

OFFICIAL STATEMENT
Dated: July 17, 2018

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date of initial delivery of the Certificates, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

\$15,460,000
TOWN OF LITTLE ELM, TEXAS
(Denton County)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

Dated Date: August 1, 2018

Obligations Due: February 1, as shown on page ii

The Town of Little Elm, Texas (the "Town" or the "Issuer") \$15,460,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (the "Certificates" or Obligations) are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, an ordinance (the "Ordinance") adopted by the Town Council, and the Town's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law, and further secured by and payable from a lien on and limited pledge (not to exceed \$1,000) of the net revenues derived from the operation of the Issuer's combined waterworks and sewer system (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from August 1, 2018 (the "Dated Date") as shown above and will be payable on February 1, 2019, and on each August 1 and February 1 thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Obligations will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Obligations will be made available for purchase in principal amounts of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Obligations ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Obligations purchased. So long as DTC or its nominee is the registered owner of the Obligations, the principal of and interest on the Obligations will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Obligations. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

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) constructing, improving and equipping the Town's aquatics center, (ii) 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, (iii) acquiring, constructing, improving and equipping municipal park and recreational facilities, including the acquisition of land therefor and (iv) professional services rendered in connection with the construction and financing of the foregoing projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

STATED MATURITY SCHEDULE
(On Page ii)

The Obligations are offered for delivery, when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Certificates will be available for delivery through DTC on or about August 15, 2018.

STATED MATURITY SCHEDULE

(Due February 1)

Base CUSIP – 537095

<u>Stated Maturity February 1</u>	<u>Principal Amount</u>	<u>Initial Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix^(a)</u>
2019	\$1,650,000	5.000	1.470	UA7
2020	2,000,000	5.000	1.700	UB5
2021	440,000	5.000	1.790	UC3
2022	460,000	5.000	1.920	UD1
2023	485,000	5.000	2.040	UE9
2024	510,000	5.000	2.180	UF6
2025	535,000	5.000	2.340	UG4
2026	560,000	5.000	2.490	UH2
2027	590,000	5.000	2.600	UJ8
2028	620,000	5.000	2.690	UK5
2029	655,000	5.000	2.760 ^(b)	UL3
2030	680,000	3.000	3.050 ^(b)	UM1
2031	700,000	3.000	3.100 ^(b)	UN9
2032	720,000	3.000	3.200 ^(b)	UP4
2033	745,000	3.125	3.300 ^(b)	UQ2
2034	770,000	3.250	3.350 ^(b)	UR0
2035	795,000	3.250	3.400 ^(b)	US8
2036	820,000	3.250	3.450 ^(b)	UT6
2037	850,000	3.375	3.470 ^(b)	UU3
2038	875,000	3.500	3.500 ^(b)	UV1

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after February 1, 2029, on February 1, 2028, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.)

^(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Town nor the Financial Advisor is responsible for the selection or the correctness of the CUSIP numbers set forth herein.

^(b) Yield calculated to first call date, February 1, 2028.

TOWN OF LITTLE ELM, TEXAS
100 West Eldorado Parkway
Little Elm, Texas 75068
214-975-0405

ELECTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>On Council Since</u>	<u>Term Expires May</u>	<u>Occupation</u>
David M. Hillock	Mayor	2012	2021	Technology Industry - Cloud Based Services
Neil Blais	Mayor Pro Tem	2015	2021	Business Owner
James Dominy	Council Member	2013	2019	Organizational Director
Chip Norman	Council Member	2012	2019	Director of Business Operations-Medical Practice
Nick Musteen	Council Member	2015	2021	Director of Sales, Consumer Packaged Goods
Curtis Cornelious	Council Member	2017	2020	Vice President of Operations
Stephanie Shoemaker	Council Member	2014	2020	Office Admin - Lordane

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Years of Municipal Experience</u>
Matt Mueller	Town Manager	19 years
Doug Peach	Deputy Town Manager	33 years
Karla Stovall	Chief Financial Officer	16 years
Dianne Lawson	Assistant Director of Finance	26 years
Kathy Phillips	Town Secretary	31 years
Robert F. Brown	Town Attorney (Appointed)	32 years
Kevin Mattingly	Public Works Director	36 years
Jennette Killingsworth	Executive Director Little Elm EDC (Appointed)	12 years
Rodney Harrison	Police Chief	27 years
Joe Florentino	Assistant Town Manager/Director of Public Safety	25 years
Brian Roach	Fire Chief/Fire Marshall	25 years
Chad Hyde	Parks Director	20 years
Deidre Hale	Human Resource Manager	20 years

CONSULTANTS AND ADVISORS

Bond Counsel	Norton Rose Fulbright US LLP Dallas, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas
Certified Public Accountants	Weaver and Tidwell LLP Dallas, Texas

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information must not be relied upon.

Certain information set forth herein has been provided by sources other than the Town that the Town believes to be reliable, but the Town makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Town's undertaking to provide certain information on a continuing basis.

NEITHER THE TOWN NOR ITS FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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The cover page, subsequent pages hereof and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The Town of Little Elm, Texas (the "Town" or "Issuer") is a political subdivision of the State of Texas located in Denton County, and is a municipal corporation organized and existing under the laws of the State. The Town is a home-rule municipality operating under the council-manager form of government, governed by a mayor and six-member council as provided in the home-rule charter. The Town's population, as established by the 2010 U.S. Census, was 25,898. The Town's current population estimate is 39,226. (See "APPENDIX B - GENERAL INFORMATION REGARDING THE TOWN OF LITTLE ELM AND DENTON COUNTY, TEXAS" herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, an ordinance (the "Ordinance") adopted by the Town Council, and the Town's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas.
Security	The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law, and further secured by and payable from a lien on and limited pledge (not to exceed \$1,000) of the net revenues derived from the operation of the Issuer's combined waterworks and sewer system (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)
Redemption Provisions	The Issuer reserves the right to redeem the Certificates maturing on and after February 1, 2029, on February 1, 2028, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, as further described herein. See "THE CERTIFICATES - Redemption Provisions" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. (See "TAX MATTERS" and APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Use of Proceeds	Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) constructing, improving and equipping the Town's aquatics center, (ii) 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, (iii) acquiring, constructing, improving and equipping municipal park and recreational facilities, including the acquisition of land therefor and (iv) professional services rendered in connection with the construction and financing of the foregoing projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See "Book-Entry-Only System" herein.)
Ratings	S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA" to the Certificates. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Issuance of Additional Debt	The Issuer does not anticipate the issuance of additional debt within the next twelve months.
Payment Record	The Town has never defaulted on the payment of its debt.
Delivery	It is anticipated the Certificates will be available for delivery through DTC on or about August 15, 2018.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas.

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INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by Town of Little Elm, Texas (the "Town" or "Issuer") of its \$15,460,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (the "Certificates") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and operates as a home-rule municipality under the statutes and the constitution of the State of Texas (the "State"). The Certificates are being issued pursuant to the Constitution and general laws of the State, an ordinance (the "Ordinance" or the "Certificate Ordinance") adopted by the Town Council authorizing the issuance of the Certificates, and the Town's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained from the Issuer or the Financial Advisor.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement relating to the Certificates will be submitted to the Municipal Securities Rulemaking Board, and will be available through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Town's undertaking to provide certain information on a continuing basis

THE CERTIFICATES

General Description

The Certificates will be dated August 1, 2018 (the "Dated Date"). The Certificates are stated to mature on February 1 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on February 1, 2019, and on each August 1 and February 1 thereafter, until maturity or prior redemption. Principal is payable at the designated offices of the Paying Agent/Registrar for the Certificates, initially BOKF, NA, Dallas, Texas; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. Interest on the Certificates shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Certificates will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Certificates will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial Owners of the Certificates. Such Book-Entry-Only System may change the method and timing of payment for the Certificates and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, the Town's Home Rule Charter and the Certificate Ordinance.

Security for Payment

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law, and further secured by and payable from a lien on and limited pledge (not to exceed \$1,000) of the net revenues derived from the operation of the Issuer's combined waterworks and sewer system (the "System").

Tax Rate Limitations

All taxable property within the Town is subject to the assessment, levy and collection by the Town of a continuing, direct ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limit prescribed by law. Article XI, Section 5, of the Texas Constitution applicable to cities of more than 5,000 population is applicable to the Town, and limits the maximum ad valorem tax rate of the Town to \$2.50 per \$100 taxable assessed valuation for all Town purposes.

Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection factor.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) constructing, improving and equipping the Town's aquatics center, (ii) 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, (iii) acquiring, constructing, improving and equipping municipal park and recreational facilities, including the acquisition of land therefor and (iv) professional services rendered in connection therewith. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Redemption Provisions

Optional Redemption: The Issuer reserves the right, at its option, to redeem the Certificates maturing on and after February 1, 2029, on February 1, 2028, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Not less than thirty (30) days prior to a redemption date for the Certificates, the Town shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and any other condition to redemption satisfied, all as provided above, the Certificates or portion thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Certificate Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the Town, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Town will not redeem such Certificates and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Certificates or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC direct participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates the Issuer has called for redemption will not be governed by the Certificate Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC direct participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Payment Record

The Town has never defaulted on the payment of its debt.

Legality

The Certificates are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Government Obligations that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The Ordinance provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the Town are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities of obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Government Obligation will be maintained at any particular rating category.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Certificates have been made as described above, all rights of the Town to initiate proceedings to call such Certificates for redemption or take any other action amending the terms of such Certificates are extinguished; provided, however, that the right to call such Certificates for redemption is not extinguished if the Town: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of such Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments to the Ordinance

The Town may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein.

In addition, the Town may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of, premium if any and interest on the Certificates, reduce the principal amount thereof, the redemption price therefor or the rate of interest thereon or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (ii) give any preference to any Certificate over any other Certificates or (iii) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition or rescission.

Default and Remedies

The Ordinance does not provide or specify remedies with regard to an event of default. Upon the occurrence of an event of default, the registered owners may seek a writ of mandamus to compel the Town officials to carry out the legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the Town's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Certificateholders upon any failure of the Town to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the Town's sovereign immunity from a suit for money damages, owners of the Certificates may not be able to bring such a suit against the Town for breach of the covenants in the Ordinance or the Certificates. Even if a judgment against the Town could be obtained, it could not be enforced by direct levy and execution against the Town's property.

Further, the registered owners cannot themselves foreclose on property within the Town or sell property within the Town to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the Town is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or owners of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the Town avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Certificates will be Cede & Co., as nominee of DTC. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of the Certificates.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (as defined below) by check or such other method acceptable to the Paying Agent/Registrar mailed on February 1, 2019, and on each August 1 and February 1 thereafter until maturity or prior redemption of the Certificates, by the Paying Agent/Registrar to the last known address of the registered owner as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal of a Certificate will be paid to the registered owner at its stated maturity or its prior redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal of and interest on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any interest payment date means the fifteenth (15th) day of the month next preceding such interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

The Certificates are initially to be issued utilizing the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Certificates and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the

new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "Book-Entry-Only System" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transferability

The Paying Agent/Registrar shall not be required to transfer or exchange any Certificates or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date. Neither the Issuer nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate during the period commencing with the close of business on any Record Date immediately preceding a principal or interest payment date for such Certificate and ending with the opening of business on the next following principal or interest payment date; or with respect to any Certificate or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Certificate.

Replacement Certificates

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Town and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Town cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Certificates, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of Certificates ("Beneficial Owner") is in turn

to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as defaults and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Issuer or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered to DTC Participants or the Beneficial Owners, as the case may be.

The Issuer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered. (See "REGISTRATION, TRANSFER, AND EXCHANGE" herein.)

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Town, the Financial Advisor, or the initial purchaser of the Certificates.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

The Town invests funds in instruments authorized by Texas law in accordance with investment policies approved by the Town Council. The Town Council, along with and the Boards of Directors of the Little Elm Economic Development Corporation, the Little Elm Community Development Corporation and the Little Elm Redevelopment Authority (collectively, the "Corporations") appoint

the Town's Finance Director, Assistant Finance Director, and the Senior Accountant as the Investment Officers for the Town and the Corporations. Direct management responsibility for the investment program of each of the entities is delegated by the respective governing body to the Investment Officers. The Investment Officers' authority will at all times be limited by all applicable laws and regulations in effect. Both State law and the Town's investment policies are subject to change.

Available Town funds are invested as authorized by Texas law and in accordance with investment policies approved by the Town Council. Both State law and the Town's investment policies are subject to change. Under State law, the Town is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for Town deposits, or (ii) where (a) the funds are invested by the Town through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the Town as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the Town; (b) the broker or the depository institution selected by the Town arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Town; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Town appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Town with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the Town, held in the Town's name, and deposited at the time the investment is made with the Town or with a third party selected and approved by the Town and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Town, held in the Town's name and deposited at the time the investment is made with the Town or a third party designated by the Town; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the Town with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

Town may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or Aaa or an equivalent by at least one nationally recognized rating service. The Town may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Town retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Town must do so by order, ordinance, or resolution. The Town is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the Town is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for Town funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All Town funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the Town's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and probable income to be derived." At least quarterly the Town's investment officers must submit an investment report to the Town Council detailing: (1) the investment position of the Town, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest Town funds without express written authority from the Town Council.

Under Texas law, the Town is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Town Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the Town to: (a) receive and review the Town's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Town and the business organization that are not authorized by the Town's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Town's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Town and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Town's investment policy; (6) provide specific investment training for the Town's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the Town's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Town.

Current Investments

As of September 30, 2017, (unaudited), all the Town's investable funds in the amount of \$66,960,567 were invested in checking and money market accounts with the Town's depository bank.

As of such date, the market value of such investments (as determined by the Town by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Town are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

EMPLOYEE RETIREMENT SYSTEM

Plan Description

The Town participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CFAR) that can be obtained at www.tmr.com.

All eligible employees of the Town are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Town-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

Members can retire at ages 60 and above with 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.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	106
Active employees	<u>218</u>
	<u>360</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for each Town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 13.05% and 13.61% in calendar years 2016 and 2017, respectively. The Town's contributions to TMRS for the year ended September 30, 2017 were \$1,901,949, and were equal to the required contributions.

The Town's Net Pension Liability (NPL) was measured as of December 31, 2016 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender distinct RP2000 Combined Healthy Mortality Table, which male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. Allocations

The Town's net pension liability, pension expense, and deferred outflows of resources related to TMRS have been allocated between governmental activities and business-type activities using a contribution-based method.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) plan fiduciary net position (b)	Net pension liability (a) – (b)
Balance at 12/31/2015	\$ 24,756,105	\$ 19,451,243	\$ 5,304,862
Changes for the year:			
Service Cost	2,355,108	-	2,355,108
Interest	1,739,588	-	1,739,588
Change of benefit terms	-	-	-
Difference between expected and actual experience	298,105	-	298,105
Changes of assumptions	-	-	-
Contributions – employer	-	1,676,473	(1,676,473)
Contributions - employee	-	908,306	(908,306)
Net investment income	-	1,316,544	(1,316,544)
Benefit payments, including refunds of employee contributions	(323,979)	(323,979)	-
Administrative expense	-	(14,848)	14,848
Other changes	-	(778)	778
Net Changes	<u>4,068,822</u>	<u>3,561,718</u>	<u>507,104</u>
Balance at 12/31/2016	\$ 28,824,927	\$ 23,012,961	\$ 5,811,966

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease In Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase In Discount Rate (7.75%)
Net pension liability	\$ 11,100,135	\$ 5,811,966	\$ 1,575,036

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained at www.tmr.com.

