



MANAGEMENT'S DISCUSSION & ANALYSIS
For the year ended September 30, 2014
(unaudited)

Table 1

Condensed Schedule of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 31,474,713	\$ 26,587,820	\$ 6,194,559	\$ 10,763,414	\$ 37,669,272	\$ 37,351,234
Capital assets	112,629,502	97,914,090	63,380,130	56,601,649	176,009,632	154,515,739
Total assets	144,104,215	124,501,910	69,574,689	67,365,063	213,678,904	191,866,973
Deferred outflows of resources	125,516	-	352,699	-	478,215	-
Current liabilities	4,037,700	1,906,016	2,715,113	2,366,796	6,752,813	4,272,812
Noncurrent liabilities	45,602,896	44,460,428	31,363,706	32,862,651	76,966,602	77,323,079
Total liabilities	49,640,596	46,366,444	34,078,819	35,229,447	83,719,415	81,595,891
Net position						
Net investment in capital assets	69,289,961	63,117,552	33,308,054	27,797,915	102,598,015	90,915,467
Restricted	11,901,273	1,456,437	1,286,723	1,545,571	13,187,996	3,002,008
Unrestricted	13,397,901	13,561,477	1,253,792	2,792,130	14,651,693	16,353,607
Total net position	\$ 94,589,135	\$ 78,135,466	\$ 35,848,569	\$ 32,135,616	\$ 130,437,704	\$ 110,271,082

The following table (Table 2) provides a summary of the Town's operations for the year ended September 30, 2014. Governmental activities increased the Town's net position by \$17,100,877 while business-type activities increased the Town's net position by \$4,300,172, resulting in a \$21,401,049 increase in total net position. The key elements of this increase are as shown as follows:

Table 2

Changes in Net Position

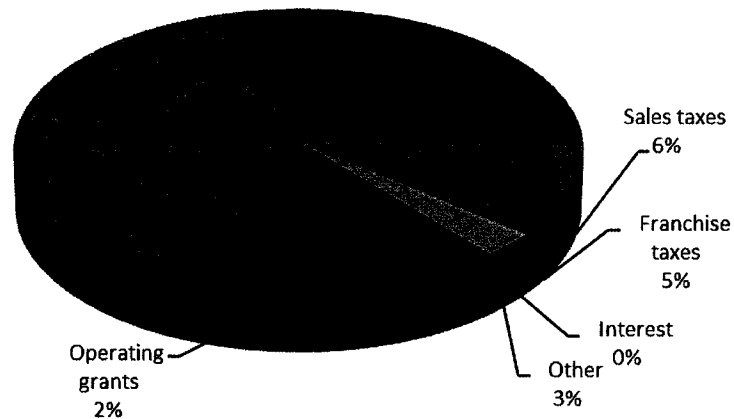
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ 6,978,839	\$ 5,252,816	\$ 13,245,840	\$ 12,762,228	\$ 20,224,679	\$ 18,015,044
Operating grants and contributions	877,283	8,481,366	-	22,395	877,283	8,503,761
Capital grants and contributions	20,153,631	8,196,369	3,595,837	1,828,359	23,749,468	10,024,728
General revenues						
Property taxes	11,851,416	10,864,585	-	-	11,851,416	10,864,585
Sales taxes	2,987,162	2,775,736	-	-	2,987,162	2,775,736
Franchise taxes	1,856,693	1,730,574	106,872	92,009	1,963,565	1,822,583
Investment Income	156,577	136,752	44,010	96,344	200,587	233,096
Other	1,176,824	522,673	7,214	9,343	1,184,038	532,016
Total revenues	46,038,425	37,960,871	16,999,773	14,810,678	63,038,198	52,771,549
Expenses						
General government	5,289,827	5,867,144	-	-	5,289,827	5,867,144
Community service	1,918,695	1,638,809	-	-	1,918,695	1,638,809
Public safety	10,433,709	9,335,742	-	-	10,433,709	9,335,742
Public works	6,499,936	6,021,562	-	-	6,499,936	6,021,562
Culture and recreation	3,104,651	2,667,072	-	-	3,104,651	2,667,072
Interest expense	3,388,234	1,473,694	-	-	3,388,234	1,473,694
Water and sewer services	-	-	9,018,321	8,938,110	9,018,321	8,938,110
Solid waste services	-	-	1,983,776	1,828,285	1,983,776	1,828,285
Total expenses	30,635,052	27,004,023	11,002,097	10,766,395	41,637,149	37,770,418
Increase in net position before transfers	15,403,373	10,956,848	5,997,676	4,044,283	21,401,049	15,001,131
Transfers	1,697,504	1,551,460	(1,697,504)	(1,551,460)	-	-
Change in net position	17,100,877	12,508,308	4,300,172	2,492,823	21,401,049	15,001,131
Net position, beginning of year	78,135,466	65,627,158	32,135,616	29,642,793	110,271,082	95,269,951
Cumulative effect of accounting change	(647,208)	-	(587,219)	-	(1,234,427)	-
Net position, end of year	\$ 94,589,135	\$ 78,135,466	\$ 35,848,569	\$ 32,135,616	\$ 130,437,704	\$ 110,271,082



MANAGEMENT'S DISCUSSION & ANALYSIS
For the year ended September 30, 2014
(unaudited)

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

**Revenues by Source
Governmental Activities**



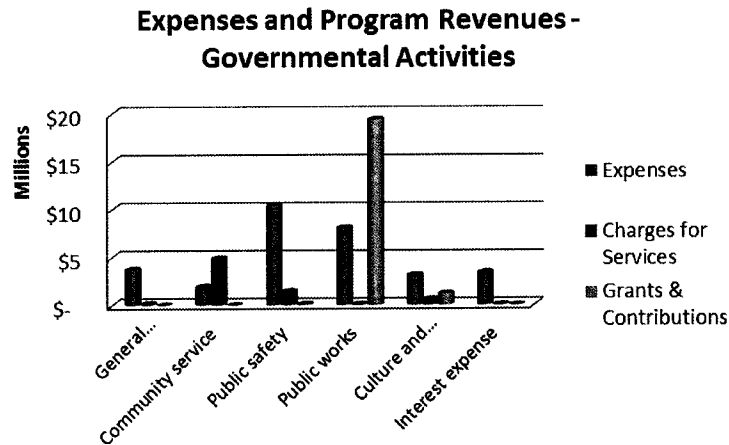
Revenues for the Town's governmental activities increased by \$8,077,554 or 21%. Major components of revenue increases and decreases are explained as follows:

- Capital grants and contributions increased by \$11,957,262 due to the issuance of \$16,240,000 of special assessment revenue bonds to fund construction in the Valencia Public Improvement District.
- Property Taxes increased by \$986,831 due to the overall growth in assessed property value. New construction values on the tax roll for FY2014 was \$84,436,874 .
- Sales Taxes increased by \$211,426 due to new retail growth in the Town. Approximately sixty-two new commercial businesses were added to the sales tax base for the Town as of September 30, 2014.
- There was a modest decrease in investment income due to a decline in market interest rates.



MANAGEMENT'S DISCUSSION & ANALYSIS
For the year ended September 30, 2014
(unaudited)

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



Expenses for governmental activities increased by \$3,631,029 or 13%. Components of increases and decreases are explained as follows:

- Expenses for general government decreased by 36% due to prior year various infrastructure and operational needs.
- Public safety activities expense increased by 12% which includes fire, police and animal control.
- Culture and recreation increased by 16% due to the continued promotion and expansion of activities and events for the Recreation Center.
- Interest and fiscal charges increased due to issuance costs associated with special assessment debt.

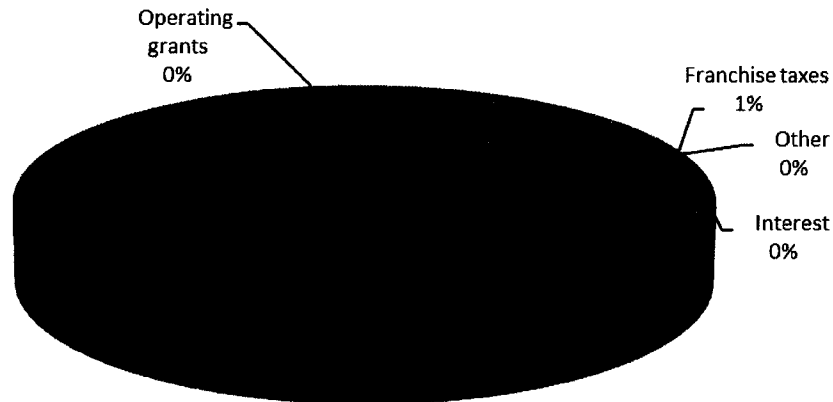


MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2014
(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.

