major component of the budgeting process every year is the Capital Improvement Program (CIP). Extensive planning takes place throughout the year involving input from the Town Council, Town Boards (Parks Board, Planning and Zoning Board) and the Executive Management Team. The focus of this planning is ongoing funding of current CIP projects, and how the Town will fund currently unfunded CIP projects in the future. During this process, attention is given to the impact the projects will have on the future operations and maintenance costs.

Anticipated Long-Term Financial Impacts

There has been a tremendous focus on the 380 Corridor as the Town plans for the expansion of services to this rapidly growing area. Not only did 2014 see the opening of Holt Caterpillar and the ground-breaking of the Union park subdivision and the new Denton ISD high school, it also saw a partnership between the Town of Little Elm and the Town of Lincoln Park. In this partnership, Lincoln Park allocated its extra territorial jurisdiction and a significant portion of its town limits to Little Elm.

These boundary adjustments provide a huge economic prospect for the Town and provide an opportunity to provide a higher level of service along the 380 Corridor. In order to begin increasing service to the area, future plans are underway for a third fire station, which may also include a satellite office for the Police Department and other municipal services.

The Lakefront District will continue to redevelop to create one of DFW's premier summer destinations.

Fiscal Year 2014 Highlights

Notable CIP projects closed in fiscal year 2014 were as follows:

- Phase I and II of the Little Elm Beach and Boat Ramp Project (swim beach, public parking, boat dock and fishing pier)
- Walker and Hart Corridor Landscaping Project
- 2MG Elevated Water Storage Tower
- Expansion of Little Elm Trail System along Lake Front from Beard Park to McCord Park

Notable commercial projects completed include Dollar General, Meineke Car Care, Ice Box Exxon, Fossil Creek Liquor, First Choice ER, Sunset Storage expansion, Starbucks, and the Texas Education Center expansion. Notable projects that were in progress beyond the fiscal year end include Fast Lane Car Wash, Navo Retail Center, Wash Zone, GET Marketing, Denton ISD HS #4, Little Ceasar's remodel, New Life Community Church Phase II expansion, Wisdom Montessori Academy, Lakehill Fueling Center, The Mansions 380 (431 units), The Estates 380 (420 units), and The Towers (384 units).

The Lakefront district has continued to flourish with the opening of the Towers Taphouse, Big Daddy's BBQ, and the ground breaking of Hula Hut and the 2 new retail centers. Significant redevelopment is also occurring in the Lakefront with the renovation of Keys Shopping Center, Johnny Joe's, and Lakeview Grocery. Palladium mixed use development will break ground in 2015.

Little Elm offered some of the region's best special events with the first annual Mardi Gras, Brew & Cue festival, and Christmas on the Beach events, as well as repeat favorites July Jubilee, Autumn Fest, Pumpkin Hollow, and Santa Land.

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.

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 Town continues to benefit from other favorable conditions associated with a desirable location for work, destination, and living.

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 established 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

Awards

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, 2013. This was the fourth 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.

Acknowledgements

We would like to express our sincere gratitude to Town personnel who contributed to this report, especially Robin Bromiley, Senior Accountant. Acknowledgement is also given to the representatives of Weaver, L.L.P. for their invaluable assistance in producing the final document.

Our appreciation is also extended to the Mayor and Town Council for their interest and support in planning and conducting the financial operations of the Town in a responsible and prudent manner

Respectfully submitted,



Matthew Mueller
Town Manager



Dianne Lawson, CGFO
Assistant Finance Director



Government Finance Officers Association

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

Presented to

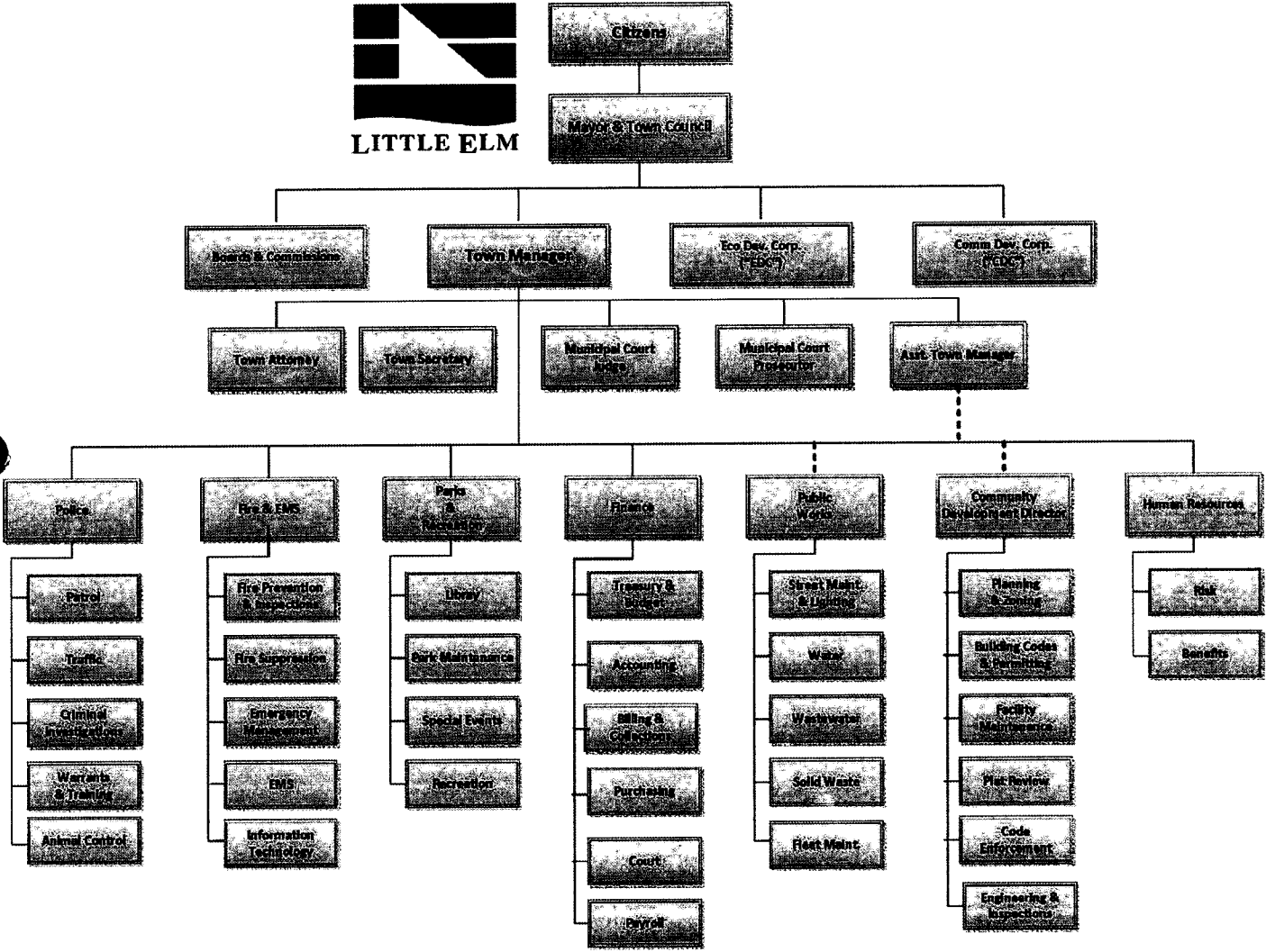
**Town of Little Elm
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