The general fund has typically been used to liquidate pension liabilities related to governmental activities.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the Town recognized pension expense of \$2,337,985. At September 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 651,385	\$ -
Changes in actuarial assumptions	61,750	-
Difference between projected and actual investment earnings	791,496	-
Contributions subsequent to the measurement date	<u>1,488,896</u>	-
Total	<u>\$ 2,993,527</u>	<u>\$ -</u>

The \$1,488,896 reported as deferred outflows of resources related to pensions result from contributions subsequent to the measurement date and will reduce the net pension liability during the fiscal year ended September 30, 2018. The other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended Sept. 30:	Net deferred Outflows (inflows) of resources
2018	\$ 448,909
2019	448,911
2020	410,669
2021	129,523
2022	64,158
Thereafter	<u>2,461</u>
	<u>\$ 1,504,631</u>

AD VALOREM TAX PROCEDURES

Texas Tax Code and Countywide Appraisal District

Title I, Texas Tax Code, as amended (the "Property Tax Code"), provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Denton County Appraisal District (the "Appraisal District") is responsible for appraising property within the Town, generally, as of January 1 of each year. Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Article VIII of the State Constitution ("Article VIII") and State law limit the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office, or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, plus (b) the property's appraised value for the preceding tax year, plus (c) the market value of all new improvements to the property. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board (the "Appraisal Review Board") consisting of members appointed by the Board of Directors of the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the Town in establishing its tax roll and tax rate. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The Town may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the Town by petition filed with the Appraisal Review Board.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions and appraisals of property not previously on an appraisal roll. Article VIII, Section 21 of the Texas Constitution provides that, subject to any exception prescribed by general law, the total amount of property taxes imposed by a political subdivision in any year may not exceed the total amount of property taxes imposed in the preceding year unless a notice of intent to consider an increase in taxes is given and two public hearings on the proposed increase are held before the total taxes are increased. See "AD VALOREM TAX PROCEDURES - Effective Tax Rate and Rollback Tax Rate", herein.

Property Subject to Taxation by the Issuer

Reference is made to the Property Tax Code for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Residence Homestead Exemptions: Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Homestead Tax Limitation: Under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt

of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (other than repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead and to the surviving spouse living in such homestead if (1) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (2) the surviving spouse was 55 or older when the deceased spouse died and (3) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following year. Once established such freeze cannot be repealed or rescinded.

Disabled/Deceased Veterans Exemption: State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse (for so long as the surviving spouse remains unmarried) or children (under 18 years of age) of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Agricultural/Open-Land Exemption: Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness Personal Property Exemption: Nonbusiness personal property, such as automobiles or light trucks, is exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness personal property are exempt from ad valorem taxation.

Freeport Exemption: Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Goods in Transit: Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation of "goods-in-transit", which are defined as (i) personal property acquired or imported into the State and transported to another location inside or outside the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) transported to another location inside or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory.

Pursuant to changes enacted during the 2011 Texas Legislative Special Session, all taxing units, including those that have previously taken official action to tax goods-in-transit, may not tax goods-in-transit in the 2012 tax year or thereafter, unless the governing body of the taxing unit holds a public hearing and takes action on or after October 1, 2011, to provide for the taxation of the goods-in-transit. After holding a public hearing, a taxing unit may take official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. After taking such official action, the goods-in-transit remain subject to taxation by the taxing unit until the governing body of the taxing units rescinds or repeals its previous action to tax goods-in-transit. If, however, a taxing unit took official action prior to October 1, 2011 to tax goods-in-transit and pledged the taxes imposed on the goods-in-transit for the payment of a debt, taxes may continue to be imposed on goods-in-transit until the debt is discharged, if cessation of the imposition of the tax would impair the obligations of the contract by which the debt was created.

For a discussion of how the various exemptions described above are applied by the Town, see "TOWN APPLICATION OF THE PROPERTY TAX CODE" herein.

Tax Increment Reinvestment (Financing) Zones and Tax Abatements: The Town by action of the Town Council, may create one or more tax increment reinvestment zones ("TIRZs" or "TIFs") within the Town, and in doing so, other overlapping taxing entities may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for public improvements or projects within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value of taxable real property in the TIRZ is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion (as determined by the Town) of the taxes levied by the Town against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of the Town.

Tax Abatements: The Town also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The Town, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Chapter 380 Agreements: The Town is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the Town. In accordance with a program established pursuant to Chapter 380, the Town may make loans or grants of public funds for economic development; provided, however, that no obligations secured by ad valorem taxes may be issued for such purposes unless approved by the voters of the Town. The Town may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

Effective Tax Rate and Rollback Tax Rate

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt its annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Furthermore, said Section 26.05 of the Property Tax Code provides that the Town council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the Town’s website if the Town owns, operates or controls an internet website and public notice be given by television if the Town has free access to a television channel) and the Town Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the taxing unit by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service. Under the Property Tax Code, the Town must annually calculate and publicize its “effective tax rate” and “rollback tax rate”.

“Effective tax rate” means the rate that will produce last year’s total tax levy (adjusted) from this year’s total taxable values (adjusted). “Adjusted” means lost values are not included in the calculation of last year’s taxes and new values are not included in this year’s taxable values.

“Rollback tax rate” means the rate that will produce last year’s maintenance and operation tax levy (adjusted) from this year’s values (adjusted) multiplied by 1.08 plus a rate that will produce this year’s debt service from this year’s values (unadjusted) divided by the anticipated tax collection rate.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Levy and Collection of Taxes

The Issuer is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. Property within the Town is generally assessed as of January 1 of each year based upon the valuation of property within the Town as of the preceding January 1. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process, which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Property Tax Code makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and final installment due on August 1.

Penalties and Interest

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

<u>Month</u>	<u>Penalty</u>	<u>Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July ^(a)	12	6	18

^(a) After July, the penalty remains at 12% and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a

judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition the taxing unit may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may provide for a fee of up to 20% of the amount of delinquent tax, penalty, and interest collected. Under certain circumstances taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed.

In general, property subject to the Town's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Issuer's Rights in the Event of Tax Delinquencies

Taxes levied by the Issuer are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the Issuer, having power to tax the property. The Issuer's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Issuer is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the Issuer may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Issuer must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the Town records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

TOWN'S APPLICATION OF THE PROPERTY TAX CODE

The Town grants an optional exemption of \$10,000 to the market value of the residence homestead of persons 65 years of age or older and the disabled. See Appendix A – Table 10 for a listing of the total amount of these exemptions.

The Town does not grant an additional exemption of up to 20% for residence homesteads.

The Town taxes business personal property.

The Denton County Tax Collector collects property taxes for the Town.

The Town does not permit discounts or split payments, except in the case of persons over 65 or disabled who are permitted to pay taxes on homesteads in four installments. The first installment is due on February 1 of each year and the final installment is due on August 1.

The Town grants the Article VIII, Section 1-j property ("freeport property") exemption but currently has no property in this category.

The Town does not exempt "goods-in-transit".

The Town has adopted criteria for tax abatement agreements, which is a prerequisite to the execution of any abatement agreements. The Town has entered into a tax abatement agreement with Holt Caterpillar which expires in 2019. The Town has also signed an abatement contract with Associated Supply Company, for a five-year term, but that abatement has not yet been activated. For the 2017 Tax Year, the total aggregate amount of property value exempted from taxation under the Town's abatement agreement equals \$3,743,506.

The Town currently has four tax increment reinvestment zones.

The Town has created four public improvement districts.

On May 3, 2005, voters of the Town approved the adoption of the tax freeze described above under "Homestead Tax Limitation". The 2006 Tax Year was the first year for the Town to have a value loss to the freeze. See Appendix A - Table 10 for the freeze loss amounts.

The Town has entered into several Chapter 380 agreements regarding developments in the Town.

The Town participates in several Tax Increment Reinvestment Zones ("TIRZ"). See "Little Elm Tax Increment Reinvestment Zones and Public Improvement District".

ECONOMIC DEVELOPMENT PROGRAMS

General

Economic development incentives are offered on a project by project basis commensurate with the quality and character of the development and the extent to which it contributes to Town character and quality of life. The Town is authorized pursuant to State law, including Chapter 380, earlier defined, to establish programs to promote state or local economic development and to stimulate business and commercial activity in the Town. In accordance with a program established pursuant to Chapter 380, the Town may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the Town. The Town may contract with the federal government, the State of Texas, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program. Economic development incentives may include the creation of one or more public improvements districts ("PIDs") to fund public improvements that benefit certain designated areas. Special assessments are levied on the benefited property to pay the costs of the public improvements or pledged to the payment of bonds or other obligations issued to fund the public improvements.

Little Elm Tax Increment Reinvestment Zones and Public Improvement District

The Town Council created and participates in a total of four Tax Increment Reinvestment Zones ("TIRZ") (#3, #4, #5, and #6). The two original TIRZ created in 2008 referred to as TIRZ #1 and TIRZ #2 **were terminated in November 2013**. Subsequent to the creation of the two TIRZ zones, the Council on February 3, 2009 authorized and established the creation of the Little Elm Redevelopment Authority ("LERA"). **The LERA was dissolved in February 2014**. Upon the termination of TIRZ #1 in 2013, the Town created TIRZ #3 for the "Lakefront District" which consists of approximately 847 acres and has a base taxable assessed value of \$46,554,879. The Town Council created TIRZ #4 in December 2013 for the Valencia on the Lake multi-phase residential development. The Town also created the Valencia Public Improvement District ("PID") in September 2013 to finance certain public infrastructure improvements. The PID and the TIRZ boundaries are contiguous as the goal of the TIRZ is to assist with the development. The Town issued two series of special assessment revenue bonds (the "PID Bonds") in February 2014 that are secured solely from assessment revenues generated within the Valencia PID. In February 2018, these two Series of PID Bonds were completely Refunded and three New PID Bonds were authorized that remain secured solely from the assessment revenues generated within the Valencia PID. The owners of the PID Bonds do not have the right to demand payment from any funds of the Town other than the pledged revenues, consisting primarily of assessments levied and collected against the property within the Valencia PID, and the Town has no obligation to pay the PID Bonds from any other source. The Town Council created TIRZ #5 in December 2014 with a base value of Real Property of \$6,728,553. The Hillstone Pointe PID was created in June 2015 and the Town issued one series of special assessment revenue bonds (the "PID Bonds") in October 2017 that are secured solely from assessment revenues generated within the Hillstone PID. PID #3 was created by the Town on October 2016 identified as the Rudman Tract Public Improvement District to finance the costs of certain public improvements for the benefit of property in the PID. TIRZ #6 was created in November 2016 to be contiguous with the Rudman Tract to help the area develop. The Town on December 20, 2016 created the fourth PID for the Town of Little Elm. This PID is located north next to Highway 380 and will be identified as Lakeside Estates PID. In December 2017, the Town issued one series of special assessment revenue bonds (the "PID Bonds") in that are secured solely from assessment revenues generated within the Lakeside Estates PID. A TIRZ was not approved to assist with the development of this project. Lastly, The Town also approved a contractual payment agreement with the Union Park MMD to assist with the economic development of the multi-phase development.

The TIRZ and PID's in respect to their duration and the projects to be undertaken and other terms and conditions are set forth in the respective ordinances creating such zones and the public improvement district. Although current plans provide that project costs for the zones will be paid or reimbursed from tax increments as collected, the Town may determine at a future date to issue bonds or other obligations secured by or payable in whole or in part from Tax Increment Revenues.

Abatement Agreement

The Town has adopted a tax abatement policy that provides tax abatements may be granted for commercial and industrial projects that contribute to economic development or redevelopment of the Town and which meet certain criteria with respect to increase in tax values and will stimulate employment and other development activity. Abatements are offered on a project by project basis and may be for new facilities and/or expansion of existing facilities.

The current Abatement Policies and Guidelines were adopted by Town Council on May 7, 2013 with the main consideration to abate real estate and/or personal property tax for projects with an investment over \$5 million for variable rates of abatement. The Town entered into a tax abatement agreement with Holt Caterpillar. The property tax abatement was for a term of five years and

a 50% reduction on property taxes for those years. The Town has entered into several other but not active participation agreements to reimburse for property tax.

Sales Tax and Other Revenue have been contractually obligated to encourage economic development of the Town. The Holt Caterpillar receives a Sales Tax incentive in addition to a reduction in fees. Other strategic partnership agreements include Denton County Fresh Water Supply District #8-B and #8-C to provide for a limited purpose annexation of a portion of the development within said District designated for commercial usage. District #8-B and District #8-C each receive sales and use tax revenues within this limited purpose annexation area. This agreement will terminate upon this dis-annexation or full purpose annexation of the property. The Town has also entered into Chapter 380 agreements with home builders to encourage programs for grants of public money to promote the local economic development and stimulate business and commercial activity in the Town. Current home builders with active 380 agreements include Landon Homes, Pulte Homes, Highland Homes, and First Texas Homes. All are 10 year agreements. The businesses are engaged in the business of purchasing building materials for its use on construction projects within the Town. The Town also has strategic partnerships and/ or 380 agreements with other residential and commercial developers to aid in the development of the Town of Little Elm. Many are in areas that have not developed but are in process. These agreements utilize a percentage of Sales Tax reimbursement and a waiving of fees associated with development.

Development within Extraterritorial Jurisdiction

The Town is exploring various economic development projects for the Town. The Town has entered into agreements regarding development within the Town's extraterritorial jurisdiction ("ETJ"). The Town may also enter into agreements to provide one or more economic development incentive agreements for projects within the Town or its ETJ.

ADDITIONAL TAX COLLECTIONS

Municipal Sales Tax Collections

The Town has adopted the provisions of Chapter 34 or the Tax Code, as amended, which provides for the maximum levy of a one percent sales tax which may be used by the Town for any lawful purpose except that the Town may not pledge any of the anticipated sales tax revenue to secure the payment of the Obligations or other indebtedness. Net collections on a fiscal year basis are shown in Table 15 of Appendix A.

Optional Sales Tax

The Tax Code provides certain cities and counties the option of levying additional sales taxes for various purposes, including property tax reduction and economic development, provided that the total of all local sales taxes cannot exceed two percent.

At an election held on January 16, 1993, registered voters of the Town approved the imposition of an additional one-half percent (½%) sales tax to be used for economic development purposes in accordance with Chapter 504, Texas Local Government Code as amended. Levy of the 4A sales tax began on June 1, 1993.

The Town held a successful election on May 7, 2005 for the purpose of approving an increase in its sales tax by an additional one-quarter percent (¼%), to be used for street maintenance. Collections of the additional ¼% sales tax began on October 1, 2005. On May 9, 2009 and then again on May 6, 2017 the Town had successful elections for the purpose of continuing the one-quarter percent (¼%) sales tax for street maintenance.

The Town also held a successful election May 12, 2007, for the purpose of approving a one-quarter percent (¼%) sales tax to be used for community development purposes in accordance with Chapter 504, Texas Local Government Code as amended. Collection of the additional 4B ¼% sales tax began October 1, 2007.

The optional sales tax revenues are not pledged to the payment of the Obligations.