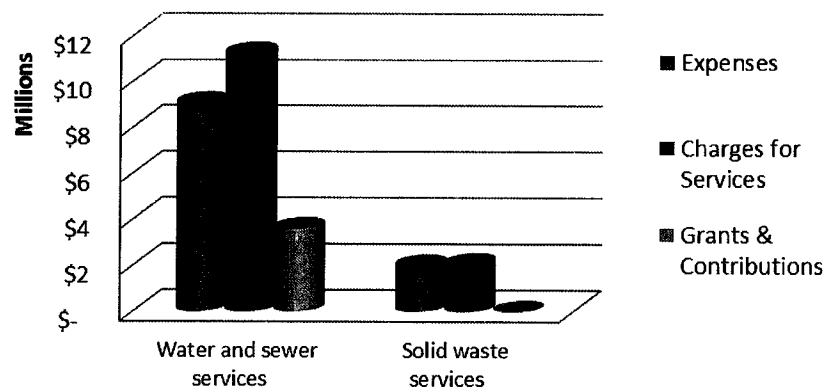
Revenues by Source Business-type Activities



Business-type activities revenues increased \$2,189,095 or 15%. Major components of the decreases/increases are as follows:

- Charges for services for business-type activities increased by \$483,612 or 4%. Water sales increased by 3% while sewer sales increased by 6% due to an increase in customer base including wholesale charges to customers in the Town's extraterritorial jurisdiction (ETJ).
- Capital grants and contributions increased \$1,767,478 or 97% primarily due to capital contributions related to the Valencia Public Improvement District.

Expenses and Program Revenues - Business-type Activities





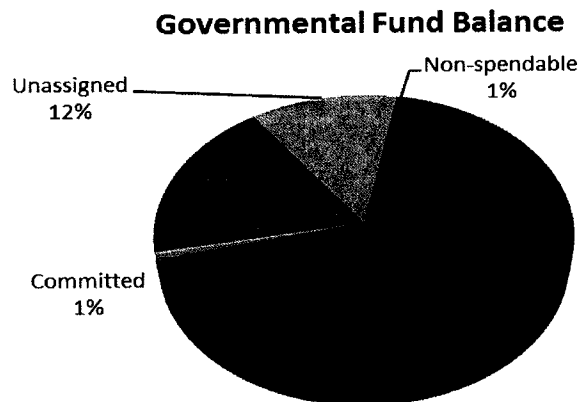
MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2014
(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 \$26,679,289, an increase of \$10,993,842 in comparison with the prior year. Approximately twelve percent of this total amount, or \$3,312,912, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is assigned for equipment - \$3,854,987 or capital outlay - \$1,083,450; committed for street development - \$241,487; restricted: 1) for capital projects - \$15,820,161, 2) to pay debt service - \$367,338, 3) to pay street maintenance - \$376,197, 4) for court - \$62,736, 5) for drainage improvements - \$516,949, 6) for streetscape - \$661,372, 7) for red light camera - \$33,336, 8) for other purposes - \$141,575; or nonspendable due its form as prepaids and inventories - \$206,789.

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 \$3,312,912, while total fund balance was \$8,451,836. 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 17% of total general fund expenditures, while total fund balance represents 43% of that same amount.

Fund balance in the General Fund increased by \$1,501,051, primarily due to the increase in Equipment Replacement/ Reserve Fund (VERF). A funding commitment by Council to establish and fund the new program accounted for a significant portion of the fund increase.

The Debt Service Fund has a total fund balance of \$367,338, all of which is restricted for the payment of debt service. The Debt Service Fund balance decreased by \$200,593 or 54% primarily for roll back tax collections on property previously classified as agriculture use.

The General Capital Projects Fund provides information on capital projects and had an ending fund balance of \$6,794,337. The General Capitals Project Fund balance decreased by \$235,309 or 4%. The balance is comprised of proceeds from the 2013 Certificates of Obligation of \$5,891,478 with the



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2014
(unaudited)

remaining balance consisting primarily of \$661,372, from Streetscape and Impact Fee funds. \$3.0 million of Certificates of Obligation were issued for park improvements; however, fund balance decreased due to \$6,805,784 of capital outlay on construction projects.

The Valencia Capital Projects Fund was established during fiscal year 2014, ending the year with a fund balance of \$9,928,683 as a result of contribution revenue in excess of capital outlay

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 \$34,577, primarily due to transfers out.

General Fund Budgetary Highlights

The final budget of the General Fund reflects a \$58,326 increase due to budget amendments throughout the year. Amendments were for wages and benefits, as well as, professional services. The variance between the actual ending fund balance at September 30, 2014 of \$8,451,836 and the final budgetary fund balance of \$7,628,108 is primarily attributed to increased license and permits revenue due to an increased number of permits issued and unbudgeted contribution revenue.

Capital Assets. The Town's investment in capital assets, for its governmental and business-type activities as of September 30, 2014, amount to \$168,429,632 (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 62% of the capital assets are governmental and 38% are business-type activities.

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

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 9,085,631	\$ 6,885,631	\$ 1,636,966	\$ 1,296,592	\$ 10,722,597	\$ 8,182,223
Construction in progress	8,085,616	8,689,153	2,785,017	5,861,594	10,870,633	14,550,747
Buildings	25,337,688	22,653,850	40,583	45,144	25,378,271	22,698,994
Infrastructure	54,544,005	51,553,126	57,569,834	48,677,155	112,113,839	100,230,281
Other improvements	3,898,392	3,983,867	-	-	3,898,392	3,983,867
Machinery and equipment	4,098,170	4,148,463	1,347,730	721,164	5,445,900	4,869,627
Total	\$ 105,049,502	\$ 97,914,090	\$ 63,380,130	\$ 56,601,649	\$ 168,429,632	\$ 154,515,739

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

- 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
- Expansion of Little Elm Trail System along Lake Front from Beard park to McCord Park

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, 2014
(unaudited)

- 2MG Elevated Water Storage Tower

Additional information on the Town's capital assets can be found in Note 5 on page 42-43 of this report.

Debt Administration. At the end of the current fiscal year, the Town had total bonds outstanding of \$76,966,602. Of this amount, \$73,705,000 is tax-supported debt. The remainder of the Town 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	
	2014	2013	2014	2013	2014	2013
Gross bonded debt:						
General obligation	\$ 32,307,738	\$ 34,335,527	\$ 9,407,262	\$ 7,504,473	\$ 41,715,000	\$ 41,840,000
Certificates of obligation	10,930,000	8,170,000	21,060,000	21,890,000	31,990,000	30,060,000
Revenue bonds	-	-	-	3,055,000	-	3,055,000
Total bonded debt	43,237,738	42,505,527	30,467,262	32,449,473	73,705,000	74,955,000
Other long-term debt:						
Capital leases	175,177	202,689	-	-	175,177	202,689
Unamortized premiums	808,619	662,577	649,256	493,282	1,457,875	1,155,859
Compensated absences	1,381,362	1,222,266	247,188	234,793	1,628,550	1,457,059
Total other long-term debt	2,365,158	2,087,532	896,444	728,075	3,261,602	2,815,607
Total	\$ 45,602,896	\$ 44,593,059	\$ 31,363,706	\$ 33,177,548	\$ 76,966,602	\$ 77,770,607

The Town's tax support debt is rated a "AA-" Bond Rating from Standard and Poor's and a "AA3" Bond Rating From Moody's "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 debt. Additional information on the Town's outstanding debt can be found in Note 8 on pages 44-50 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 2014-2015 budget incorporates no increase in the property tax rate. It remains at \$.664971 per \$100 valuation. Maintenance and operations tax rate is \$.47715 while the debt rate is \$.18782.