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



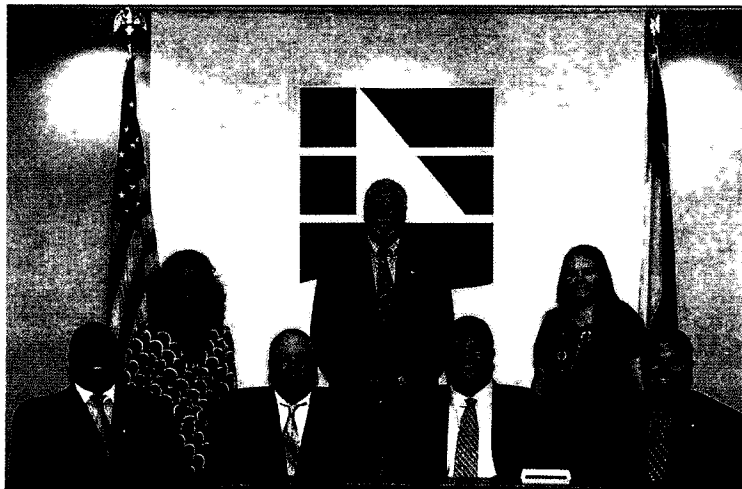
TOWN OF LITTLE ELM, TEXAS

Town Officials

Council Members

David Hillock
James Dominy
Michael McClellan
Curtis Cornelious
Chip Norman
Katie Gipson
Stephanie Shoemaker

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



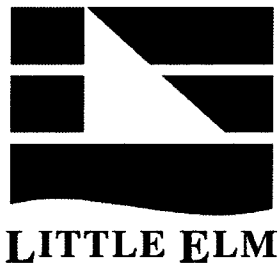
Front Row: Curtis Cornelious, Chip Norman, David Hillock, James Dominy
Back Row: Stephanie Shoemaker, Michael McClellan, Katie Gipson

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, 2014, 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, 2014, 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.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, the Town adopted new accounting guidance, GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities" in 2014. Our opinion is not modified with respect to this matter.

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 55–57 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.

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.

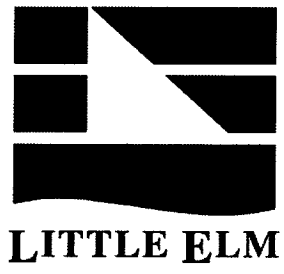
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2015, 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 LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 13, 2015



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MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2014

(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, 2014. 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 \$130,437,704. Of this amount, \$14,651,693 may be used to meet the government's ongoing obligations to citizens and creditors. A \$17,100,877 increase in net position related to governmental activities was coupled with an increase of \$4,300,172 in net position in business-type activities.
- The \$3,312,912 unassigned fund balance in the General Fund represents 17% of the total General Fund expenditures.
- The Town's long-term debt decreased by approximately \$804,005 (1%) 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.

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, 2014
(unaudited)

The government-wide financial statements include not only the Town of Little Elm itself (known as the primary government), but also two 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). 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 funds 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 funds balance sheet and the governmental funds 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 funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the capital projects fund, and the Valencia capital projects fund, all of which are considered to be major funds. Data from the other eight 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, 2014

(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.

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 30-54 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 net position (Table 1) and the change in net position (Table 2).

The Town's combined net position was \$130,437,704 as of September 30, 2014. Analyzing the net position of the governmental and business-type activities separately, governmental activities net position was \$94,589,135 while business-type activities' net position was \$35,848,569.

The largest portion of the Town's net position, \$102,598,015, or 78.7%, 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, \$13,187,996, or 10.1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$14,651,693, or 11.2%, is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.