Hotel Occupancy Tax

The Town passed a 7% Hotel Occupancy Tax on December 18, 2007, which took effect on January 1, 2008. The revenue derived from the Hotel Occupancy Tax may only be expended to directly enhance and promote tourism and the Town's convention and hotel industry. Hotel Occupancy Tax revenue may not be used as general revenue for general governmental operations of the Town, and it is not pledged to the payment of the Obligations.

TAX MATTERS

Tax Exemption

The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (i) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (ii) will not be included in computing the alternative minimum taxable income of the owners thereof who

are individuals or, except as hereinafter described, corporations. A form of Bond Counsel's opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

For taxable years that began before January 1, 2018, interest on the Certificates owned by a corporation will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the Town made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the Town with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the Town with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Town described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the Town as the "taxpayer," and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the Town may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to holders of the Certificates of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certificates

The initial public offering price of certain Certificates (the "Discount Certificate") may be less than the amount payable on such s at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption". Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum tax on corporations for taxable years that began before January 1, 2018, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the

redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Certificates (the "Premium Certificates") may be greater than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the Town has made the following agreements for the benefit of the holders and beneficial owners of the Certificates. The Town is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreements, the Town will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The Issuer will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in this Official Statement under "INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER - Current Investments" herein and the information in Tables 1, 2, 6, 12, 13, 14, 15, 16, 21, 22, 23, 24, 25 and 26 of Appendix A. The Issuer will update and provide this information within six months after the end of each fiscal year ending in and after 2018. The Issuer will additionally provide audited financial statements within 12 months after the end of each fiscal year ending in or after 2018. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Issuer will file unaudited financial statements by the required time and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, the Issuer must provide updated information included in the above-referenced tables by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the Issuer otherwise would be required to provide financial information and operating data as set forth above.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

Notice of Certain Events

The Town will also provide timely notices of certain events to the MSRB. The Town will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or

other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Town, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the Town will provide timely notice of any failure by the Town to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Town in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town.

Availability of Information from MSRB

The Issuer has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of certain specified events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Certificates may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, if the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The Issuer may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

During the past five years, the Issuer has complied in all material respects with its continuing disclosure agreements in accordance with the Rule.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Litigation

In the opinion of the Town officials, the Issuer is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Issuer, would have a material adverse effect on the financial condition of the Town.

Future Debt Issuance

The Town does not anticipate the issuance of additional tax-backed debt within the next twelve months.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are real and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivision, and are legal security for those deposits to the extent of their fair market value. No review by the Town has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The Town has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

Additionally, with respect to the Certificates, Section 271.051 of the Texas Local Government Code expressly provides that certificates of obligation approved by the Attorney General of Texas are legal authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State. The Certificates are eligible to secure deposits of any public funds of the State, municipalities, school and other political subdivisions of the State, and are legal security for those deposits to the extent of the market value.

Ratings

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA" to the Certificates. An explanation of the significance of such rating may be obtained from S&P. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Certificates.

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, as applicable, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates are valid and legally binding obligations of the Issuer and, the interest on the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions existing on the date of the initial delivery of the Certificates, subject to the qualifications set forth herein under "TAX MATTERS," including the alternative minimum tax on corporations. The customary closing papers, including certificates to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the

sale and delivery of the Certificates. Though it represents the Financial Advisor and certain entities that may bid on the Certificates from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the Town in connection with the issuance of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering legal opinions the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

Winning Bidder

On July 17, 2018, the Certificates were awarded to Raymond James & Associates, Inc. (the "Purchaser") through a competitive bid process. The initial reoffering yields were supplied to the Town by the Purchaser. The initial reoffering yields shown on page ii of the Official Statement will produce compensation to the Purchaser of approximately \$113,155.13.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates.

Certification of the Official Statement

At the time of payment for and delivery of the Certificates, the Purchaser, will be furnished a certificate executed by the proper officials of the Town acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the Town contained in its Official Statement relating to the Certificates, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Bonds or Certificates, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Town and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the Town and its activities, contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Town believes to be reliable and the Town has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Town since September 30, 2017, the date of the last audited financial statements of the Town, portions of which appear in the Official Statement.

The Official Statement has been approved as to form and content and the use thereof in the offering of the Certificates has been authorized, ratified and approved by the Town Council on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the Town.

Forward-Looking Statements Disclaimer

The statements contained in this Official Statement, and in any other information provided by the Town, that are not purely historical, are forward-looking statements, including statements regarding the Town's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Town on the date hereof, and the Town assumes no obligation to update any such forward-looking statements. The Town's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Town. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Concluding Statement

The financial data and other information contained in this Official Statement have been obtained from the Town's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Official Statement has been approved by the Town Council of the Issuer for distribution in accordance with the provisions of the Rule.

TOWN OF LITTLE ELM, TEXAS

David M. Hillock

Mayor

Town of Little Elm, Texas

ATTEST:

Kathy Phillips

Town Secretary

Town of Little Elm, Texas

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APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2017 Actual Market Value of Taxable Property (100% of Actual)		\$ 3,729,543,028	
Less Exemptions/Losses:			
Local, Optional Over-65 and/or Disabled Homestead Exemptions	\$	9,069,126	
Disabled and Deceased Veterans' Exemptions		13,953,413	
Homestead 10% Cap Adjustment		58,825,518	
Productivity Value Loss		83,019,565	
Prorated Exempt Property		1,210	
House Bill 366 Exempt Property		6,511	
Freeport		69,053	
Community Housing Development Corporation		4,386,500	
Abatements		3,743,506	
Pollution Control / Other		166,239	
Total Exempt Property		179,291,196	
Freeze Taxable Value		181,751,600	
Transfer Adjustment		-	
Value Captured by TIRZ # 3, TIRZ # 5 and TIRZ # 6		113,992,212	<u>\$ 648,275,649</u>
2017 Freeze Adjusted Net Taxable Assessed Valuation ("FANTAV") (Less TIRZ Captured Value)			<u>\$ 3,081,267,379</u>

2018 Preliminary Assessed Value of Taxable Property taken from the preliminary budget is \$3.62 billion.

Source: Denton Central Appraisal District and the Issuer.

Note: Figures above represent values at Certification.

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Principal Outstanding: (As of June 1, 2018)

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2008	\$ 215,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009	355,000
General Obligation Bonds, Series 2009	7,115,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009A ^(a)	1,780,000
General Obligation Refunding and Improvement Bonds, Series 2010	7,620,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012	4,320,000
General Obligation Refunding Bonds, Series 2012	4,030,000
General Obligation Refunding Bonds, Series 2012A	1,935,000
General Obligation Refunding Bonds, Series 2013	2,165,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013 ^(a)	5,080,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013A	2,610,000
General Obligation Refunding Bonds, Series 2014	3,790,000
Tax Notes, Series 2014	1,205,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015	8,800,000
General Obligation Refunding Bonds, Series 2016	6,155,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016	7,435,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017	11,830,000
General Obligation Refunding Bonds, Series 2017	<u>13,560,000</u>
Total Gross General Obligation Debt Principal Outstanding:	<u>\$ 90,000,000</u>

Current Issues General Obligation Debt Principal

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (the Certificates)	<u>\$ 15,460,000</u>
Total Gross General Obligation Debt Principal Outstanding following the issuance of the Certificates:	<u>\$ 105,460,000</u>

Less: Self-Supporting General Obligation Debt Principal:

Combination Tax and Revenue Certificates of Obligation, Series 2008 (100% WS) ^(a)	\$ 215,000
Combination Tax and Revenue Certificates of Obligation, Series 2009 (100% WS) ^(a)	355,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009A (100% CDC)	1,780,000
General Obligation Refunding and Improvement Bonds, Series 2010 (10.09% WS) ^(a)	768,844
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012 (100% WS) ^(a)	4,320,000
General Obligation Refunding Bonds, Series 2012 (47.89% WS) ^(a)	1,930,000
General Obligation Refunding Bonds, Series 2013 (100% WS) ^(a)	2,165,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013 (100% CDC)	5,080,000
General Obligation Refunding Bonds, Series 2014 (aprox. 55.67% WS) ^(a)	2,110,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 (100% WS)	7,435,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017 (100% WS)	11,830,000
General Obligation Refunding Bonds, Series 2017 (100% WS)	<u>13,560,000</u>
Total Self-Supporting General Obligation Debt Principal	<u>\$ 51,548,844</u>

Total Net General Obligation Debt Principal Outstanding Following the Issuance of the Certificates	<u>\$ 53,911,156</u>
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General Obligation Interest and Sinking Fund Balance as of September 30, 2017	\$ 472,138
Ratio of Gross General Obligation/Special Obligation Debt Principal to 2017 FANTAV (Less TIRZ Captured Value)	3.42%
Ratio of Net General Obligation/Special Obligation Debt Principal to 2017 FANTAV (Less TIRZ Captured Value)	1.75%
2017 Freeze Adjusted Net Taxable Assessed Valuation ("FANTAV") (Less TIRZ Captured Value) ^(b)	\$ 3,081,267,379
Population: 1980 - 926; 1990 - 1,308; 2000 - 3,646; 2010 - 25,898; Current (Estimate) -	39,226
Per Capita 2017 Freeze Adjusted Net Taxable Assessed Valuation (Less TIRZ Captured Value) -	\$78,552
Per Capita Gross General Obligation/Special Obligation Debt Principal -	\$2,689
Per Capita Net General Obligation/Special Obligation Debt Principal -	\$1,374

^(a) For general obligation debt for which repayment is provided from revenues of the System, the amount of self-supporting debt is based on the percentages of revenue support as shown above. To the extent the System revenues are not available, the Town is obligated to levy ad valorem taxes to pay the debt service on such obligations. See Table 8 – "Computation of Waterworks and Sewer System Self-Supporting Debt" herein.

^(b) See "AD VALOREM TAX PROCEDURES" and "TOWN APPLICATION OF THE PROPERTY TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 3

Fiscal Year	Currently Outstanding Debt Service ^(a)	The Certificates			Combined Debt Service ^(a)	Less: Self-Supporting Debt ^(b)	Net General Obligation Debt Service ^(c)
		Principal	Interest	Total			
2018	\$ 9,127,506	\$ -	\$ -	\$ -	\$ 9,127,506	\$ 4,627,272	\$ 4,500,234
2019	8,793,554	1,650,000	607,106	2,257,106	11,050,660	4,630,567	6,420,093
2020	8,787,895	2,000,000	515,856	2,515,856	11,303,751	4,626,611	6,677,140
2021	8,626,817	440,000	454,856	894,856	9,521,673	4,464,803	5,056,870
2022	8,092,450	460,000	432,356	892,356	8,984,807	4,330,669	4,654,138
2023	7,945,429	485,000	408,731	893,731	8,839,161	4,325,144	4,514,017
2024	7,768,604	510,000	383,856	893,856	8,662,460	4,324,344	4,338,116
2025	7,766,149	535,000	357,731	892,731	8,658,880	4,306,769	4,352,111
2026	7,248,068	560,000	330,356	890,356	8,138,424	3,780,228	4,358,196
2027	6,882,194	590,000	301,606	891,606	7,773,800	3,782,368	3,991,432
2028	5,789,218	620,000	271,356	891,356	6,680,574	3,280,536	3,400,038
2029	5,722,291	655,000	239,481	894,481	6,616,773	3,206,660	3,410,113
2030	4,402,325	680,000	212,906	892,906	5,295,231	2,859,688	2,435,543
2031	3,693,325	700,000	192,206	892,206	4,585,531	2,841,663	1,743,868
2032	3,704,650	720,000	170,906	890,906	4,595,556	2,846,938	1,748,618
2033	3,702,575	745,000	148,466	893,466	4,596,041	2,844,738	1,751,303
2034	3,084,350	770,000	124,313	894,313	3,978,663	2,443,050	1,535,613
2035	1,959,994	795,000	98,881	893,881	2,853,875	1,323,113	1,530,762
2036	1,965,725	820,000	72,638	892,638	2,858,363	1,324,700	1,533,663
2037	795,025	850,000	44,969	894,969	1,689,994	795,025	894,969
2038	-	875,000	15,313	890,313	890,313	-	890,313
	<u>\$ 115,858,143</u>	<u>\$ 15,460,000</u>	<u>\$ 5,383,891</u>	<u>\$ 20,843,891</u>	<u>\$ 136,702,034</u>	<u>\$ 66,964,886</u>	<u>\$ 69,737,148</u>

^(a) Includes self-supporting debt.

^(b) See Table 2 for a breakdown on the specific issues that have self-supporting debt.

^(c) Excludes self-supporting debt.

TAX ADEQUACY (Includes Self-Supporting Debt)

TABLE 4

2017 Freeze Adjusted Net Taxable Assessed Valuation (Less TIRZ Captured Value)	\$ 3,081,267,379
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-20)	\$ 11,303,751
Indicated required I&S Fund Tax Rate at 99% Collections to produce Maximum Debt Service requirements	\$ 0.37056

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

TAX ADEQUACY (Excludes Self-Supporting Debt)

TABLE 5

2017 Freeze Adjusted Net Taxable Assessed Valuation (Less TIRZ Captured Value)	\$ 3,081,267,379
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-20)	\$ 6,677,140
Indicated required I&S Fund Tax Rate at 99% Collections to produce Maximum Debt Service requirements	\$ 0.21889

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

(Audited information per the Town's Audited Annual Financial Statements for Fiscal Year Ended September 30, 2017)

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Capital Leases	\$ 52,905	\$ -	\$ (34,973)	\$ 17,932	\$ 17,932

For additional information regarding the Town's Long-Term Debt, see the Town's Comprehensive Annual Financial Report, Note 8, page 49.

Contract Revenue Payments:

\$5,390,000 North Texas Municipal Water District ("NTMWD") Water Transmission Facilities Contract Revenue Bonds (Town of Little Elm Project), Series 2003 (the "Contract Revenue Bonds"). This issue was refinanced in February 2013.

The Contract Revenue Bonds are payable from the Town's water and sewer system (the "System") gross revenues, and to the extent System revenues are unavailable or insufficient, the Town has levied and therefor has the authority to assess and collect an ad valorem tax sufficient to make such payments. Since payments began in Fiscal Year 2004 they have been made from System revenues. Under the terms of the contract, the NTMWD owns and maintains the water facility. **The NTMWD charges to the Town reflect the cost of water plus the repayment of the Contract Revenue Bonds, as shown below. These charges are embedded in the total operating expenses in the Town's Annual Audited Financial Statements.** For additional information, see Town's 2017 Comprehensive Annual Financial Report, Note 12, pages 62-63.

<u>Fiscal Year Ended 9-30</u>	<u>Outstanding Principal</u>	<u>Interest</u>	<u>Total</u>
2018	350,000.00	43,150.00	393,150.00
2019	355,000.00	37,900.00	392,900.00
2020	365,000.00	30,800.00	395,800.00
2021	380,000.00	23,500.00	403,500.00
2022	390,000.00	15,900.00	405,900.00
2023	405,000.00	8,100.00	413,100.00
	<u>\$ 2,245,000.00</u>	<u>\$ 159,350.00</u>	<u>\$ 2,404,350.00</u>

INTEREST AND SINKING FUND MANAGEMENT INDEX**TABLE 7**

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2017	\$ 746,213
2017-18 Interest and Sinking (I&S) Fund Tax Levy of \$0.172483 at 99% Collections Produces ^(a)	<u>5,261,516</u>
Total Available for Debt Service	<u>\$ 6,007,729</u>
Less: Net General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-18	<u>4,500,234</u> ^(b)
Estimated Interest & Sinking Fund Balance at Fiscal Year Ending 9-30-18	<u>\$ 1,507,495</u>

^(a) Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

^(b) Excludes self-supporting general obligation debt being paid from surplus revenues of the Waterworks and Sewer System.