The FY 2015 operating budget increased by 18% or \$7,987,819, from the FY 2014 budget. In general revenues for property taxes were budgeted with a 15% 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, 2014
(unaudited)

• Compensation and Benefits (step, insurance, retirement)	\$798,000
• Addition of personnel – Inspector	\$115,000
• Highway 380 Corridor – Personnel and Equipment	\$560,000
• Parks and Recreation Programming and Events	\$155,000
• Services added to McCord Park	\$100,000
• Cost of Water from North Texas Municipal Water District	\$300,000
• Cost of other Utility Services (Solid Waste, Storm Water)	\$300,000

For the past two years, money has been set aside to assist with the creation of a Vehicle Equipment Replacement Fund (VERF) that will allow the Town to place vehicles and equipment on a replacement schedule that ensure a sustainable and well-maintained fleet immune from capital budgeting process. Each time a piece of equipment or vehicle is purchased; annual payments will be made by the user department to the fund so that when the item reaches the end of its useful life, the money is there ready to purchase its replacement. The establishment of this fund requires a budgeted amount of \$2,547,694 in order to back fund the existing fleet inventory. In September 2014, Town Council adopted Ordinance #1226 establishing and adopting the replacement policy.

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 \$2 million. This is a 10% increase over FY14.

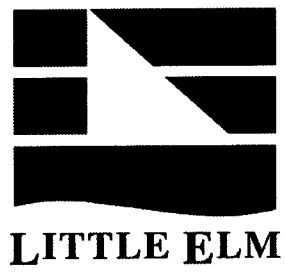
With the 2014-2015 budget the Parks and Recreation Department budget was separated into a special revenue fund. This will allow the Town to take more of a business philosophy to functions such as the Recreation Center, Special Events and the Athletics Programming. The Town is continuing to place great emphasis on Special Events and have planned for growth of Town sponsored events in the FY 2014-2015 budget. The events that are planned include Autumnfest, Pumpkin Hollow/Haunted Trail, Christmas on the Beach/Santa Land, Mardi Gras, Brew and Que, July Jubilee, and a signature beach party.

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.

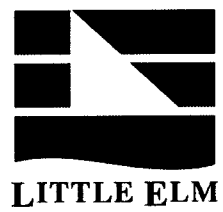
REQUEST FOR INFORMATION

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



BASIC FINANCIAL STATEMENTS



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TOWN OF LITTLE ELM, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 29,102,114	\$ 2,219,336	\$ 31,321,450	\$ 2,245,833
Cash restricted for revenue bond reserve	-	1,123,598	1,123,598	-
Receivables (net of allowance for uncollectibles)	1,785,901	1,715,976	3,501,877	333,028
Due from other governments	-	1,051,467	1,051,467	-
Note receivable from component unit - current portion	350,000	-	350,000	-
Internal balances	29,909	(29,909)	-	-
Prepays	164,058	32,565	196,623	1,050
Inventories	42,731	81,526	124,257	-
Capital assets				
Land	9,085,631	1,636,966	10,722,597	9,041,546
Depreciable assets, net	87,878,255	58,958,147	146,836,402	-
Construction in progress	8,085,616	2,785,017	10,870,633	-
Note receivable from component unit	7,580,000	-	7,580,000	-
Total assets	144,104,215	69,574,689	213,678,904	11,621,457
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	125,516	352,699	478,215	-
Total deferred outflows of resources	125,516	352,699	478,215	-
LIABILITIES				
Accounts payable and other current liabilities	\$ 3,110,167	\$ 1,095,204	\$ 4,205,371	\$ 31,083
Accrued interest payable	260,222	185,604	445,826	23,920
Retainage payable	209,006	431,038	640,044	-
Customer deposits	458,305	1,003,267	1,461,572	-
Non-current liabilities				
Due within one year	3,061,405	1,777,362	4,838,767	745,434
Due in more than one year	42,541,491	29,586,344	72,127,835	15,989,850
Total liabilities	49,640,596	34,078,819	83,719,415	16,790,287
NET POSITION (DEFICIT)				
Net investment in capital assets	69,289,961	33,308,054	102,598,015	245,919
Restricted				
Construction	9,928,683	-	9,928,683	-
Enabling legislation	985,245	1,286,723	2,271,968	1,259,629
Streetscape	661,372	-	661,372	-
Debt service	156,023	-	156,023	113,745
Other	169,950	-	169,950	-
Unrestricted	13,397,901	1,253,792	14,651,693	(6,788,123)
Total net position (deficit)	\$ 94,589,135	\$ 35,848,569	\$ 130,437,704	\$ (5,168,830)

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, 2014

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Functions/Programs.				
Governmental activities.				
General government	\$ 5,289,827	\$ 142,850	\$ -	\$ -
Community service	1,918,695	4,826,558	-	-
Public safety	10,433,709	1,408,432	127,536	-
Public works	6,499,936	52,660	-	18,959,031
Culture and recreation	3,104,651	548,339	749,747	1,194,600
Interest expense	3,388,234	-	-	-
Total governmental activities	30,635,052	6,978,839	877,283	20,153,631
Business-type activities				
Water and sewer services	9,018,321	11,206,850	-	3,595,837
Solid waste services	1,983,776	2,038,990	-	-
Total business-type activities	11,002,097	13,245,840	-	3,595,837
Total primary government	\$ 41,637,149	\$ 20,224,679	\$ 877,283	\$ 23,749,468
Component Units:				
Economic Development Corporation	\$ 1,077,920	\$ -	\$ -	\$ -
Community Development Corporation	526,441	-	-	-
Total component units	\$ 1,604,361	\$ -	\$ -	\$ -

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 (as previously stated)
 Cumulative effect of change in accounting principle

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
\$ (5,146,977)	\$ -	\$ (5,146,977)	\$ -
2,907,863	-	2,907,863	-
(8,897,741)	-	(8,897,741)	-
12,511,755	-	12,511,755	-
(611,965)	-	(611,965)	-
(3,388,234)	-	(3,388,234)	-
(2,625,299)	-	(2,625,299)	-
-	5,784,366	5,784,366	-
-	55,214	55,214	-
-	5,839,580	5,839,580	-
<u>\$ (2,625,299)</u>	<u>\$ 5,839,580</u>	<u>\$ 3,214,281</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	(1,077,920)
-	-	-	(526,441)
<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (1,604,361)</u>
\$ 11,851,416	\$ -	\$ 11,851,416	\$ -
2,987,162	-	2,987,162	1,803,956
1,856,693	106,872	1,963,565	-
156,577	44,010	200,587	19,142
1,158,653	-	1,158,653	8,684
18,171	7,214	25,385	-
1,697,504	(1,697,504)	-	-
<u>19,726,176</u>	<u>(1,539,408)</u>	<u>18,186,768</u>	<u>1,831,782</u>
<u>17,100,877</u>	<u>4,300,172</u>	<u>21,401,049</u>	<u>227,421</u>
78,135,466	32,135,616	110,271,082	(5,247,247)
(647,208)	(587,219)	(1,234,427)	(149,004)
<u>\$ 94,589,135</u>	<u>\$ 35,848,569</u>	<u>\$ 130,437,704</u>	<u>\$ (5,168,830)</u>

**TOWN OF LITTLE ELM, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General Fund	Debt Service	Capital Projects	Valencia Capital Projects	Nonmajor Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 8,079,175	\$ 344,522	\$ 8,708,044	\$ 10,438,785	\$ 1,101,473	\$ 28,671,999
Receivables, net of allowance for doubtful accounts						
Taxes	563,060	71,763	-	-	111,009	745,832
Franchise fees	647,054	-	-	-	-	647,054
Due from other governments	-	-	7,854	-	-	7,854
Other	209,874	-	-	-	175,287	385,161
Due from other funds	45,681	-	-	-	-	45,681
Note receivable	-	7,930,000	-	-	-	7,930,000
Prepays	157,756	-	-	-	6,302	164,058
Inventories	42,731	-	-	-	-	42,731
Total assets	\$ 9,745,331	\$ 8,346,285	\$ 8,715,898	\$ 10,438,785	\$ 1,394,071	\$ 38,640,370
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable and other current liabilities	\$ 1,125,501	\$ 40	\$ 1,262,966	\$ 510,102	\$ 211,508	\$ 3,110,117
Due to other funds	-	-	-	-	15,772	15,772
Accrued interest payable	-	12,590	-	-	-	12,590
Retainage payable	-	-	203,712	-	5,294	209,006
Deposits	3,422	-	454,883	-	-	458,305
Total liabilities	1,128,923	12,630	1,921,561	510,102	232,574	3,805,790
Deferred inflows of resources						
Unavailable resources	164,572	7,966,317	-	-	24,402	8,155,291
Total deferred inflows of resources	164,572	7,966,317	-	-	24,402	8,155,291
FUND BALANCES						
Nonspendable	200,487	-	-	-	6,302	206,789
Restricted	-	367,338	6,552,850	9,928,683	1,130,793	17,979,664
Committed	-	-	241,487	-	-	241,487
Assigned	4,938,437	-	-	-	-	4,938,437
Unassigned	3,312,912	-	-	-	-	3,312,912
Total fund balances	8,451,836	367,338	6,794,337	9,928,683	1,137,095	26,679,289
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,745,331	\$ 8,346,285	\$ 8,715,898	\$ 10,438,785	\$ 1,394,071	\$ 38,640,370

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, 2014**

Total governmental fund balances	\$ 26,679,289
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.	105,049,502
Accrued interest on governmental activities debt is not reported in the governmental funds financial statements until paid.	(247,632)
Revenues earned but not available within sixty days of fiscal year-end are not recognized as revenue in the governmental funds financial statements.	225,291
Unamortized losses on refunding are not due and payable and, therefore are not reported in the governmental funds financial statements. In the government-wide financial statements, the losses are reported as deferred outflows of resources.	125,516
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.	430,065
Premiums on bond issuance for governmental activities debt are included in other financing sources in the governmental funds financial statements.	(808,619)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.	(1,381,362)
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.	7,930,000
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.	(43,412,915)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 94,589,135

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, 2014

	General Fund	Debt Service	Capital Projects	Valencia Capital Projects	Nonmajor Governmental Funds	Total
Revenues:						
Taxes						
Property taxes, penalty, and interest	\$ 8,809,373	\$ 3,009,745	\$ -	\$ -	\$ -	\$ 11,819,118
General sales and use taxes	2,385,844	-	-	-	601,318	2,987,162
Other taxes and franchise fees	1,803,152	-	-	-	53,541	1,856,693
Licenses and permits	3,814,451	-	-	-	-	3,814,451
Intergovernmental	153,394	577,857	532,696	-	101,543	1,365,490
Charges for services	1,421,402	-	-	-	462,779	1,884,181
Impact fees	-	-	514,220	-	-	514,220
Fines	346,424	-	-	-	243,348	589,772
Contributions	600,000	-	1,194,600	16,939,142	22,346	18,756,088
Interest	64,834	12,760	67,616	-	8,850	154,060
Other revenues	1,106,988	-	166,400	-	37,583	1,310,971
Total revenues	20,505,862	3,600,362	2,475,532	16,939,142	1,531,308	45,052,206
Expenditures:						
Current						
General government	3,396,927	-	20,403	-	42,223	3,459,553
Community services	1,898,075	-	12,665	-	-	1,910,740
Public safety	9,102,265	-	-	-	351,979	9,454,244
Public works	1,907,721	-	-	-	887,270	2,794,991
Culture and recreation	2,520,932	-	-	-	118,412	2,639,344
Debt service						
Principal retirement	-	2,097,789	-	-	-	2,097,789
Interest and fiscal agent fees	-	1,678,252	87,513	1,813,593	-	3,579,358
Capital outlay	689,582	-	6,805,784	5,196,866	122,834	12,815,066
Total expenditures	19,515,502	3,776,041	6,926,365	7,010,459	1,522,718	38,751,085
Excess (deficiency) of revenues over (under) expenditures	990,360	(175,679)	(4,450,833)	9,928,683	8,590	6,301,121
Other financing sources (uses)						
Transfers in	1,431,084	-	1,125,000	-	-	2,556,084
Proceeds from sale of assets	18,171	-	-	-	-	18,171
Issuance of refunding bonds	-	2,020,000	-	-	-	2,020,000
Proceeds from bond issuance	-	-	3,000,000	-	-	3,000,000
Capital lease proceeds	144,913	-	-	-	-	144,913
Premium on bond issuance	-	145,086	90,524	-	-	235,610
Payment to refunded bonds escrow agent	-	(2,190,000)	-	-	-	(2,190,000)
Transfers out	(1,083,477)	-	-	-	(8,580)	(1,092,057)
Total other financing sources (uses)	510,691	(24,914)	4,215,524	-	(8,580)	4,692,721
Net change in fund balances	1,501,051	(200,593)	(235,309)	9,928,683	10	10,993,842
Fund balance at beginning of year	6,950,785	567,931	7,029,646	-	1,137,085	15,685,447
Fund balance, end of year	\$ 8,451,836	\$ 367,338	\$ 6,794,337	\$ 9,928,683	\$ 1,137,095	\$ 26,679,289

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, 2014**

Net change in fund balances - total governmental funds	\$ 10,993,842
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.	(247,442)
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is capitalized	11,342,966
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	(5,090,907)
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	972,973
Loss on disposal of capital assets results in a decrease in net position, but the net effect is not reported in the governmental funds	(89,620)
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 (\$5,020,000)	
o Bond premiums (\$235,610)	
o Repayments \$4,287,789	
o Amortization of premium on bonds, \$89,568, less the amortization of deferred loss on refunding (\$7,175)	(885,368)
Governmental funds reflect capital lease proceeds as other financing sources and payments as expenditures. This amount represents the net of current year payments (\$172,425) and capital lease proceeds (\$144,913), which is reflected as a reduction of liabilities in the government-wide financial statements	27,512
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.	(159,096)
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	235,994
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	23
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 17,100,877

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

TOWN OF LITTLE ELM , TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Water and Sewer	Solid Waste	Total	Governmental Activities- Internal Service Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets				
Cash and cash equivalents	\$ 2,219,178	\$ 158	\$ 2,219,336	\$ 430,115
Cash restricted for revenue bond reserve	1,123,598	-	1,123,598	-
Receivables (net of allowance for uncollectibles)	1,507,994	207,982	1,715,976	-
Due from other governments	1,051,467	-	1,051,467	-
Inventories	81,526	-	81,526	-
Prepays	32,565	-	32,565	-
Total current assets	6,016,328	208,140	6,224,468	430,115
Noncurrent assets:				
Land	1,636,966	-	1,636,966	-
Depreciable assets, net	58,723,513	234,634	58,958,147	-
Construction in progress	2,785,017	-	2,785,017	-
Total property and equipment	63,145,496	234,634	63,380,130	-
Total noncurrent assets	63,145,496	234,634	63,380,130	-
Total assets	69,161,824	442,774	69,604,598	430,115
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	352,699	-	352,699	-
Total deferred outflows of resources	352,699	-	352,699	-
Total assets and deferred outflows of resources	\$ 69,514,523	\$ 442,774	\$ 69,957,297	\$ 430,115
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable and other accrued expenses	\$ 926,573	\$ 168,631	\$ 1,095,204	\$ 50
Due to other funds	-	29,909	29,909	-
Accrued interest payable	185,604	-	185,604	-
Retainage payable	431,038	-	431,038	-
Customer deposits	1,003,267	-	1,003,267	-
Current portion of long-term debt	1,776,805	557	1,777,362	-
Total current liabilities	4,323,287	199,097	4,522,384	50
Long-term debt, net of current portion	29,586,084	260	29,586,344	-
Total liabilities	33,909,371	199,357	34,108,728	50
Net position:				
Net investment in capital assets	33,073,420	234,634	33,308,054	-
Restricted for				
Impact fees	1,286,723	-	1,286,723	-
Unrestricted	1,245,009	8,783	1,253,792	430,065
Total net position	35,605,152	243,417	35,848,569	430,065
Total liabilities and net position	\$ 69,514,523	\$ 442,774	\$ 69,957,297	\$ 430,115