COMPUTATION OF WATERWORKS AND SEWER SYSTEM SELF-SUPPORTING DEBT**TABLE 8**

Net System Revenues Available, Fiscal Year End September 30, 2017	\$ 6,416,695
Less: 2018 Annual Debt Service Requirements on Outstanding Revenue Bonds	-
Balance Available for Other Purposes	<u>\$ 6,416,695</u>
Estimated System General Obligation Debt for Fiscal Year Ended September 30, 2018	\$ 4,029,817
Percentage of System General Obligation Debt Self-Supporting	100%

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**TABLE 9**

Fiscal Year Ending 9/30	Principal Repayment Schedule			Bonds Unpaid at End of Year	Percent of Principal Retired (%)
	Outstanding Principal ^(a)	The Certificates	Total		
2018	\$ 5,640,000	\$ 1,650,000	\$ 7,290,000	\$ 98,170,000	6.91%
2019	5,985,000	2,000,000	7,985,000	90,185,000	14.48%
2020	6,160,000	440,000	6,600,000	83,585,000	20.74%
2021	6,205,000	460,000	6,665,000	76,920,000	27.06%
2022	5,890,000	485,000	6,375,000	70,545,000	33.11%
2023	5,950,000	510,000	6,460,000	64,085,000	39.23%
2024	5,980,000	535,000	6,515,000	57,570,000	45.41%
2025	6,160,000	560,000	6,720,000	50,850,000	51.78%
2026	5,845,000	590,000	6,435,000	44,415,000	57.88%
2027	5,675,000	620,000	6,295,000	38,120,000	63.85%
2028	4,770,000	655,000	5,425,000	32,695,000	69.00%
2029	4,880,000	680,000	5,560,000	27,135,000	74.27%
2030	3,735,000	700,000	4,435,000	22,700,000	78.48%
2031	3,155,000	720,000	3,875,000	18,825,000	82.15%
2032	3,265,000	745,000	4,010,000	14,815,000	85.95%
2033	3,365,000	770,000	4,135,000	10,680,000	89.87%
2034	2,855,000	795,000	3,650,000	7,030,000	93.33%
2035	1,825,000	820,000	2,645,000	4,385,000	95.84%
2036	1,890,000	850,000	2,740,000	1,645,000	98.44%
2037	770,000	875,000	1,645,000	-	100.00%
	<u>\$ 90,000,000</u>	<u>\$ 15,460,000</u>	<u>\$ 105,460,000</u>		

^(a) Includes self-supporting debt principal.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 10

Category	2017	% of Total	2016	% of Total	2015	% of Total	2014	% of Total	2013	% of Total
Real, Residential, Single-Family	\$ 2,569,833,909	68.90%	\$ 2,208,567,640	70.26%	\$ 1,908,051,992	70.49%	\$ 1,654,004,413	72.69%	\$ 1,416,547,702	72.34%
Real, Residential, Multi-Family	265,382,007	7.12%	158,090,379	5.03%	124,376,732	4.59%	66,991,644	2.94%	31,065,771	1.59%
Real, Vacant Lots/Tracts	86,570,495	2.32%	84,399,365	2.69%	47,499,226	1.75%	39,918,875	1.75%	41,243,576	2.11%
Real, Acreage (Land Only)	83,189,786	2.23%	79,236,806	2.52%	78,308,668	2.89%	75,950,003	3.34%	65,091,826	3.32%
Farm & Ranch Improvements	63,551,721	1.70%	33,752,329	1.07%	40,862,910	1.51%	32,280,044	1.42%	21,046,608	1.07%
Real, Commercial / Industrial	331,713,201	8.89%	270,261,577	8.60%	261,035,415	9.64%	221,301,443	9.73%	198,201,497	10.12%
Real & Tangible, Personal Utilities	24,300,794	0.65%	22,475,593	0.72%	22,664,721	0.84%	17,350,093	0.76%	16,750,511	0.86%
Personal, Commercial / Industrial	70,883,863	1.90%	64,769,282	2.06%	50,303,155	1.86%	54,660,929	2.40%	54,422,503	2.78%
Tangible Personal, Mobile Homes	7,904,368	0.21%	8,088,935	0.26%	8,691,773	0.32%	5,962,098	0.26%	5,664,468	0.29%
Residential Inventory	40,858,113	1.10%	40,274,749	1.28%	18,042,945	0.67%	11,832,202	0.52%	18,869,516	0.96%
Special Inventory	1,623,613	0.04%	1,285,386	0.04%	81,251	0.00%	84,208	0.00%	95,285	0.00%
Totally Exempt Property	183,731,158	4.93%	172,106,371	5.48%	146,901,052	5.43%	95,050,090	4.18%	89,262,046	4.56%
Total Appraised Value	\$ 3,729,543,028	100.00%	\$ 3,143,308,412	100.00%	\$ 2,706,819,840	100.00%	\$ 2,275,386,042	100.00%	\$ 1,958,261,309	100.00%
Less Exemptions:										
Over-65 or Disabled Homestead	\$ 9,069,126		\$ 8,873,099		\$ 8,544,542		\$ 7,461,517		\$ 6,942,672	
Disabled and Deceased Veterans	13,952,413		11,610,530		9,808,793		6,546,519		5,546,412	
Homestead Cap Adjustment	58,825,518		57,190,137		30,214,439		21,069,646		3,214,147	
Productivity Value Loss	83,019,565		79,000,085		78,092,207		75,672,137		64,838,001	
Prorated Exempt Property	1,210		111,501		86,629		2,116,250		626,223	
House Bill 366 Exempt Property	6,511		6,171		6,126		7,806		7,926	
Freeport	69,053									
Community Housing Dev. Corp.	4,386,500		3,970,500		3,527,264		3,250,000		2,888,817	
Abateements	3,743,506		3,733,494		12,003,202		9,524,537		8,078,708	
Pollution Control / Other	166,239		111,343		115,810		-		-	
Totally Exempt Property	179,291,196		167,969,843		143,260,633		89,676,154		85,739,180	
Total Exemptions	352,530,837		332,576,703		285,659,645		215,324,566		177,882,086	
Net Taxable Assessed Valuation	\$ 3,377,012,191		\$ 2,810,731,709		\$ 2,421,160,195		\$ 2,060,061,476		\$ 1,780,379,223	
Less:										
Freeze Taxable Value	\$ 181,751,600		\$ 163,032,979		\$ 132,721,689		\$ 107,670,675		\$ 89,545,496	
Transfer Adjustment	-		47,006		144,021		2,907		-	
Captured Value by TIRZ # 3, # 5 and # 6	113,992,212		58,318,268		39,548,952		34,307,737		22,483,235	
Freeze Adjusted Net Taxable Assessed Valuation (After Deduction of TIRZ Captured Value)	\$ 3,081,268,379		\$ 2,589,333,456		\$ 2,248,745,533		\$ 1,918,080,157		\$ 1,668,350,492	

Source: Denton Central Appraisal District
 Note: Assessed Valuations shown here are Certified Valuations and may change during the year due to various supplements and protests. Valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2007-2017

TABLE 11

Fiscal Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2007-08	\$ 1,384,033,904	\$ 217,039,780	18.60%
2008-09	1,506,785,354	122,751,450	8.87%
2009-10	1,495,567,166	(11,218,188)	(0.74%)
2010-11	1,470,524,017	(25,043,149)	(1.67%)
2011-12	1,571,713,483	101,189,466	6.88%
2012-13	1,615,536,605	43,823,122	2.79%
2013-14	1,780,379,223	164,842,618	10.20%
2014-15	2,060,061,476	279,682,253	15.71%
2015-16	2,421,160,195	361,098,719	17.53%
2016-17	2,810,731,709	389,571,514	16.09%
2017-18	3,377,012,191	566,280,482	20.15%

Sources: The Municipal Advisory Council of Texas Website and Denton Central Appraisal District

Note: Values are before Freeze Value Loss or deduction of TIRZ Captured Value. Assessed Valuations may change during the year due to various supplements and protests.

PRINCIPAL TAXPAYERS 2017-2018

TABLE 12

Name	Type of Business	2017 Net Taxable Assessed Valuation	% of Total 2017 Taxable Assessed Valuation
Orion Lakeside LLC	Real Estate Development	\$ 58,200,000	1.89%
Bell Fund VI Frisco LLC	Real Estate Development	47,262,500	1.53%
Towers Property Holdings LLC	Real Estate Development	37,332,019	1.21%
LETC Dunhill LLC	Commercial Real Estate Development	29,384,233	0.95%
Western Rim Investors 2014-5 LP	Real Estate Development	27,211,518	0.88%
Western Rim Investors 2015-1 LP	Real Estate Development	20,960,632	0.68%
GCRE/TX Main MF LLC ETAL	Real Estate Development	19,000,000	0.62%
Eldorado Village, LLC	Real Estate Development	17,755,150	0.58%
Retractable Technologies Inc.	Industrial Production of Medical Supplies	17,608,283	0.57%
Western Rim Investors 2014-4 LP	Real Estate Development	15,984,056	0.52%
		\$ 290,698,391	9.43% *

* Based on a 2017 Freeze Adjusted Net Taxable Assessed Valuation (Less TIRZ Captured Value) of \$ 3,081,267,379

Source: Denton Central Appraisal District.

PROPERTY TAX RATES AND COLLECTIONS (a)

TABLE 13

Tax Year	Net Taxable Assessed Valuation ^(b)	Tax Rate	Adjusted Tax Levy	% Collections ^(c)		Fiscal Year Ended
				Current	Total	
2007	\$ 1,384,033,904	\$ 0.535800	\$ 7,499,616	98.61%	99.93%	9/30/2008
2008	1,506,785,354	0.569960	8,604,592	98.86%	99.94%	9/30/2009
2009	1,495,567,166	0.634490	9,517,069	97.75%	99.25%	9/30/2010
2010	1,470,524,017	0.665229	10,016,680	98.42%	99.23%	9/30/2011
2011	1,571,713,483	0.664960	10,454,444	98.33%	99.32%	9/30/2012
2012	1,615,536,605	0.664980	10,651,248	98.71%	99.28%	9/30/2013
2013	1,780,379,223	0.664971	11,780,687	98.88%	99.27%	9/30/2014
2014	2,060,061,476	0.664970	13,629,127	99.65%	99.65%	9/30/2015
2015	2,421,160,195	0.661687	15,848,795	99.77%	99.77%	9/30/2016
2016	2,810,731,709	0.661687	18,694,955	99.58%	99.58%	9/30/2017
2017	3,081,268,379	0.657671	21,897,622	99.40%	100.25% ^(d)	9/30/2018

^(a) See "AD VALOREM TAX PROCEDURES" and "TOWN'S APPLICATION OF THE PROPERTY TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.

^(b) Taxable values in this table DO NOT reflect value loss due to protest / review or freeze loss.

^(c) Includes interest and penalties.

^(d) Collections as of March 31, 2018.

Source: The Denton Central Appraisal District, The Town's 2017 Comprehensive Annual Financial Report and other information from the Issuer.

TAX RATE DISTRIBUTION

TABLE 14

	2017-18	2016-17	2015-2016	2014-2015	2013-2014
Maintenance & Operations	\$0.485188	\$0.495731	\$0.477600	\$0.477150	\$0.496646
I & S Fund	0.172483	0.165956	0.184087	0.187820	0.168325
TOTAL	<u>\$0.657671</u>	<u>\$0.661687</u>	<u>\$0.661687</u>	<u>\$0.664970</u>	<u>\$0.664971</u>

Source: The Denton Central Appraisal District.

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code (the "Municipal Sales and Use Tax Act") which provides for the maximum levy of a one percent sales tax which may be used for any lawful purpose except that the sales tax revenue may not be pledged to the payment of debt. The voters of the Town approved a 1/2% sales tax for the benefit of economic development on January 16, 1993, with collections beginning June 1993. The voters of the Town approved a 1/4% sales tax for street maintenance on May 7, 2005, with collections beginning October 1, 2005. On May 9, 2009 the Town held a successful election for the purpose of continuing the 1/4% sales tax for street maintenance. The voters of the Town approved a 1/4% sales tax for 4B community development purposes on May 12, 2007, with collections beginning October 1, 2007. The sales taxes for economic development and community development are collected solely for the benefit of the Little Elm Economic Development Corporation ("4A EDC") and the Little Elm Community Development Corporation ("4B CDC"), respectively, and may be pledged to secure payment of sales tax obligations issued or incurred by the Corporations and are not pledged to the payment of the Obligations.

Net collections on a **fiscal year** basis are shown below:

Fiscal Ended Sept 30	Total 2% Collected	1.25%^(a) Town	Ad Valorem Tax Levy	Ad Valorem Tax Rate	0.50% 4A EDC	0.25% 4B CDC
2008	2,688,878	1,680,549	22.41%	0.12006	672,220	336,110
2009	2,898,131	1,811,332	21.05%	0.11998	724,533	362,266
2010	3,143,026	1,964,391	20.86%	0.13238	785,756	392,878
2011	3,416,151	2,135,094	21.54%	0.14327	854,038	427,019
2012	3,861,035	2,413,147	23.30%	0.15490	965,259	482,629
2013	4,479,710	2,799,819	26.53%	0.17640	1,119,927	559,964
2014	4,810,546	3,006,591	25.71%	0.17098	1,202,636	601,318
2015	5,705,401	3,565,876	26.18%	0.17412	1,426,350	713,175
2016	6,962,498	4,351,562	27.66%	0.18303	1,740,625	870,312
2017	7,242,129	4,526,330	24.21%	0.16020	1,810,532	905,266
2018	3,698,565 ^(b)	2,311,603	11.41%	0.07502	924,641	462,321

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

^(b) Current Fiscal Year 2018 collections are as of May 31, 2018.

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

Note: The Town has entered into 380 agreements pledging Sales Tax revenue to be reimbursed to certain entities that encourage economic development. Currently the Town reimburses Holt but many other developments not started have been contractually entered into.

Note: The Comptroller's website figures list sales tax revenues in the month they are delivered to the Town, which is two months after they are generated/collected.