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, 2014

	Water and Sewer	Solid Waste	Total	Governmental- Activities Internal Service Fund
Operating revenues:				
Water sales	\$ 5,827,384	\$ -	\$ 5,827,384	\$ -
Charges for sewer services	4,778,228	-	4,778,228	-
Tap, connections, and other fees	564,049	-	564,049	-
Charges for solid waste	-	2,038,990	2,038,990	-
Other revenue	37,189	-	37,189	-
Total operating revenues	11,206,850	2,038,990	13,245,840	-
Operating expenses:				
Personnel services	1,906,105	26,656	1,932,761	-
Contractual services	279,023	1,853,261	2,132,284	-
Repairs and maintenance	233,564	78,814	312,378	-
Supplies	3,292,086	11,014	3,303,100	-
Depreciation and amortization	1,836,535	13,471	1,850,006	-
Other operating expenses	564,290	560	564,850	-
Total operating expenses	8,111,603	1,983,776	10,095,379	-
Operating income	3,095,247	55,214	3,150,461	-
Non-operating revenues (expenses):				
Grants and contributions	651,542	-	651,542	-
Taxes	-	106,872	106,872	-
Gain on sale of assets	7,214	-	7,214	-
Interest income	43,073	937	44,010	2,517
Interest expense	(906,718)	-	(906,718)	-
Total non-operating revenue (expenses)	(204,889)	107,809	(97,080)	2,517
Income before capital contributions and transfers	2,890,358	163,023	3,053,381	2,517
Capital contributions and transfers				
Capital contributions	1,944,292	-	1,944,292	-
Impact fees	1,000,003	-	1,000,003	-
Transfers in	-	-	-	233,477
Transfers out	(1,499,904)	(197,600)	(1,697,504)	-
Total capital contributions and transfers	1,444,391	(197,600)	1,246,791	233,477
Change in net position	4,334,749	(34,577)	4,300,172	235,994
Net position at beginning of year	31,857,622	277,994	32,135,616	194,071
Cumulative effect of change in accounting principle	(587,219)	-	(587,219)	-
Net position, end of year	\$ 35,605,152	\$ 243,417	\$ 35,848,569	\$ 430,065

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, 2014**

	Water and Sewer	Solid Waste	Total	Governmental Activities- Internal Service Fund
Cash flow from operating activities:				
Receipts from customers and users	\$ 10,811,124	\$ 2,030,068	\$ 12,841,192	\$ -
Payments to suppliers	(4,292,268)	(1,935,961)	(6,228,229)	27
Payments to employees	(1,634,545)	(11,976)	(1,646,521)	-
Net cash provided by operating activities	4,884,311	82,131	4,966,442	\$ 27
Cash flow from noncapital financing activities:				
Transfers in	-	-	-	233,477
Transfers out	(1,499,904)	(197,600)	(1,697,504)	-
Intergovernmental revenue	-	106,872	106,872	-
Net cash provided by used by noncapital financing activities	(1,499,904)	(90,728)	(1,590,632)	233,477
Cash flow from capital financing activities:				
Proceeds from long-term debt	2,530,000	-	2,530,000	-
Acquisition of capital assets	(6,399,542)	(179,931)	(6,579,473)	-
Proceeds from sale of capital assets	7,214	-	7,214	-
Capital grants	651,542	-	651,542	-
Impact fees	1,000,003	-	1,000,003	-
Principal paid on capital debt	(4,512,211)	-	(4,512,211)	-
Interest paid on capital debt	(905,686)	-	(905,686)	-
Net cash used by capital financing activities	(7,628,680)	(179,931)	(7,808,611)	-
Cash flow from investing activities:				
Interest and dividends on investments	43,073	937	44,010	2,517
Net cash provided by investing activities	43,073	937	44,010	2,517
Net decrease in cash and cash equivalents	(4,201,200)	(187,591)	(4,388,791)	236,021
Cash and cash equivalents, beginning of year	7,543,976	187,749	7,731,725	194,094
Cash and cash equivalents, end of the year	<u>\$ 3,342,776</u>	<u>\$ 158</u>	<u>\$ 3,342,934</u>	<u>430,115</u>
Reconciliation to Statement of Net Position				
Cash and cash equivalents	\$ 2,219,178	\$ 158	\$ 2,219,336	\$ 430,115
Cash restricted to revenue bond reserve	1,123,598	-	1,123,598	-
	<u>\$ 3,342,776</u>	<u>\$ 158</u>	<u>\$ 3,342,934</u>	<u>\$ 430,115</u>
Noncash transactions:				
Capital contributions	<u>\$ 1,944,292</u>	<u>\$ -</u>	<u>\$ 1,944,292</u>	<u>\$ -</u>

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

**TOWN OF LITTLE ELM, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

(CONTINUED)

	Water and Sewer	Solid Waste	Total	Internal Service Fund
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 3,095,247	\$ 55,214	\$ 3,150,461	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,836,535	13,471	1,850,006	-
Effects of changes in assets and liabilities:				
Decrease (increase) in receivables	(412,682)	(8,922)	(421,604)	-
Decrease (increase) in inventories	16,956	-	16,956	-
Decrease (increase) in prepaids	(32,416)	-	(32,416)	-
Increase (decrease) in payables	298,298	21,551	319,849	27
Increase (decrease) in deposits	70,795	-	70,795	-
Increase (decrease) in compensated absences	11,578	817	12,395	-
Net cash provided by operating activities	\$ 4,884,311	\$ 82,131	\$ 4,966,442	\$ 27

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

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>PID Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,586,000
Total Assets	<u>\$ 1,586,000</u>
LIABILITIES	
Liability to bond holders	\$ 1,586,000
Total Liabilities	<u>\$ 1,586,000</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, 2014

	Economic Development Corporation	Community Development Corporation	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,213,572	\$ 1,032,261	\$ 2,245,833
Receivables (net of allowance for uncollectibles)	222,019	111,009	333,028
Prepays	1,050	-	1,050
Noncurrent assets			
Land	9,041,546	-	9,041,546
Total Assets	10,478,187	1,143,270	11,621,457
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	29,690	1,393	31,083
Accrued interest payable	23,920	-	23,920
Non-current liabilities:			
Due within one year	395,434	350,000	745,434
Due in more than one year	8,409,850	7,580,000	15,989,850
Total Liabilities	8,858,894	7,931,393	16,790,287
NET POSITION (DEFICIT)			
Net investment in capital assets	245,919	-	245,919
Restricted by enabling legislation	1,259,629	-	1,259,629
Restricted for debt service	113,745	-	113,745
Unrestricted	-	(6,788,123)	(6,788,123)
Total Net Position (Deficit)	\$ 1,619,293	\$ (6,788,123)	\$ (5,168,830)

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, 2014**

		Program Revenues	
		Operating Grants and Contributions	Capital Grants and Contributions
	Expenses		
Governmental Activities:			
Economic Development Corporation	\$ 1,077,920	\$ -	\$ -
Community Development Corporation	526,441	-	-
Total component units	\$ 1,604,361	\$ -	\$ -

General revenues:

Sales taxes

Investment income

Miscellaneous

Total general revenues

Change in net position

Net position (deficit) - beginning of year

Cumulative effect of change in accounting principle

Net position (deficit) - end of year

Component Units		
Economic Development Corporation	Community Development Corporation	Total
\$ (1,077,920)	\$ -	\$ (1,077,920)
-	(526,441)	(526,441)
<u>\$ (1,077,920)</u>	<u>\$ (526,441)</u>	<u>\$ (1,604,361)</u>
\$ 1,202,637	\$ 601,319	\$ 1,803,956
10,608	8,534	19,142
8,684	-	8,684
<u>1,221,929</u>	<u>609,853</u>	<u>1,831,782</u>
144,009	83,412	227,421
1,624,288	(6,871,535)	(5,247,247)
(149,004)	-	(149,004)
<u>\$ 1,619,293</u>	<u>\$ (6,788,123)</u>	<u>\$ (5,168,830)</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

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.

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, 2014**

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.

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, 2014**

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, the capital projects fund, and the Valencia capital projects fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, 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, 2014

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.
- d. The **Valencia Capital Projects Fund** is used to account for the acquisition or construction of capital facilities and improvements relating to the Valencia PID.