FUND BALANCES

TABLE 16

	As of 9/30/2017	Unaudited As of 3/31/2018
General Operating Fund (Unrestricted / Undesignated)	\$ 15,974,495	\$ 26,493,613
General Obligation Interest and Sinking Fund (Debt Service Fund)	746,213	4,914,993
Capital Projects Fund (Major governmental Funds)	7,284,716	3,533,537
Waterworks and Sewer System Operating fund (Excluding Impact Fees)	6,588,870	6,973,126
Water and Sewer Impact Fees Fund	2,014,670	2,471,481
Solid Waste Fund	559,101	643,755
Special Revenue Funds	1,823,019	1,697,157
Internal Replacement Funds	5,434,059	6,110,328
Drainage Utility Fund	-	735,334
Street Impact Fees Fund	409,582	796,706
Component Units Funds (EDC / CDC)	2,713,846	2,485,125
Total	\$ 43,548,571	\$ 56,855,155

Source: The Issuer

OVERLAPPING DEBT DATA AND INFORMATION

TABLE 17

(As of May 31, 2018)

<u>Taxing Body</u>	<u>Gross Debt Principal</u>	<u>% Overlapping</u>	<u>Amount Overlapping</u>
Denton County	\$ 642,170,000	3.70%	\$ 23,760,290
Frisco Independent School District	1,933,058,851	3.06%	59,151,601
Highway 380 MMD #1	12,925,000	100.00%	12,925,000
Little Elm Independent School District	284,959,189	44.76%	127,547,733
Total Gross Overlapping Debt	2,873,113,039		\$ 223,384,624
Town of Little Elm	105,460,000 ^(a)	100.00%	105,460,000 ^(a)
Total Gross Direct and Overlapping Debt Principal			\$ 328,844,624 ^(a)
Ratio of Gross Direct and Overlapping Debt to 2017 Freeze Adjusted Net Taxable Assessed Valuation (Less TIRZ Captured Value)			10.67% ^(a)
Ratio of Gross Direct and Overlapping Debt to 2017 Actual Value			8.82% ^(a)
Per Capita Gross Direct and Overlapping Debt			\$8,383 ^(a)
Note: The above figures show Gross General Obligation Debt for the Town of Little Elm, Texas			
The Issuer's Net General Obligation Debt Principal is			\$ 53,911,156 ^(b)
Calculations on the basis of Net General Obligation Debt would change the above figures as follows:			
Total Net Direct and Overlapping Debt Principal			\$ 277,295,780 ^(b)
Ratio of Net Direct and Overlapping Debt Principal to 2017 Freeze Adjusted Net Taxable Assessed Valuation (Less TIRZ Captured Value)			9.00% ^(b)
Ratio of Net Direct and Overlapping Debt Principal to 2017 Actual Value			7.44% ^(b)
Per Capita Net Direct and Overlapping Debt			\$7,069 ^(b)

^(a) Includes the Certificates and self-supporting debt. (See "TABLE 2 - GENERAL OBLIGATION BONDED DEBT" herein.)

^(b) Includes the Certificates but excludes self-supporting debt. (See "TABLE 2 - GENERAL OBLIGATION BONDED DEBT" herein.)

Source: Municipal Advisory Council of Texas.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES

TABLE 18

<u>Governmental Entity</u>	<u>2017 Net Taxable Assessed Valuation</u>	<u>% of Actual</u>	<u>2017 Tax Rate ^(a)</u>
Denton County	\$ 88,330,714,230	100%	\$ 0.238000
Frisco Independent School District	33,597,718,766	100%	1.460000
Highway 380 Municipal Management District #1	104,657,929	100%	0.510000
Little Elm Independent School District	3,345,743,154	100%	1.540000

Source: Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL ENTITIES

TABLE 19

<u>Taxing Body</u>	<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued To Date</u>	<u>Unissued</u>
Denton County	01-16-99	Road	\$ 85,320,000	\$ 77,629,375	\$ 7,690,625
	05-15-04	Equipment	2,000,000	-	2,000,000
	11-04-08	Road	310,000,000	289,982,929	20,017,071
	11-04-08	County Bldgs	185,000,000	157,542,142	27,457,858
			\$ 582,320,000	\$ 525,154,446	\$ 57,165,554
Frisco Independent School District	05-10-14	Sch Bldg & Technolgy	775,000,000	555,000,000	220,000,000
			\$ 775,000,000	\$ 555,000,000	\$ 220,000,000
Highway 380 Municipal Management District #1	5/9/2015	Road	\$ 118,450,000	\$ 9,765,000	\$ 108,685,000
	5/9/2015	Water, Sewer, Drainage	\$ 69,825,000	\$ 3,160,000	\$ 66,665,000
			\$ 188,275,000	\$ 12,925,000	\$ 175,350,000
Little Elm Independent School District	None				

Source: Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF THE ISSUER

TABLE 20

-None-

**GENERAL FUND COMBINED STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCES**

TABLE 21

	Fiscal Year Ending September 30				
	2017	2016	2015	2014	2013
Revenues					
Taxes	\$ 19,346,127	\$ 16,835,452	\$ 14,863,621	\$ 12,998,369	\$ 11,850,063
Licenses and Permits	4,501,472	4,827,059	4,009,517	3,814,451	2,280,136
Intergovernmental and Grant Revenues	806,708	408,265	384,535	153,394	171,404
Charges for Services	3,169,497	2,583,980	2,270,800	1,421,402	1,069,531
Fines and Forfeitures	653,524	594,256	583,422	346,424	371,497
Investment Earnings	139,061	81,041	55,316	64,834	73,615
Contributions and Donations	-	-	43,310	600,000	-
Other Revenues	355,872	508,757	567,668	1,106,988	700,064
Total Revenues	\$ 28,972,261	\$ 25,838,810	\$ 22,778,189	\$ 20,505,862	\$ 16,516,310
Expenditures					
Current:					
General Government	\$ 3,941,541	\$ 3,896,083	\$ 5,479,481	\$ 3,396,927	\$ 2,975,209
Community Services	2,275,030	2,638,775	2,129,107	1,898,075	1,604,716
Public Safety	12,851,040	10,763,308	10,453,632	9,102,265	7,899,914
Public Works	2,546,491	2,356,842	2,217,731	1,907,721	1,732,899
Culture and Recreation	3,553,251	3,161,376	2,920,802	2,520,932	2,121,153
Capital Outlay	1,316,232	605,829	1,730,722	689,582	768,545
Debt Service	-	-	-	-	-
Total Expenditures	\$ 26,483,585	\$ 23,422,213	\$ 24,931,475	\$ 19,515,502	\$ 17,102,436
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ 2,488,676	\$ 2,416,597	\$ (2,153,286)	\$ 990,360	\$ (586,126)
Other Financing Sources (Uses):					
Issuance of Debt	\$ -	\$ -	\$ -	\$ -	\$ -
Impact Fees	-	-	-	-	-
Infrastructure Provided by Developers	-	-	-	-	-
Proceeds from Capital Leases/Sale of Assets	\$ 31,663	252,717	128,457	163,084	9,330
Operating Transfers In	1,016,343	1,898,332	2,206,459	1,431,084	1,388,245
Operating Transfers Out	2,109,670	(205,464)	(1,667,505)	(1,083,477)	(962,841)
Reimbursement to Developers	(1,000,000)	-	-	-	-
Total Other Financing Sources (Uses)	\$ 2,157,676	\$ 1,945,585	\$ 667,411	\$ 510,691	\$ 434,734
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 4,646,352	\$ 4,362,182	\$ (1,485,875)	\$ 1,501,051	\$ (151,392)
Fund Balance - October 1 (Beginning)	\$ 11,328,143	\$ 6,965,961	\$ 8,451,836	\$ 6,950,785	\$ 7,102,177
Fund Balance - September 30 (Ending)	<u>\$ 15,974,495</u>	<u>\$ 11,328,143</u>	<u>\$ 6,965,961</u>	<u>\$ 8,451,836</u>	<u>\$ 6,950,785</u>
Fund Balance:					
Non-spendable (Prepays and Inventory)	\$ 313,699	\$ 299,425	\$ 265,038	\$ 200,487	\$ 274,054
Spendable					
Restricted	\$ -	\$ -	\$ -	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	4,938,437	925,000
Unassigned	15,660,796	11,028,718	6,700,923	3,312,912	5,751,731
Fund Balance	<u>\$ 15,974,495</u>	<u>\$ 11,328,143</u>	<u>\$ 6,965,961</u> ^(a)	<u>\$ 8,451,836</u>	<u>\$ 6,950,785</u>

^(a) The reduction in fund balance between FY 2014 and FY 2015 was due to the creation of a Fleet and Equipment Replacement Fund with a transfer from the General Fund of \$1,009,448.

Note: The Town's general fund balance policy is to maintain an unreserved/undesignated balance of 25% of expenditures from the previous year's audit.

Source: The Issuer's Audited Financial Statements and Town officials.

	Fiscal Year Ended 9-30				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues ^(a)	\$ 15,570,997	\$ 14,228,299	\$ 13,023,491	\$ 11,206,850	\$ 10,945,582
Expenses ^(b)	<u>(9,154,302)</u>	<u>(8,068,474)</u>	<u>(6,469,613)</u>	<u>(6,275,068)</u>	<u>(5,889,534)</u>
Net Revenue Available for Debt Service	<u>\$ 6,416,695</u>	<u>\$ 6,159,825</u>	<u>\$ 6,553,878</u>	<u>\$ 4,931,782</u>	<u>\$ 5,056,048</u>
Annual Revenue Bond Debt Service Requirements	\$0	\$0	\$0	\$ 68,205	\$ 451,935
Revenue Debt Service Coverage	N/A	N/A	N/A x	72.31 x	11.19 x
Annual Debt Service Requirements for all Bonds Paid from System Revenues	\$ 3,540,906	\$ 2,753,238	\$ 2,759,193	\$ 2,538,995	\$ 2,680,199
Debt Service Coverage on All Bonds Paid from System Revenues	1.81 x	2.24 x	2.38 x	1.94 x	1.89 x
Customer Count					
Water	10,680	10,370	9,880	9,835	9,557
Sewer	10,272	9,983	9,531	9,489	9,390
Impact Fee Revenues ^(c) (not included in Revenues above)	\$ 912,169	\$ 980,403	\$ 980,095	\$ 1,286,723	\$ 1,249,043

^(a) Revenues include operating revenues and interest income.

^(b) Expenses exclude depreciation and include operating expenses. Contract payments to the NTMWD are included as part of the operating expenses. See TABLE 6 - OTHER OBLIGATIONS on page A-4 for payment amounts due on the Series 2003 NTMWD Contract Revenue Bonds.

^(c) Impact Fees may be used for debt service, if required.

Source: The Issuer's Comprehensive Annual Financial Reports and other information from the Issuer.

Note: For a description of the System, see "THE SYSTEM" in the Official Statement.

WATER RATES**TABLE 23***(Based on Monthly Billing)*

**Existing Rates
Effective
October 1, 2017**

Minimum Charge for up to 2,000 Gallons, Based on Meter Size

5/8 inch Meter	\$	22.70	
1 inch Meter		37.09	
1½ inch Meter		67.95	
2 inch Meter		113.49	
3 inch Meter		227.03	
4 inch Meter		742.24	
6 inch Meter		1,486.44	
8 inch Meter		1,798.69	Commercial/Schools/Multi-Family

Rate per 1,000 Gallons for Amounts Over 2,000 Gallons and:

2,000 to 10,000 gallons	\$	6.02	/ 1,000 gallons
10,001 to 20,000 gallons		6.32	/ 1,000 gallons
20,001 & above gallons		6.62	/ 1,000 gallons
2,001 gallons & greater (all meter sizes)	\$	6.66	Commercial/Schools/Multi-Family

PRINCIPAL WATER CUSTOMERS**TABLE 24***(As of September 30, 2017)*

<u>Name of Customer</u>	<u>Customer Consumption (Gals.)</u>	<u>Total Annual Revenue</u>	<u>Average Monthly Bill</u>
8C Denton County Fresh Water Supply	40,014,000	\$ 120,442	\$ 10,037
Orion Lakeside LLC	26,459,000	235,412	19,618
YES Communities Utility BPCC ^(a)	25,250,000	195,847	16,321
Bell Fund VI Frisco, LLC	19,508,000	183,349	15,279
Overlook by the Park	18,710,000	174,629	14,552
Little Elm ISD	17,181,000	141,210	11,768
GCRE/TX Main MFLLC	6,695,000	91,643	7,637
Lakeside Manor Senior Community	4,365,000	63,897	5,325
Eldorado Village LLC	5,211,000	40,135	3,345
Kroger	4,152,000	36,065	3,005
Sub-Total Top Ten ^(b)	167,545,000	\$ 1,282,629	\$ 106,886
Remaining (All Customers)	922,635,999	\$ 7,064,490	\$ 55
Total Consumption / Revenue	1,090,180,999	\$ 8,347,119	\$ 106,941
Top Ten Percent of Total System	15.37%	15.37%	
Remaining Customers Percent of Total	84.63%	84.63%	

^(a) *Mobile home park*^(b) *Excludes Governments*

WASTEWATER RATES**TABLE 25***(Based on Monthly Billing)*

**Existing Rates
Effective
October 1, 2017**

Minimum Charge Per Month

Residential (single family, one unit) Base Rate		
First 2,000 Gallons	\$	28.97
2,001 & Above (per 1,000) (Winter Average)	\$	4.44
Commercial - first 2,000 Gallons	\$	28.97
2,001 & Above (per 1,000) (Actual Average)	\$	4.44

PRINCIPAL SEWER CUSTOMERS**TABLE 26***(As of September 30, 2017)*

<u>Name of Customer</u>	<u>Customer Consumption (Gals.)</u>	<u>Total Annual Revenue</u>	<u>Average Monthly Bill</u>
YES Communities Utility BPCC ^(a)	25,250,000	\$ 108,281	\$ 9,023.42
Orion Lakeside LLC	17,705,000	75,832	6,319.33
Overlook by the Park	15,695,000	67,230	5,602.50
Bell Fund VI Frisco LLC	14,136,000	60,554	5,046.17
Little Elm ISD	9,519,000	42,269	3,522.42
GCRE/TX Main MFLLC	6,024,000	25,954	2,162.83
Lakeside Manor Senior Community	4,665,000	20,383	1,698.58
Eldorado Village LLC	3,994,000	17,982	1,498.50
Fast Lane Car Wash	3,994,000	17,920	1,493.33
BRE MF Frisco LLC	2,934,000	12,567	1,047.25
Sub-Total Top Ten ^(b)	103,916,000	\$ 448,972	\$ 37,414.33
Remaining (All Customers)	701,909,000	\$ 5,380,990	\$ 44
Total Consumption / Revenue	805,825,000	\$ 5,829,962	\$ 37,458
Top Ten Percent of Total System	12.90%	7.70%	
Remaining Customers Percent of Total	87.10%	92.30%	

^(a) Mobile home park.^(b) Excludes Governments

NOTE: The Town is on an averaging system for residential customers - with sewer based on water consumption.

NOTE: The Town provides sanitary sewer treatment and disposal for Denton County Fresh Water Supply District No. 8-B and 8-C (the "Districts") pursuant to an agreement, effective February 13, 2002, between the Town and the District, wherein the Town agreed to provide wastewater collection, treatment and disposal services to the Districts.

NOTE: The Town provides services to Frisco Hills and Frisco Ranch. Frisco Hills is for both water and sewer service. Frisco Ranch is for sewer service only.

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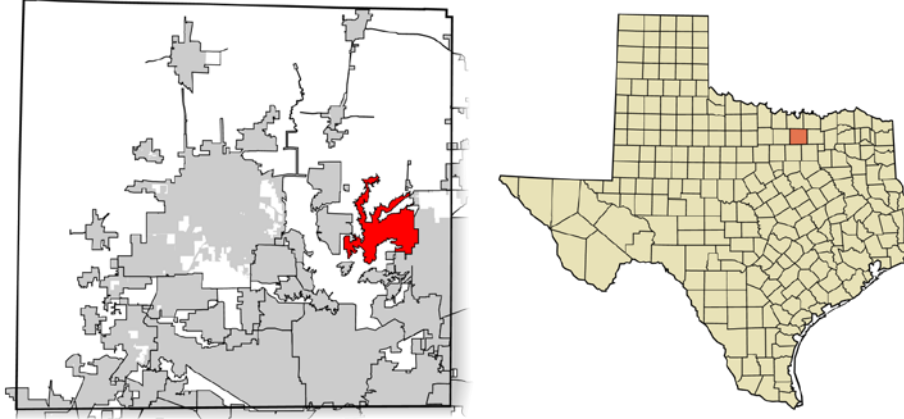
APPENDIX B

GENERAL INFORMATION REGARDING THE TOWN OF LITTLE ELM AND DENTON COUNTY, TEXAS

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GENERAL INFORMATION REGARDING THE TOWN OF LITTLE ELM AND DENTON COUNTY, TEXAS

Location of Little Elm in Denton County, Texas



General:

The Town of Little Elm (the "Town") is a residential community located approximately 10 miles east of the City of Denton and 33 miles north of downtown Dallas, on the northeast shore of Lewisville Lake (the "Lake") and is the sixth largest municipality in Denton County. The Town was incorporated on June 7, 1966 and adopted its Home Rule Charter in May, 2001. The town is governed by the Town Council, which consists of the Mayor and six Council Members, who serve for three-year staggered terms. The Mayor and Council Members in place on and six are elected at large, while the remainder represent specific district.