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, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Fund Accounting – continued

- e. **Red Light Camera Fund** accounts for proceeds and expenses related to red-light cameras.
- f. **Stormwater Drainage Fund** accounts for fees charged for stormwater drainage services.
- g. **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.
- h. **Farmers Market Grant Fund** accounts for proceeds and expenditures relating to the Farmers Market grant.

The Town reports the following fiduciary fund:

- a. **Public Improvement District (PID) No. 4 Valencia Agency Fund** accounts for bond proceeds, assessments, and related debt associated with the issuance of bonds issued by the Town as an agent for the Public Improvement District

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.

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Cash and Cash Equivalents

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

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

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

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, 2014, and the non-spendable fund balance has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Accounts Receivable

Accounts receivable consist primarily of amounts due from citizens for various services provided by the Town as well as property taxes, sales taxes receivable, franchise taxes and amounts due from other governments. 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.

TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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

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

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

J. Interfund Transactions

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

K. Compensated Absences

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

K. Long-term Obligations

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

Bond premiums and discounts 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.

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Long-term Obligations - Continued

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.

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.

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Fund Equity – Continued

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 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, 2014 up through March 13, 2015, the date the financial statements were issued. Significant subsequent events are described in Note 15.

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 \$ 36,273,231 and the bank balance was \$ 36,637,088 . The bank balance was completely covered by federal deposit insurance and collateral held by the pledging financial institution in the Town's name.

TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Cash and investments as of September 30, 2014 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Primary Government.

Cash and cash equivalents	\$ 31,321,450
Restricted cash and cash equivalents	<u>1,123,598</u>
Total primary government	32,445,048

Fiduciary Fund

Cash and cash equivalents	1,586,000
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Component Unit:

Cash and cash equivalents	<u>2,245,833</u>
Total cash and investments	<u>\$ 36,276,881</u>

Cash on hand.	\$ 2,650
Deposits with financial institution	36,273,231
Investments	<u>1,000</u>
Total cash and investments	<u>\$ 36,276,881</u>

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

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

Disclosures relating to interest rate risk

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

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

TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

NOTE 2. CASH AND INVESTMENTS – CONTINUED

As of September 30, 2014, the Town had the following investments.

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
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.

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

Concentration of credit risk

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

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, 2014 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

TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Custodial credit risk - continued

and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule2A7 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 2014 levy was based was approximately \$1,770,000,000. 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 year ended September 30, 2014 was \$0.664971 per \$100 of assessed valuation. Current tax collections for the year ended September 30, 2014 were approximately 99% of the tax levy.

NOTE 4. RECEIVABLES

Receivables as of year-end for the government's individual major funds, non-major funds in the aggregate and discretely presented component units, including the applicable allowances for uncollectible accounts as of September 30, 2014 are as follows:

	Governmental Funds					
	General	Debt Service	Capital Projects	Valencia Capital Projects	Nonmajor Funds	Total
Ad valorem taxes	\$ 147,879	\$ 82,813	\$ -	\$ -	\$ -	\$ 230,692
Sales taxes	444,037	-	-	-	111,009	555,046
Court	544,771	-	-	-	340,436	885,207
Ambulance	275,623	-	-	-	-	275,623
Storm drainage	-	-	-	-	111,918	111,918
Franchise fees	647,054	-	-	-	14,503	661,557
Intergovernmental	-	-	7,854	-	-	7,854
Other	22,369	-	-	-	29,576	51,945
Gross receivables	2,081,733	82,813	7,854	-	607,442	2,779,842
Less: allowances	(661,745)	(11,050)	-	-	(321,146)	(993,941)
Net total receivables	<u>\$ 1,419,988</u>	<u>\$ 71,763</u>	<u>\$ 7,854</u>	<u>\$ -</u>	<u>\$ 286,296</u>	<u>\$ 1,785,901</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

NOTE 4. RECEIVABLES – CONTINUED

	Proprietary Funds		
	Water and Sewer	Solid Waste	Total
Customer accounts	\$ 1,631,867	\$ 227,898	\$ 1,859,765
Other	39,275	-	39,275
Gross receivables	1,671,142	227,898	1,899,040
Less: allowances	(163,148)	(19,916)	(183,064)
Net total receivables	<u>\$ 1,507,994</u>	<u>\$ 207,982</u>	<u>\$ 1,715,976</u>

	Component Units		
	EDC	CDC	Total
Sales taxes	\$ 222,019	\$ 111,009	\$ 333,028
Total receivables	<u>\$ 222,019</u>	<u>\$ 111,009</u>	<u>\$ 333,028</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$ 6,885,631	\$ 2,200,000	\$ -	\$ -	\$ 9,085,631
Construction in progress	8,689,153	8,341,503	-	(8,945,040)	8,085,616
Total capital assets, not being depreciated	<u>15,574,784</u>	<u>10,541,503</u>	<u>-</u>	<u>(8,945,040)</u>	<u>17,171,247</u>
Capital assets being depreciated					
Infrastructure	79,972,451	972,973	-	5,585,867	86,531,291
Buildings	24,644,147	-	-	3,359,173	28,003,320
Improvements other than buildings	5,156,481	80,962	-	-	5,237,443
Machinery and Equipment	8,924,437	720,501	(89,620)	-	9,555,318
Total capital assets being depreciated	<u>118,697,516</u>	<u>1,774,436</u>	<u>(89,620)</u>	<u>8,945,040</u>	<u>129,327,372</u>
Less accumulated depreciation for:					
Infrastructure	28,419,325	3,567,961	-	-	31,987,286
Buildings	1,990,297	675,335	-	-	2,665,632
Improvements other than buildings	1,172,614	166,437	-	-	1,339,051
Machinery and Equipment	4,775,974	681,174	-	-	5,457,148
Total accumulated depreciation	<u>36,358,210</u>	<u>5,090,907</u>	<u>-</u>	<u>-</u>	<u>41,449,117</u>
Total capital assets being depreciated, net	<u>82,339,306</u>	<u>(3,316,471)</u>	<u>(89,620)</u>	<u>8,945,040</u>	<u>87,878,255</u>
Governmental activities capital assets, net	<u>\$ 97,914,090</u>	<u>\$ 7,225,032</u>	<u>\$ (89,620)</u>	<u>\$ -</u>	<u>\$ 105,049,502</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

NOTE 5. CAPITAL ASSETS – CONTINUED

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets not being depreciated					
Land	\$ 1,296,592	\$ -	\$ -	\$ 340,374	\$ 1,636,966
Construction in progress	5,861,594	6,728,760	-	(9,805,337)	2,785,017
Total capital assets, not being depreciated	7,158,186	6,728,760	-	(9,464,963)	4,421,983
Capital assets being depreciated					
Buildings	173,679	-	-	-	173,679
Water system improvements	28,789,515	447,760	-	9,464,963	38,702,238
Sewer system improvements	29,808,678	610,458	-	-	30,419,136
Machinery and equipment	1,805,339	778,260	(41,473)	-	2,542,126
Total capital assets being depreciated	60,577,211	1,836,478	(41,473)	9,464,963	71,837,179
Less accumulated depreciation for:					
Buildings	128,535	4,561	-	-	133,096
Water system improvements	4,393,621	855,765	-	-	5,249,386
Sewer system improvements	5,527,417	774,737	-	-	6,302,154
Machinery and equipment	1,084,175	148,497	(38,276)	-	1,194,396
Total accumulated depreciation	11,133,748	1,783,560	(38,276)	-	12,879,032
Total capital assets being depreciated, net	49,443,463	52,918	(3,197)	9,464,963	58,958,147
Business-type activities capital assets, net	\$ 56,601,649	\$ 6,781,678	\$ (3,197)	\$ -	\$ 63,380,130

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

Governmental activities:

General government	\$ 182,848
Public safety	788,937
Public works	3,662,173
Culture and recreation	456,949
	<u>\$ 5,090,907</u>

Business-type activities:

Water and Sewer	<u>\$ 1,783,560</u>
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NOTE 6. TRANSFERS AND INTERFUND BALANCES

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:

Transfer In	Transfer Out	Amount	Purpose
Capital Projects Fund	Solid Waste Fund	\$ 275,000	Fencing and signage projects
Capital Projects Fund	General Fund	850,000	Various construction projects
General Fund	Water and Sewer Fund	1,224,904	Various indirect costs
General Fund	Solid Waste Fund	197,600	Various indirect costs
General Fund	Nonmajor Governmental Funds	8,580	Repay bailiff hours
Internal Service Fund	General Fund	233,477	Equipment replacement funding
		<u>\$ 2,789,561</u>	

TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

NOTE 6. TRANSFERS AND INTERFUND BALANCES – CONTINUED

Interfund balances represent amounts due the General Fund for short-term funding of deficit cash. The details of these balances as of September 30, 2014 are as follows:

	Due From	Due To
General Fund	\$ 45,681	\$ -
Solid Waste Fund	-	29,909
Nonmajor Governmental Fund	-	15,772
	<u>\$ 45,681</u>	<u>\$ 45,681</u>

NOTE 7. UNEARNED REVENUE/DEFERRED INFLOWS OF RESOURCES

Governmental funds report *deferred inflows of resources* 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 inflows of resources reported in the governmental funds were as follows.

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Property taxes	\$ 94,740	\$ 36,317	\$ -	\$ 131,057
Note receivable	-	7,930,000	-	7,930,000
Court fines	26,515	-	-	26,515
Other	43,317	-	24,402	67,719
Total	<u>\$ 164,572</u>	<u>\$ 7,966,317</u>	<u>\$ 24,402</u>	<u>\$ 8,155,291</u>

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, 2014:

TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

NOTE 8. LONG-TERM DEBT -- CONTINUED

General Obligation Bonds	Outstanding		Outstanding	
	Governmental	Due in one year	Business-Type	Due in one year
\$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%	\$ 3,475,000	\$ 225,000		
\$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%	4,705,000	265,000		
\$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%	8,330,000	385,000		
\$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%	8,127,738	414,432		
\$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%	2,445,000	165,000		
\$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%			\$ 1,387,262	\$ 200,568
\$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%	3,205,000	355,000	2,655,000	235,000
\$4,550,000 Series 2014 General Obligation Refunding Bonds due in annual installments of \$235,000 to \$375,000 through August 2029, plus interest at 2.00% to 4.00%	2,020,000	105,000	2,530,000	130,000
\$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%			2,835,000	230,000
	<u>\$ 32,307,738</u>	<u>\$ 1,914,432</u>	<u>\$ 9,407,262</u>	<u>\$ 795,568</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

NOTE 8. LONG-TERM DEBT – CONTINUED

	Outstanding		Outstanding	
	Governmental	Due in one year	Business- Type	Due in one year
<u>Certificates of Obligation</u>				
\$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%	\$ 2,080,000	\$ 95,000		
\$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%	5,850,000	255,000		
\$3,000,000 Series 2013A Combination Tax and Revenue Certificates of Obligation due in annual installments of \$130,000 to \$210,000 through August 2033, plus interest at 1 50% to 3 50%	3,000,000	130,000		
\$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%			\$ 5,990,000	\$ 185,000
\$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%			9,685,000	320,000 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%			5,385,000	345,000
	<u>\$ 10,930,000</u>	<u>\$ 480,000</u>	<u>\$ 21,060,000</u>	<u>\$ 850,000</u>

During the year ended September 30, 2014, 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 for the purpose of paying the Town's contractual obligations to be incurred for (i) the construction of public works, to wit: (a) constructing street improvements, including drainage, landscaping, curbs, gutters, sidewalks, signage, traffic signalization and street noise abatement incidental thereto and the acquisition of land and rights-of-way therefor, (b) improvements and extensions to the Town's Waterworks and Sewer System, including the acquisition of land and rights-of-way therefor, (c) acquiring, constructing, improving and equipping municipal parking facilities, including the acquisition of land therefor, and (ii) professional services rendered in connections with the construction and financing of the foregoing projects.

During the year ended September 30, 2014, the Town issued \$4,550,000 General Obligation Refunding Bonds, Series 2014, of which \$2,530,000 is included as part of business-type activities. Net proceeds from the sale of the bonds totaled \$5,459,658. Of these proceeds, \$5,365,506 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 \$1,412,264, 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 \$824,779. As a result of this transaction, \$3,055,000 of revenue bonds and \$2,190,000 of general obligation bonds were refunded, are 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, 2014**

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, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Governmental activities:					
General obligation bonds	\$ 34,335,527	\$ 2,020,000	\$ (4,047,789)	\$ 32,307,738	\$ 1,914,432
Unamortized bond premium	662,577	235,510	(89,468)	808,619	-
Certificates of obligation	8,170,000	3,000,000	(240,000)	10,930,000	480,000
Capital leases	202,689	144,913	(172,425)	175,177	114,801
Compensated absences	1,222,266	1,321,279	(1,162,183)	1,381,362	552,172
	<u>44,593,059</u>	<u>6,721,702</u>	<u>(5,711,865)</u>	<u>45,602,896</u>	<u>3,061,405</u>
Business-type activities:					
General obligation bonds	7,504,473	2,530,000	(627,211)	9,407,262	795,568
Certificates of obligation	21,890,000	-	(830,000)	21,060,000	850,000
Revenue bonds	3,055,000	-	(3,055,000)	-	-
Unamortized bond premium	493,282	181,906	(25,932)	649,256	-
Compensated absences	234,793	219,996	(207,601)	247,188	131,794
	<u>33,177,548</u>	<u>2,931,902</u>	<u>(4,745,744)</u>	<u>31,363,706</u>	<u>1,777,362</u>
Total Primary Government	<u>\$ 77,770,607</u>	<u>\$ 9,653,604</u>	<u>\$ (10,457,609)</u>	<u>\$ 76,966,602</u>	<u>\$ 4,838,767</u>
Component Units:					
Notes payable - EDC	\$ 9,176,093	\$ -	\$ (380,466)	\$ 8,795,627	\$ 393,126
Notes payable - CDC	8,170,000	-	(240,000)	7,930,000	350,000
Compensated absences	6,923	20,857	(18,123)	9,657	2,308
	<u>\$ 17,353,016</u>	<u>\$ 20,857</u>	<u>\$ (638,589)</u>	<u>\$ 16,735,284</u>	<u>\$ 745,434</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
2015	\$ 1,914,432	\$ 1,206,136	\$ 3,120,568	\$ 795,568	\$ 260,919	\$ 1,056,487
2016	2,005,254	1,134,903	3,140,157	814,747	231,534	1,046,281
2017	2,081,897	1,070,492	3,152,389	823,104	213,192	1,036,296
2018	2,148,540	1,000,678	3,149,218	836,461	194,599	1,031,060
2019	2,236,003	927,810	3,163,813	858,996	174,359	1,033,355
2020-2024	11,461,612	3,421,835	14,883,447	3,798,386	538,795	4,337,181
2025-2029	9,805,000	1,308,631	11,113,631	1,480,000	120,456	1,600,456
2030-2034	655,000	32,750	687,750	-	-	-
Total	<u>\$ 32,307,738</u>	<u>\$ 10,103,235</u>	<u>\$ 42,410,973</u>	<u>\$ 9,407,262</u>	<u>\$ 1,733,854</u>	<u>\$ 11,141,116</u>

TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

NOTE 8. LONG-TERM DEBT – CONTINUED

Certificates of Obligation

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 480,000	\$ 335,555	\$ 815,555	\$ 850,000	\$ 852,706	\$ 1,702,706
2016	485,000	327,580	812,580	880,000	826,956	1,706,956
2017	495,000	317,455	812,455	915,000	799,381	1,714,381
2018	510,000	305,705	815,705	945,000	770,619	1,715,619
2019	525,000	293,530	818,530	975,000	739,944	1,714,944
2020-2024	2,835,000	1,247,575	4,082,575	5,470,000	3,195,785	8,665,785
2025-2029	3,320,000	781,575	4,101,575	5,645,000	2,112,350	7,757,350
2030-2034	2,280,000	213,375	2,493,375	5,380,000	866,728	6,246,728
Total	<u>\$ 10,930,000</u>	<u>\$ 3,822,350</u>	<u>\$ 14,752,350</u>	<u>\$ 21,060,000</u>	<u>\$ 10,164,469</u>	<u>\$ 31,224,469</u>

Capital Leases

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 114,801	\$ 5,735	\$ 120,536	\$ -	\$ -	\$ -
2016	60,376	2,471	62,847	-	-	-
Total	<u>\$ 175,177</u>	<u>\$ 8,206</u>	<u>\$ 183,383</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, 2014 consists of the following:

Series	Type	Amount
2004	Waterworks and Sewer System Revenue Bonds	\$ 3,055,000
2005	General Obligation Refunding and Improvement Bonds	<u>2,190,000</u>
		<u>\$ 5,245,000</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

NOTE 8. LONG-TERM DEBT – CONTINUED

Compensated Absences

Substantially all vacation and sick leave is paid by the General Fund.