At the time of incorporation in 1966, the population of the Town was 363 and the original Town encompassed 1,222 acres. Today the Town has approximately 22.21 square miles (16.01 square miles of land and 6.2 square miles of lake) within its corporate limits.

The Town's 2010 Census was 25,898, which is a 610.3% growth since 2000. The current estimated population is 39,226. Beyond the town limits, Little Elm supports an additional 20,000 area residents, putting Little Elm's five-mile service radius at more than 50,000 people served. Much of the growth is attributed to development in areas annexed by the Town.

Located on two peninsulas of the Lake, a 23,280 acre reservoir operated by the U.S. Army corps of Engineers, the town has more miles of shoreline than any other community adjacent to the Lake. The town's geographic positioning provides shoreline that can be used for numerous recreational opportunities. The Town provides a full range of municipal services, including police and fire protection, municipal courts, street maintenance, engineering, traffic and transportation, water distribution, sewage treatment, sanitation and health inspection, outdoor recreation and library services.

Easy access to the North Dallas Tollway, as well as FM720 (a major road through the Town) provides connections to neighboring cities and job centers (Denton, Frisco, The Colony, Carrollton, Lewisville and Plano). This accessibility to major thoroughfares has been one of the major driving forces in the overall growth and development of the area.

In August 2009, the Lewisville Lake Toll Bridge opened to traffic. The bridge and approaching roadways have provided an east-west connection between Interstate 35E, the North Dallas Tollway, and even further east to State Highway 75. Little Elm has two main arteries that run through the middle of town - FM 720 (Eldorado Parkway) going east towards Frisco and North/Northwest to US Highway 380, and FM 423 going north to US 380 and south to SH 121 in the Colony. Population growth, along with transportation corridor improvements, continues to stimulate both residential and commercial development in Little Elm.

Due to surging population growth in the region over the last decade, the Town's thoroughfares are under major construction.

FM 720 (Eldorado Parkway) has just re-opened after a major five-mile thoroughfare expansion. The project expanded Eldorado Parkway from two lanes to a six-lane divided highway with stamped concrete and landscaping in the medians.

FM 423 North from Little Elm Parkway to US 380 is currently under construction. The project will expand FM 423 from two lanes to a six-lane divided highway. Estimated completion date is the fall of 2017.

FM 720 to US 380 is scheduled to be expanded in two phases. The first phase, which covers FM 720 from West Eldorado to Martop, is in the pre-construction phase. The two-lane roadway is scheduled to be expanded to a six-lane divided thoroughfare. Construction should commence early in 2016, with a projected completion date of spring 2018. The second phase should begin in 2018.

Denton County (the "County") is located in north central Texas and was created in 1846 from Fannin County. The 2010 Census was 662,614, which is a 53.0% increase since 2000. The current population estimate for the County is 758,370. The economy is diversified by manufacturing, state supported institutions, and agriculture. The Texas Almanac designates cattle, horses, poultry, hay and wheat as the principal source of agricultural income. Minerals produced in the county include natural gas and clay. Institutions of higher education include University of North Texas and Texas Woman's University. Lake Lewisville attracts over 3,000,000 visitors annually. Alliance Airport, located in the County has continued to expand. Texas Motor Speedway, a major NASCAR race track was opened in 1997, which has had a positive impact on employment and recreations spending for the area.

Source: Latest Texas Municipal Report published by the Municipal Advisory Council of Texas and other information from the Town.

Population Trends:

Census Report	Town of Little Elm	Denton County
Current Estimate	39,226	836,210
2010	25,898	662,614
2000	3,646	432,976
1990	1,308	273,525
1980	926	143,126

Sources: U.S. Census Bureau and the Issuer.

Leading Employers in the Town of Little Elm:

Employer	Product or Type of Business	Number of Employees
Little Elm Independent School District	Education	848
Kroger	Retail Grocery	257
Town of Little Elm	Municipal government	235
Hula Hut	Restaurant	142
Retractable Technologies	Medical Production	157
Lowe's Home Center	Retail Sales	134
Applebee's	Restaurant	70
Holt	Heavy Duty Equipment	52
24 Hour Fitness	Gym and Fitness Center	36
Hobby Lobby	Retail Sales	32

Source: The Issuer's 2017 CAFR

Residential and Commercial Building Construction:

Fiscal Year Ended 9-30	Residential ^(a)		Commercial ^(b)		Total	
	Number of Permits	AV Property Value \$\$ Amount	Number of Permits	AV Property Value \$\$ Amount	Number of Permits	AV Property Value \$\$ Amount
	2008	242	\$ 34,054,996	12	\$ 10,632,020	254
2009	278	50,599,998	18	4,758,480	296	55,358,478
2010	404	98,828,146	13	1,355,986	417	100,164,132
2011	352	79,754,929	20	21,680,781	372	101,435,710
2012	352	80,000,000	6	20,000,000	358	100,000,000
2013	689	200,048,000	30	9,208,000	786	277,581,000
2014	860	288,332,614	50	97,001,443	924	430,548,057
2015	993	350,554,010	31	44,909,851	1,107	432,326,274
2016	1154	1,906,967,620	65	260,290,013	1,236	2,291,634,365
2017	1084	2,194,691,942	87	245,585,628	1,195	2,577,301,640
2018*	458	2,563,409,138	12	330,655,240	470	3,125,208,029

Fiscal Year Ended 9-30	Multi-Family ^(c)	
	Number of Permits	AV Property Value \$\$ Amount
	2013	67
2014	14	45,214,000
2015	83	36,862,413
2016*	17	124,376,732
2017	24	137,024,070
2018*	0	230,963,651

^(a) Reporting for Single Family Residential. Residential figures include the Town's Extra Territorial Jurisdiction (ETJ).
^(b) Commercial information includes additions, remodels, new commercial building and new building finish out and shells.
^(c) Multi-family figures represent actual building within a complex.
* Current fiscal year figures are as of March 31, 2018 (unaudited)
* AV values are from the Certified Values Reports provided by Denton County Appraisal District.

Note: Total figures for FY2016 – FY 2018 include Multi-Family information.
Sources: The Issuer.

Labor Force Statistics:

	Little Elm		Denton County		State of Texas	
	April 2018	April 2017	April 2018	April 2017	April 2018	April 2017
Civilian Labor Force	23,050	22,234	478,147	461,800	13,860,323	13,527,232
Total Employed	22,215	21,430	463,594	447,218	13,340,165	12,967,846
Total Unemployed	835	804	14,553	14,582	520,158	559,386
% Unemployed	3.6%	3.6%	3.0%	3.0%	3.8%	4.1%
% Unemployed (United States)	3.7%	4.1%	3.7%	4.1%	3.7%	4.1%

Source: Texas Workforce Commission, Labor Market Information Department.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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[Closing Date]

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the “Town of Little Elm, Texas, Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018,” dated August 1, 2018, in the principal amount of \$15,460,000 (the “Certificates”), we have examined into their issuance by the Town of Little Elm, Texas (the “Town”), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the Town, the disclosure of any financial or statistical information or data pertaining to the Town and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on August 1 in each of the years specified in the ordinance adopted by the Town Council of the Town authorizing the issuance of the Certificates (the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Certificates, including the Ordinance and an examination of the initial Certificate executed and delivered by the Town (which we found to be in due form and properly executed); (ii) certifications of officers of the Town relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the Town and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Certificates, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the Town and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the Town, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the Town, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the Town’s Waterworks and Sewer System in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with the general principles of equity.

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at nortonrosefulbright.com.

Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "Town of Little Elm, Texas, Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018"

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the Town with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. For taxable years that began before January 1, 2018, interest on the Certificates owned by a corporation will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX D

**EXCERPTS FROM THE TOWN OF LITTLE ELM AUDITED FINANCIAL STATEMENTS FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2017**

(Independent Auditor's Report, Management's Discussion and Analysis, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

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Town of Little Elm, Texas

Comprehensive Annual Financial Report



**Fiscal Year Ended
September 30, 2017**

AS PREPARED BY THE FINANCE DEPARTMENT

Karla Stovall, CPM, CGFO—Chief Financial Officer

Dianne Lawson, CGFO—Asst. Director of Finance

Robin N. Bromiley, CGFO—Controller

Crystal Williamson

Sheryl Champlin

Shelly Newell



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 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2017
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Comprehensive Annual Financial Report
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Financial Section



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Little Elm (the Town), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

The Honorable Mayor,
Town of Little Elm, TX

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and TMRS pension schedules on pages 5-13, 68-70, and 71-73, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

The Honorable Mayor,
Town of Little Elm, TX

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 15 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 15, 2018



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MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2017

(unaudited)

As management of the Town of Little Elm, we offer the reader of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Little Elm for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report and the financial reports that follow in this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$171,743,562 (net position). Of this amount \$20,559,054 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$18,876,902 during the fiscal year.
- The Town's total amount of outstanding debt is \$102,578,023, which is a net increase of \$7,983,464 when compared to the prior year. The Town issued \$11,830,000 in Certificates of Obligation on January 15, 2017 for the purpose of paying the Town's contractual obligations for improvements and extensions to the Town's Infrastructure. The same day the Town issued \$13,645,000 General Obligation Refunding Bonds. Series 2008 and 2009 Certificates of Obligation were legally defeased with the refunding. Details can be found in the notes to the financial statements.
- As of the close of the current fiscal year, the Town of Little Elm's governmental funds reported a combined ending fund balance of \$27,670,708, a decrease of \$2,242,059 in comparison with the prior year. Within this total, \$11,292,937 (41%) is restricted by specific legal requirements, \$15,654,490 (57%) is unassigned fund balance, \$409,582 (1%) is committed to specific types of expenditures and \$313,699 (1%) is nonspendable.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broader overview of the Town's finances, in a manner similar to a private-sector business. Two statements, the Statement of Net Position and the Statement of Activities, are utilized to provide this financial overview.

The Statement of Net Position presents information on all the Town's assets and liabilities, and deferred inflows/outflows of resources with the differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the Town is improving or deteriorating. The statement of net position combines and consolidates governmental and business-type current financial resources with capital assets and long-term obligations. In order to assess the overall health or financial



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2017

(unaudited)

condition of the Town, other non-financial factors should also be taken into consideration. These include changes in the Town's property tax base and the condition of the Town's infrastructure (i.e., streets, drainage improvements, storm and sewer lines, etc.).

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide statements distinguish between governmental activities and business-type activities. Governmental activities basically account for those activities supported by taxes and intergovernmental revenues. On the other hand, business-type activities are basically supported by user fees and charges. Most Town services are reported in governmental activities while business-type activities are reported in the Enterprise Fund. The governmental activities of the Town include general government, community services, public safety, public works, and culture and recreation. The business-type activities of the Town include water and sewer services and solid waste services.

The government-wide financial statements include not only the Town of Little Elm itself (known as the primary government), but also two discretely presented component units. The Town's sales tax corporations are the Little Elm Economic Development Corporation 4A (LEEDC) and Little Elm Community Development Corporation 4B (LECDC). Although legally separate, these component units operate under the criteria of board appointment and removal by the Town Council. Approval and oversight of capital projects as well as budget appropriations and approval is under the authorization of the Town Council.

Fund financial statements. The Town, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2017

(unaudited)

a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Little Elm maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the capital projects fund and the Valencia capital projects fund, all of which are considered to be major funds. All capital project funds are combined for a single, aggregated presentation. Data from the other non-major funds are also combined and reported in a single column. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Little Elm's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town has one fiduciary fund, the Valencia PID Agency Fund.

Notes to the financial statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found after the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

At the end of fiscal year 2017, the Town's net position (assets exceeding liabilities) totaled \$171,743,562. This analysis focuses on the net position (Table 1) and changes in net position (Table 2).

Net Position. The largest portion of the Town's net position, \$141,706,058 or 83% reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these assets



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2017
(unaudited)

to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town reports its capital assets net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

An additional portion of the Town's net position, \$9,478,450 or 5%, represents resources that are subject to external restrictions on how they may be used. The unrestricted portion of net position which is \$20,559,054 or 12% may be used to meet the government's ongoing obligations to citizens and creditors.

Table 1
Condensed Schedule of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 35,543,325	\$ 36,851,207	\$ 29,977,377	\$ 19,416,739	\$ 65,520,702	\$ 56,267,946
Capital assets	145,514,730	129,880,707	68,029,252	64,537,724	213,543,982	194,418,431
Total assets	181,058,055	166,731,914	98,006,629	83,954,463	279,064,684	250,686,377
Deferred outflow s of resources	2,725,366	2,689,635	1,186,610	614,103	3,911,976	3,303,738
Current liabilities	5,014,072	4,648,742	3,641,003	1,980,779	8,655,075	6,629,521
Noncurrent liabilities	54,228,379	57,078,401	48,349,644	37,516,158	102,578,023	94,594,559
Total liabilities	59,242,451	61,727,143	51,990,647	39,496,937	111,233,098	101,224,080
Net position:						
Net investment in capital	103,484,651	89,811,757	38,221,407	37,228,657	141,706,058	127,040,414
Restricted	7,463,780	4,427,187	2,014,670	1,104,061	9,478,450	5,531,248
Unrestricted	13,592,539	13,455,462	6,966,515	6,738,911	20,559,054	20,194,373
Total net position	\$ 124,540,970	\$ 107,694,406	\$ 47,202,592	\$ 45,071,629	\$ 171,743,562	\$ 152,766,035

Changes in Net Position. The net position of the Town increased by \$18,876,902 from the prior year.

Governmental Activities. Governmental activities increased the Town's net position by \$16,745,939 from the prior year. This was due in part to an increase in the ad valorem tax revenues, sales tax revenues and charges for services.