Discretely presented component units – Economic Development Corporation

Notes payable of the Little Elm Economic Development Corporation as of September 30, 2014 are as follows:

Payee	Description	Balance 9/30/2014
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%	\$ 6,924,018
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%	1,871,609
		<u>\$ 8,795,627</u>

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

Year	Principal	Interest	Total
2015	\$ 393,126	\$ 287,039	\$ 680,165
2016	406,206	273,958	680,164
2017	419,721	260,443	680,164
2018	433,686	246,479	680,165
2019	448,116	232,048	680,164
2020-2024	2,474,398	926,423	3,400,821
2025-2029	2,914,361	486,460	3,400,821
2030-2031	1,306,013	54,315	1,360,328
Total	<u>\$ 8,795,627</u>	<u>\$ 2,767,165</u>	<u>\$ 11,562,792</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, 2014, \$7,930,000, 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, 2014

NOTE 8. LONG-TERM DEBT – CONTINUED

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

Year	Principal	Interest	Total
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	390,000	212,980	602,980
2020-2024	2,110,000	891,375	3,001,375
2025-2029	2,490,000	536,100	3,026,100
2030-2033	1,495,000	133,175	1,628,175
Total	<u>\$ 7,930,000</u>	<u>\$ 2,715,225</u>	<u>\$ 10,645,225</u>

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 Entry Age Normal (EAN) actuarial cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit method was used). 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, 2012 valuation is effective for rates beginning January 2014.)

TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

NOTE 9. PENSION PLAN - CONTINUED

B. Contributions – Continued

Schedule of Actuarial Liabilities and Funding Progress:

Actuarial Valuation Date	12/31/13	12/31/12	12/31/11
Actuarial Value of Assets	\$ 14,242,778	\$ 11,940,507	\$ 10,019,596
Actuarial Accrued Liability	17,933,610	14,843,857	13,122,562
Percentage Funded	79.4%	80.4%	76.4%
Unfunded (Over-funded) Actuarial			
Accrued Liability (UAAL)	3,690,832	2,903,350	3,102,966
Annual Covered Payroll	9,918,666	8,859,638	8,219,825
UAAL as a Percentage of Covered Payroll	37.2%	32.8%	37.7%
Net Pension Obligation (NPO)			
at the Beginning of Period	-	-	-
Annual Pension Cost			
Annual required contribution (ARC)	1,177,925	991,338	846,564
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
	<u>1,177,925</u>	<u>991,338</u>	<u>846,564</u>
Contributions Made (100% of cost)	1,177,925	991,338	846,564
Increase in NPO	-	-	-
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Actuarial assumptions are as follows:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
GASB 25 equivalent single amortization period	30.0 Years - Closed Period
Amortization period for new gains/losses	25 years
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, 2014

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, 2014:

	Governmental Activities	Business-type Activities	Total Primary Government	Discretely Presented Component Units
Restricted for construction	\$ 9,928,683	\$ -	\$ 9,928,683	\$ -
Restricted by enabling legislation	985,245	1,286,723	2,271,968	1,259,629
Restricted for streetscape	661,372	-	661,372	-
Restricted for debt service	156,023	-	156,023	113,745
Restricted for other				
Grant requirements	118,407	-	118,407	-
Donor stipulations	20,185	-	20,185	-
Farmers market	7,406	-	7,406	-
Forfeitures	23,952	-	23,952	-
Total restricted for other	169,950	-	169,950	-
	<u>\$ 11,901,273</u>	<u>\$ 1,286,723</u>	<u>\$ 13,187,996</u>	<u>\$ 1,373,374</u>

B. Fund Balance

The composition of the governmental fund balances at September 30, 2014 is as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Valencia PID Fund	Non major Governmental Funds	Total Governmental Funds
Non-spendable						
Inventory	\$ 42,731	\$ -	\$ -	\$ -	\$ -	\$ 42,731
Prepays	157,756	-	-	-	6,302	164,058
	<u>200,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,302</u>	<u>206,789</u>
Restricted for:						
Debt service	-	367,338	-	-	-	367,338
Street maintenance	-	-	-	-	376,197	376,197
Police	-	-	-	-	25,481	25,481
Fire	-	-	-	-	10,929	10,929
Parks and Rec	-	-	-	-	16,952	16,952
Stormwater drainage	-	-	-	-	516,949	516,949
Court	-	-	-	-	62,736	62,736
Red Light camera	-	-	-	-	33,336	33,336
Library	-	-	-	-	6,188	6,188
Animal Control	-	-	-	-	1,456	1,456
Forfeiture	-	-	-	-	23,952	23,952
Farmers Market	-	-	-	-	7,406	7,406
Public, Education, Govt. Access	-	-	-	-	34,361	34,361
Streetscape	-	-	661,372	-	-	661,372
McGruff Neighborhood Team	-	-	-	-	1,402	1,402
Child Safety	-	-	-	-	13,448	13,448
Capital projects	-	-	5,891,478	9,928,683	-	15,820,161
	<u>-</u>	<u>367,338</u>	<u>6,552,850</u>	<u>9,928,683</u>	<u>1,130,793</u>	<u>17,979,664</u>
Committed to						
Street development	-	-	241,487	-	-	241,487
	<u>-</u>	<u>-</u>	<u>241,487</u>	<u>-</u>	<u>-</u>	<u>241,487</u>
Assigned to						
Equipment replace/reserve	3,854,987	-	-	-	-	3,854,987
Capital outlay	1,083,450	-	-	-	-	1,083,450
	<u>4,938,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,938,437</u>
Unassigned	<u>3,312,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,312,912</u>
	<u>\$ 8,451,836</u>	<u>\$ 367,338</u>	<u>\$ 6,794,337</u>	<u>\$ 9,928,683</u>	<u>\$ 1,137,095</u>	<u>\$ 26,679,289</u>

**TOWN OF LITTLE ELM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

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, 2014, the cost of water purchased under this contract was \$2,258,390.

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 was 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 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. During the year ended September 30, 2014, the payments made under this contract were \$319,587.

At September 30, 2014 and subsequent to year end, the Town is committed to numerous contracts for capital improvements totaling approximately \$2,700,000.

NOTE 13. PUBLIC UTILITY DISTRICT NO. 4

On December 17, 2013, the Little Elm Town Council approved Ordinance No. 1185 authorizing the creation of a Public Improvement District. The Valencia Little Elm Tax Increment Reinvestment Zone consists of approximately 447.942 acres within the extraterritorial jurisdictions of the Town. This district was created in accordance with Chapter 311 of the Texas Tax Code.

On January 7, 2014 the Little Elm Town Council approved the issuance and sale of two Special Assessment Revenue Bonds in the amounts of \$12,240,000 and \$4,000,000 known as Valencia Public Improvement District covering Major Improvement Project Phases 1-5. These bonds were authorized in order to finance the projects benefiting the entire Valencia Public Improvement District including certain roadway, water, wastewater and drainage improvements.

The Major Improvement Projects includes Road Improvements, Water Distribution System Improvements, Sanitary Sewer Improvements, and Storm Drainage Improvements.

NOTE 14. CUMULATIVE EFFECT OF ADOPTION OF GASBS STATEMENT NO. 65

As a result of the implementation of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, bond issue costs are no longer capitalized and amortized, and all unamortized bond issuance costs from previous years have been removed from the statement of net position. As a result, governmental activities beginning net position has decreased by \$647,208; the beginning net position of the Enterprise Fund has decreased by \$587,219; and the beginning net position of the Little Elm Economic Development Corporation has decreased by \$149,004.