Business-type Activities. Net position from business-type activities increased \$2,130,963 from the prior year. Increased utility revenues from growth of our customer base are partially responsible for this increase in net position. However, increased water revenue, sewer services and interest revenue also played a role in our increase in the net position since the prior fiscal year.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2017
 (unaudited)

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 10,495,522	\$ 9,630,090	\$ 17,711,070	\$ 16,404,231	\$ 28,206,592	\$ 26,034,321
Operating grants and contributions	2,486,348	1,888,507	50	-	2,486,398	1,888,507
Capital grants and contributions	8,269,408	15,400,107	1,363,346	2,387,592	9,632,754	17,787,699
General revenues:						
Property taxes	18,817,352	16,001,132	-	-	18,817,352	16,001,132
Sales taxes	4,303,543	4,010,218	-	-	4,303,543	4,010,218
Franchise taxes	2,133,889	2,065,392	114,365	110,588	2,248,254	2,175,980
Investment Income	291,461	222,137	151,282	75,463	442,743	297,600
Other	2,326,196	681,078	42,383	-	2,368,579	681,078
Gain on sale of capital assets	19,709	252,717	21,711	-	41,420	252,717
Total revenues	49,143,428	50,151,378	19,404,207	18,977,874	68,547,635	69,129,252
Expenses:						
General government	7,030,639	12,830,283	-	-	7,030,639	12,830,283
Community service	2,562,510	2,412,674	-	-	2,562,510	2,412,674
Public safety	14,962,540	17,166,375	-	-	14,962,540	17,166,375
Public works	4,620,071	4,894,523	-	-	4,620,071	4,894,523
Culture and recreation	3,813,775	2,838,232	-	-	3,813,775	2,838,232
Interest expense	1,705,104	1,552,317	-	-	1,705,104	1,552,317
Water and sewer services	-	-	13,091,003	12,813,910	13,091,003	12,813,910
Solid waste services	-	-	1,885,091	1,797,240	1,885,091	1,797,240
Total expenses:	34,694,639	41,694,404	14,976,094	14,611,150	49,670,733	56,305,554
Change in net position before transfers						
	14,448,789	8,456,974	4,428,113	4,366,724	18,876,902	12,823,698
Transfers	2,297,150	2,042,935	(2,297,150)	(2,042,935)	-	-
Change in net position	16,745,939	10,499,909	2,130,963	2,323,789	18,876,902	12,823,698
Net position - beginning	107,795,031	97,194,497	45,071,629	42,747,840	152,866,660	139,942,337
Net position - ending	\$ 124,540,970	\$ 107,694,406	\$ 47,202,592	\$ 45,071,629	\$ 171,743,562	\$ 152,766,035

Government-Wide Financial Analysis

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined fund balances of \$27,670,708.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2017

(unaudited)

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, unassigned fund balance was \$15,660,796. The unassigned fund balance of the General Fund increased by \$4,632,080 during the current fiscal year. This increase was primarily due to an increase in revenues, particularly revenue from ad valorem property taxes.

The Debt Service Fund had an increase of \$293,030 in fund balance. This was due to the increase in ad valorem property tax revenue. These funds are specifically restricted for the payment of debt service. The Capital Projects Fund decreased by \$6,875,607 due to the increase in expenditures for capital projects. Valencia Capital Projects Fund decreased by \$898,654 due to continued capital expenditures. Other governmental funds' combined fund balances increased by \$592,820.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide statements, but in more detail.

Net position of the business-type activities at the end of the year was \$6,966,515. This represents an increase of \$2,130,963. This is largely attributable to increases in water and sewer sales revenue. This year's operating revenue was \$17,753,453. This increase of \$1,349,222 from last year's operating revenue is primarily attributable to a \$1,267,055 increase in water and sewer sales revenue.

General Fund Budgetary Highlights. In FY 2017, the General Fund expenditure budget was increased by \$4,056,254 over the 2016 budget. Amendments made during the fiscal year 2017 increased the original revenue budget by \$528,081 and increased the expenditure budget by \$2,668,183. Amendments were for insurance proceeds, grant awards, and unanticipated expenditures during the year. During the fiscal year the Town analyzes their quarterly financial statements and determines if a budget amendment is reasonable and necessary. All budget amendments receive scrutiny and Town Council approval through an ordinance.

In the General Fund, the actual revenue received in comparison to the final budget was over by \$3,004,712. This positive variance is most noticeable in licenses and permits and intergovernmental revenue. General Fund expenditures had a final budget to actual variance of \$2,919,518 prior to other financing sources/uses. The savings are attributable to the Town receiving several grant awards that were granted post budget adoption, and therefore, the Town realized an overall savings. Also some budgeted projects were not completed in FY2017 and were encumbered to the FY2018 budget.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$213,543,982 (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 68% of the capital assets are governmental and 32% are business-type activities. The total increase in the Town's investment in capital assets for the current year was 9%.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2017
 (unaudited)

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

	Governmental		Business-type		Total	
	activities		activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 9,210,631	\$ 9,085,631	\$ 1,639,066	\$ 1,639,066	\$ 10,849,697	\$ 10,724,697
Construction in progress	19,899,456	12,357,449	5,234,854	2,665,388	25,134,310	15,022,837
Buildings	23,389,848	24,093,109	26,900	31,461	23,416,748	24,124,570
Infrastructure	71,781,836	62,988,483	59,862,563	60,554,733	131,644,399	123,543,216
Other improvements	13,636,734	13,887,584	-	-	13,636,734	13,887,584
Machinery and equipment	7,596,225	7,468,451	1,265,869	1,286,142	8,862,094	8,754,593
Total	\$ 145,514,730	\$ 129,880,707	\$ 68,029,252	\$ 66,176,790	\$ 213,543,982	\$ 196,057,497

Additional information on the Town's capital assets can be found in Note 5 of the notes to the financial statements.

Debt Administration. At the end of the current fiscal year, the Town of Little Elm and its component units had total bonded debt outstanding of \$115,812,168, all of which is backed by the full faith and credit of the Town. Additional information on the Town's long-term debt can be found in Note 8 of the notes to the financial statements.

Table 4
Outstanding Debt
Outstanding Debt and Long-Term Liabilities

	Governmental activities		Business-type activities		Total Primary Government		Component Units	
	2017	2016	2017	2016	2017	2016	2017	2016
Gross bonded debt:								
General obligation	\$ 18,780,000	\$ 27,943,052	\$ 24,155,000	\$ 7,796,947	\$ 42,935,000	\$ 35,739,999	\$ -	\$ -
Certificates of obligation	25,836,155	19,620,000	20,533,843	26,970,000	46,369,998	46,590,000	-	-
Total bonded debt	44,616,155	47,563,052	44,688,843	34,766,947	89,304,998	82,329,999	-	-
Other long-term debt:								
Capital leases	17,932	52,905	-	-	17,932	52,905	-	-
Tax notes	1,205,000	1,550,000	-	-	1,205,000	1,550,000	-	-
Notes Payable	-	-	800,000	900,000	800,000	900,000	13,199,912	11,050,746
Unamortized premiums	1,336,631	1,452,101	1,933,728	1,009,615	3,270,359	2,461,716	-	-
Compensated absences	1,890,333	1,752,582	277,435	242,495	2,167,768	1,995,077	34,233	31,738
Net pension liability	5,162,328	4,707,761	649,638	597,101	5,811,966	5,304,862	-	-
Total other long-term debt	9,612,224	9,515,349	3,660,801	2,749,211	13,273,025	12,264,560	13,234,145	11,082,484
Total	\$ 54,228,379	\$ 57,078,401	\$ 48,349,644	\$ 37,516,158	\$102,578,023	\$ 94,594,559	\$ 13,234,145	\$ 11,082,484

The Town continues to maintain favorable ratings from the bond rating agencies. Standard & Poor raised its long-term and underlying ratings on the Town to AA from AA-. The outlook is stable. The raised rating reflects the Town's economic improvement driven by strong tax base growth coupled with sustained and very strong reserves.

Additional information on the Town's long-term debt can be found in Note 8 of the notes to the financial statements.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2017

(unaudited)

Discretely Presented Component Units

The Little Elm Economic Development Corporation (LEEDC) and Little Elm Community Development Corporation (LECDC) have been included in the reporting entity as discretely presented component units since they provide benefits to other entities aside from the Town. Separate audited financial statements are not issued for LEEDC or LECDC.

The Economic Development Corporation (LEEDC) is a legally separate governmental entity that promotes (a) existing business enterprise expansion and retention, and (b) new business enterprise development. The LEEDC's net position at fiscal year-end was \$3,153,064. This is an increase of \$2,190,501 from the prior year. The LEEDC's total revenues were \$4,991,417 of which \$1,721,448 was from sales taxes. For the year, the LEEDC had expenses of \$2,800,916. Of this amount \$2,277,618 was for economic and physical development.

Additional information on the LEEDC's long-term debt can be found in Note 8 of the notes to the financial statements.

The Community Development Corporation (LECDC) is a legally separate governmental entity tasked with bringing recreational, facility development and tourism opportunities to the Town and is supported by a voter approved sales tax. The LECDC's net position at year-end was \$404,748. This is an increase of \$38,694 from the prior year. The LECDC's total revenues were \$889,507 of which \$884,915 was from sales taxes. For the year, the LECDC had expenses of \$850,813. Of this amount \$596,605 was for debt payments and \$88,208 for economic and physical development.

Economic Factors and Next Year's Budgets and Rates

Beginning with the 2016-2017 budget, our goal has been to successfully present a five-year balanced budget (technically a one-year budget and 4-year financial plan) to the Council for consideration. The purpose of the approach is to ensure that we are providing sustainable services in Little Elm's high growth environment. This is particularly important as we continue expanding services on Highway 380 to account for the new residents moving to the area.

For the last several years, it has been the goal to keep the tax rate at a competitive level with other cities and towns while still providing adequate revenue to fund the needs of a rapidly growing community now and into the future. This year, the Town was able to adopt a reduced tax rate of \$.657671 and still meet those objectives. The 2017-2018 rate is at \$.657671 per \$100 of taxable value. Of the total tax rate, \$.485188 is dedicated to general operations and maintenance (O&M) in the General Fund, and \$.172483 is dedicated to general obligation debt service (I&S).

Some of the more significant upcoming capital projects are as follows: (Many of these projects cover several years, so they are not limited to the FY 17-18 budget.) Projects include various parks and trail projects, Dickson Road improvements, meter change-out program, WWTP expansion, Utility Service Center expansion and an aquatic center.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2017

(unaudited)

The fiscal year 2017-2018 operating budget increased by 18% or \$7,279,528, from fiscal year 2016-2017 budget. General revenues for property taxes were budgeted with a 16% or \$2,894,375 increase from fiscal year 2016-2017 even after lowering the overall tax rate. General revenues for property taxes was budgeted with a 16% increase and a 10% increase was forecast for sales tax. Major increases in operational costs are:

Compensation and Benefits (includes Public Safety Plan Update)	\$1,400,000
Additional Personnel (not including Fire)	\$ 200,000
Fire Personnel and Supplies Station #3	\$1,400,000
Cost of Water for NTMWD	\$ 850,000
Utility Meter Project	\$ 500,000
Street Maintenance (considered maintenance FY18 but capital FY17)	\$1,000,000

The Vehicle Equipment Replacement Fund (VERF) was established in FY 2014. Annual payments are made by participating departments. The total transfer to this fund in the 2018 budget is \$1,115,354.

In order to maximize the life of Police vehicles to save maintenance costs and reduce replacement funding, staff has been working within the VERF to increase the number of Police units in the fleet. The goal is for each officer to be assigned one vehicle rather than one vehicle assigned to multiple officers. This will require the addition of 11 vehicles and will occur over several budget cycles. The initial vehicle purchases will be placed within the Police Department Operating budget. In FY18 two additional vehicles have been budgeted.

The total number of budgeted employees or FTE's (Full-time equivalents) is 266.7 for a salary cost of \$18 million (includes proposed new positions) in FY18. With benefits the total is approximately \$23.8 million. New positions budgeted for FY 2017-2018 are: Human Resource Specialist, Traffic Officer, (9) Firefighter Paramedics, Parks Maintenance Worker.

TIRZ and PID Updates

The Town created TIRZ #6 in November 2016 to be contiguous with the Rudman Tract to help the area on the northern boundary of the Town develop. The Town on December 20, 2016 created the fourth PID for the Town of Little Elm. This PID is located north next to Highway 380 and will be identified as Lakeside Estates PID No. 2.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, 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 the Finance Department, Town of Little Elm, 100 W. Eldorado Parkway, Little Elm, Texas 75068, or call (214)975-0415.



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Basic Financial Statements



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Town of Little Elm, Texas
Statement of Net Position
September 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 29,095,512	\$ 26,630,330	\$ 55,725,842	\$ 4,036,705
Receivables (net of allowance for uncollectibles)	6,050,364	3,023,222	9,073,586	490,209
Due from other governments	-	117,213	117,213	-
Note receivable from primary government - current portion	-	-	-	100,000
Due from component unit	83,750	-	83,750	-
Lease receivable	-	-	-	3,048,000
Prepays	261,066	412	261,478	-
Inventories	52,633	206,200	258,833	-
Capital assets:				
Land	9,210,631	1,639,066	10,849,697	10,309,703
Depreciable assets, net	116,404,643	61,155,332	177,559,975	-
Construction in progress	19,899,456	5,234,854	25,134,310	-
Note receivable from primary government-noncurrent porti:	-	-	-	700,000
Total assets	181,058,055	98,006,629	279,064,684	18,684,617
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	2,661,907	331,620	2,993,527	-
Deferred loss on refunding	63,459	854,990	918,449	-
Total deferred outflows of resources	2,725,366	1,186,610	3,911,976	-
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	3,410,839	2,082,940	5,493,779	1,813,068
Accrued interest payable	243,978	245,560	489,538	79,592
Retainage payable	589,174	100,571	689,745	-
Customer deposits	770,081	1,211,932	1,982,013	-
Non-current liabilities:				
Due within one year	4,590,999	2,749,900	7,340,899	738,967
Due in more than one year	49,637,380	45,599,744	95,237,124	12,495,178
Total liabilities	59,242,451	51,990,647	111,233,098	15,126,805
NET POSITION (DEFICIT)				
Net investment in capital assets	103,484,651	38,221,407	141,706,058	(2,890,210)
Restricted:				
Construction	4,598,365	-	4,598,365	-
Enabling legislation	1,511,812	2,014,670	3,526,482	5,877,808
Streetscape	507,679	-	507,679	-
Debt service	534,717	-	534,717	165,466
Other	311,207	-	311,207	-
Unrestricted	13,592,539	6,966,515	20,559,054	404,748
Total net position (deficit)	\$ 124,540,970	\$ 47,202,592	\$ 171,743,562	\$ 3,557,812

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, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Functions/Programs:				
Governmental activities:				
General government	\$ 7,030,639	\$ 480,986	\$ 35,399	\$ -
Community service	2,562,510	5,284,136	-	50,000
Public safety	14,962,540	2,598,197	1,531,550	-
Public works	4,620,071	820,186	159,710	4,844,780
Culture and recreation	3,813,775	1,312,017	759,689	3,374,628
Interest expense	1,705,104	-	-	-
Total governmental activities	34,694,639	10,495,522	2,486,348	8,269,408
Business-type activities:				
Water and sewer services	13,091,003	15,381,528	-	1,363,346
Solid waste services	1,885,091	2,329,542	50	-
Total business-type activities	14,976,094	17,711,070	50	1,363,346
Total primary government	\$ 49,670,733	\$ 28,206,592	\$ 2,486,398	\$ 9,632,754
Component Units:				
Economic Development Corporation	2,800,916	\$ -	\$ 3,169,800	\$ -
Community Development Corporation	850,813	-	-	-
Total component units	\$ 3,651,729	\$ -	\$ 3,169,800	\$ -

General revenues:
Property taxes, penalty, and interest
Sales taxes
Franchise taxes
Interest
Miscellaneous
Gain on sale of capital assets
Transfers
Total general revenues and transfers
Change in net position

Net position at beginning of year

Net position, 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
\$ (6,514,254)	\$ -	\$ (6,514,254)	\$ -
2,771,626	-	2,771,626	-
(10,832,793)	-	(10,832,793)	-
1,204,605	-	1,204,605	-
1,632,559	-	1,632,559	-
(1,705,104)	-	(1,705,104)	-
<u>(13,443,361)</u>	<u>-</u>	<u>(13,443,361)</u>	<u>-</u>
-	3,653,871	3,653,871	-
-	444,501	444,501	-
<u>-</u>	<u>4,098,372</u>	<u>4,098,372</u>	<u>-</u>
<u>\$ (13,443,361)</u>	<u>\$ 4,098,372</u>	<u>\$ (9,344,989)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	368,884
-	-	-	(850,813)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (481,929)</u>
18,817,352	\$ -	\$ 18,817,352	\$ -
4,303,543	-	4,303,543	2,606,363
2,133,889	114,365	2,248,254	-
291,461	151,282	442,743	10,210
2,326,196	42,383	2,368,579	94,551
19,709	21,711	41,420	-
2,297,150	(2,297,150)	-	-
<u>30,189,300</u>	<u>(1,967,409)</u>	<u>28,221,891</u>	<u>2,711,124</u>
<u>16,745,939</u>	<u>2,130,963</u>	<u>18,876,902</u>	<u>2,229,195</u>
<u>107,795,031</u>	<u>45,071,629</u>	<u>152,866,660</u>	<u>1,328,617</u>
<u>\$ 124,540,970</u>	<u>\$ 47,202,592</u>	<u>\$ 171,743,562</u>	<u>\$ 3,557,812</u>

Town of Little Elm, Texas
 Balance Sheet
 Governmental Funds
 September 30, 2017

	General Fund	Debt Service	Capital Projects	Valencia Capital Projects	Nonmajor Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 14,067,123	\$ 647,098	\$ 8,261,063	\$ 2,071,691	\$ 1,491,775	\$ 26,538,750
Receivables, net of allowance for doubtful accounts						
Taxes	787,825	47,900	-	-	204,105	1,039,830
Franchise fees	1,833,517	-	-	-	-	1,833,517
Due from other governments	-	-	1,526,684	-	480,815	2,007,499
Other	414,435	83,750	520,000	-	235,083	1,253,268
Due from other funds	375,497	-	-	-	-	375,497
Prepays	261,066	-	-	-	-	261,066
Inventories	52,633	-	-	-	-	52,633
Total assets	<u>\$ 17,792,096</u>	<u>\$ 778,748</u>	<u>\$ 10,307,747</u>	<u>\$ 2,071,691</u>	<u>\$ 2,411,778</u>	<u>\$ 33,362,060</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	\$ 1,392,770	\$ 53	\$ 1,592,529	\$ 229,426	\$ 171,731	\$ 3,386,509
Due to other funds	-	-	-	-	375,497	375,497
Retainage payable	-	-	589,174	-	-	589,174
Deposits	53,753	-	716,328	-	-	770,081
Total liabilities	<u>1,446,523</u>	<u>53</u>	<u>2,898,031</u>	<u>229,426</u>	<u>547,228</u>	<u>5,121,261</u>
Deferred inflows of resources:						
Unavailable resources	371,078	32,482	125,000	-	41,531	570,091
Total deferred inflows of resources	<u>371,078</u>	<u>32,482</u>	<u>125,000</u>	<u>-</u>	<u>41,531</u>	<u>570,091</u>
FUND BALANCES						
Nonspendable	313,699	-	-	-	-	313,699
Restricted	-	746,213	6,875,134	1,842,265	1,829,325	11,292,937
Committed	-	-	409,582	-	-	409,582
Unassigned	15,660,796	-	-	-	(6,306)	15,654,490
Total fund balances	<u>15,974,495</u>	<u>746,213</u>	<u>7,284,716</u>	<u>1,842,265</u>	<u>1,823,019</u>	<u>27,670,708</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,792,096</u>	<u>\$ 778,748</u>	<u>\$ 10,307,747</u>	<u>\$ 2,071,691</u>	<u>\$ 2,411,778</u>	<u>\$ 33,362,060</u>

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, 2017

Total governmental fund balances	\$ 27,670,708
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 (less \$2,901,627 in assets allocated to governmental activities from the internal service fund).	142,613,103
Accrued interest on governmental activities debt is not reported in the governmental funds financial statements until paid.	(243,978)
Revenues earned but not available within sixty days of fiscal year-end are not recognized as revenue in the governmental funds financial statements.	570,091
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.	63,459
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.	5,434,059
Deferred outflows of resources related to the Town's net pension liability increases net position.	2,661,907
Pension liability are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.	(5,162,328)
Premiums on bond issuance for governmental activities debt are included in other financing sources in the governmental funds financial statements.	(1,336,631)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.	(1,890,333)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.	<u>(45,839,087)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 124,540,970</u>

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

Town of Little Elm, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended September 30, 2017

	General Fund	Debt Service	Capital Projects	Valencia Capital Projects	Nonmajor Governmental Funds	Total
Revenues:						
Taxes:						
Property taxes, penalty, and interest	\$ 13,940,325	\$ 4,670,992	\$ -	\$ -	\$ 184,747	\$ 18,796,064
General sales and use taxes	3,327,049	-	-	-	976,494	4,303,543
Other taxes and franchise fees	2,078,753	-	-	-	55,136	2,133,889
Licenses and permits	4,501,472	-	241,660	-	-	4,743,132
Intergovernmental	806,708	680,355	2,046,424	-	832,425	4,365,912
Charges for services	3,169,497	-	-	-	812,580	3,982,077
Impact fees	-	-	754,659	-	-	754,659
Fines	653,524	-	-	-	401,555	1,055,079
Contributions	-	-	3,374,628	-	33,444	3,408,072
Interest	139,061	18,027	90,811	12,682	12,087	272,668
Other revenues	355,872	-	412,022	-	45,861	813,755
	<u>28,972,261</u>	<u>5,369,374</u>	<u>6,920,204</u>	<u>12,682</u>	<u>3,354,329</u>	<u>44,628,850</u>
Expenditures:						
Current:						
General government	3,941,541	-	220,070	36,220	75,368	4,273,199
Community services	2,275,030	-	288,835	-	-	2,563,865
Public safety	12,851,040	-	-	-	1,010,555	13,861,595
Public works	2,546,491	-	-	-	632,924	3,179,415
Culture and recreation	3,553,251	-	-	-	21,575	3,574,826
Debt service:						
Principal retirement	-	3,291,897	-	-	-	3,291,897
Interest and fiscal agent fees	-	1,784,447	-	-	-	1,784,447
Capital outlay	1,316,232	-	15,423,655	875,116	71,818	17,686,821
	<u>26,483,585</u>	<u>5,076,344</u>	<u>15,932,560</u>	<u>911,336</u>	<u>1,812,240</u>	<u>50,216,065</u>
Excess (deficiency) of revenues over (under) expenditures	2,488,676	293,030	(9,012,356)	(898,654)	1,542,089	(5,587,215)
Other financing sources (uses):						
Proceeds from sale of assets	31,663	-	-	-	-	31,663
Insurance proceeds	1,016,343	-	-	-	-	1,016,343
Transfers in	2,109,670	-	2,236,949	-	75,000	4,421,619
Transfers out	(1,000,000)	-	(100,200)	-	(1,024,269)	(2,124,469)
	<u>2,157,676</u>	<u>-</u>	<u>2,136,749</u>	<u>-</u>	<u>(949,269)</u>	<u>3,345,156</u>
Net change in fund balances	4,646,352	293,030	(6,875,607)	(898,654)	592,820	(2,242,059)
Fund balance at beginning of year	11,328,143	453,183	14,160,323	2,740,919	1,230,199	29,912,767
Fund balance, end of year	<u>\$ 15,974,495</u>	<u>\$ 746,213</u>	<u>\$ 7,284,716</u>	<u>\$ 1,842,265</u>	<u>\$ 1,823,019</u>	<u>\$ 27,670,708</u>

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 Statement of Activities For the Year Ended September 30, 2017

Net change in fund balances - total governmental funds	\$ (2,242,059)
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.	65,256
Capital outlays are reported as expenditures in governmental funds ; however, in the government-wide financial statements, the costs are capitalized as capital asset additions. Disposals of capital assets reduce net position. This amount is the net effect of \$17,858,444 of capital outlay (\$18,684,421 less \$825,977 allocated from internal service fund) and \$11,954 of disposals.	17,846,490
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The effect of recording depreciation expense is to decrease net position.	(4,760,592)
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	2,093,697
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 Repayments \$3,291,897	
o Amortization of premium on bonds, \$115,470, less the amortization of deferred loss on refunding (\$12,864)	3,394,503
Governmental funds reflect capital lease proceeds as other financing sources and payments as expenditures. This amount represents the amount of year payments which is reflected as a reduction of liabilities in the government-wide financial statements.	34,973
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.	(137,751)
The following is the net effect of the current year increases in both the TMRS pension liability, (\$454,567), and deferred outflows - pension, \$48,596.	(405,971)
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.	880,655
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	(23,262)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 16,745,939</u></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
Proprietary Funds
September 30, 2017

	Business-type Activities			Governmental Activities- Internal Service Fund
	Enterprise funds			
	Water and Sewer	Solid Waste	Total	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash and cash equivalents	\$ 26,305,262	\$ 325,068	\$ 26,630,330	\$ 2,556,762
Receivables (net of allowance for uncollectibles)	2,802,750	220,472	3,023,222	-
Due from other governments	117,213	-	117,213	-
Inventories	206,200	-	206,200	-
Prepays	412	-	412	-
Total current assets	29,431,837	545,540	29,977,377	2,556,762
Capital assets:				
Land	1,639,066	-	1,639,066	-
Depreciable assets, net	60,973,876	181,456	61,155,332	2,901,627
Construction in progress	5,234,854	-	5,234,854	-
Total capital assets	67,847,796	181,456	68,029,252	2,901,627
Total assets	97,279,633	726,996	98,006,629	5,458,389
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	331,620	-	331,620	-
Deferred loss on refunding	854,990	-	854,990	-
Total deferred outflows of resources	1,186,610	-	1,186,610	-
Total assets and deferred outflows of resources	\$ 98,466,243	\$ 726,996	\$ 99,193,239	\$ 5,458,389
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable and other accrued expenses	\$ 1,915,958	\$ 166,982	\$ 2,082,940	\$ 24,330
Accrued interest payable	245,560	-	245,560	-
Retainage payable	100,571	-	100,571	-
Customer deposits	1,211,932	-	1,211,932	-
Current portion of long-term debt	2,749,202	698	2,749,900	-
Total current liabilities	6,223,223	167,680	6,390,903	24,330
Long-term debt, net of current portion	45,599,529	215	45,599,744	-
Total liabilities	51,822,752	167,895	51,990,647	24,330
Net position:				
Net investment in capital assets	38,039,951	181,456	38,221,407	2,901,627
Restricted for:				
Impact fees	2,014,670	-	2,014,670	-
Unrestricted	6,588,870	377,645	6,966,515	2,532,432
Total net position	46,643,491	559,101	47,202,592	5,434,059
Total liabilities and net position	\$ 98,466,243	\$ 726,996	\$ 99,193,239	\$ 5,458,389

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, 2017

	Business-type Activities			Governmental- Activities Internal Service Fund
	Enterprise funds			
	Water and Sewer	Solid Waste	Total	
Operating revenues:				
Water sales	\$ 8,570,587	\$ -	\$ 8,570,587	\$ -
Charges for sewer services	6,246,696	-	6,246,696	-
Tap, connections, and other fees	529,699	-	529,699	-
Charges for solid waste	-	2,321,596	2,321,596	-
Contributions	-	-	-	1,300,780
Other revenue	76,929	7,946	84,875	-
Total operating revenues	15,423,911	2,329,542	17,753,453	1,300,780
Operating expenses:				
Personnel services	2,049,506	37,079	2,086,585	-
Contractual services	390,178	1,746,572	2,136,750	-
Repairs and maintenance	300,440	65,122	365,562	-
Supplies	5,688,939	9,959	5,698,898	67,369
Depreciation and amortization	2,311,633	26,031	2,337,664	371,549
Other operating expenses	725,239	328	725,567	-
Total operating expenses	11,465,935	1,885,091	13,351,026	438,918
Operating income	3,957,976	444,451	4,402,427	861,862
Non-operating revenues (expenses):				
Taxes	-	114,365	114,365	-
Gain on sale of assets	21,711	-	21,711	-
Interest income	147,086	4,196	151,282	18,793
Intergovernmental	-	50	50	-
Interest expense	(1,625,068)	-	(1,625,068)	-
Total non-operating revenue (expenses)	(1,456,271)	118,611	(1,337,660)	18,793
Income before capital contributions and transfers	2,501,705	563,062	3,064,767	880,655
Capital contributions and transfers				
Capital contributions	451,177		451,177	-
Impact fees	912,169	-	912,169	-
Transfers out	(1,731,150)	(566,000)	(2,297,150)	-
Total capital contributions and transfers	(367,804)	(566,000)	(933,804)	-
Change in net position	2,133,901	(2,938)	2,130,963	880,655
Net position at beginning of year	44,509,590	562,039	45,071,629	4,553,404
Net position, end of year	\$ 46,643,491	\$ 559,101	\$ 47,202,592	\$ 5,434,059

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, 2017

	Business-type Activities			Governmental Activities- Internal Service Fund
	Enterprise Funds			
	Water and Sewer	Solid Waste	Total	
Cash flow from operating activities:				
Receipts from customers and users	\$ 15,288,462	\$ 2,314,297	\$ 17,602,759	\$ 1,300,780
Payments to suppliers	(5,427,046)	(1,839,728)	(7,266,774)	(43,267)
Payments to employees	(1,611,397)	(12,578)	(1,623,975)	-
Net cash provided by operating activities	<u>8,250,019</u>	<u>461,991</u>	<u>8,712,010</u>	<u>\$ 1,257,513</u>
Cash flow from noncapital financing activities:				
Transfers out	(1,731,150)	(566,000)	(2,297,150)	-
Intergovernmental	-	50	50	-
Taxes	-	114,365	114,365	-
Net cash used by noncapital financing activities	<u>(1,731,150)</u>	<u>(451,585)</u>	<u>(2,182,735)</u>	<u>-</u>
Cash flow from capital financing activities:				
Proceeds from long-term debt	26,153,745	-	26,153,745	-
Payment to escrow agent	(14,313,516)	-	(14,313,516)	-
Acquisition of capital assets	(3,605,927)	-	(3,605,927)	(825,977)
Proceeds from sale of capital assets	21,711	-	21,711	-
Impact fees	912,169	-	912,169	-
Principal paid on capital debt	(2,128,104)	-	(2,128,104)	-
Interest paid on capital debt	(1,671,400)	-	(1,671,400)	-
Net cash provided by (used by) capital financing activities	<u>5,368,678</u>	<u>-</u>	<u>5,368,678</u>	<u>(825,977)</u>
Cash flow from investing activities:				
Interest and dividends on investments	147,086	4,196	151,282	18,793
Net cash provided by investing activities	<u>147,086</u>	<u>4,196</u>	<u>151,282</u>	<u>18,793</u>
Net increase in cash and cash equivalents	12,034,633	14,602	12,049,235	450,329
Cash and cash equivalents, beginning of the year	14,270,629	310,466	14,581,095	2,106,433
Cash and cash equivalent, ending of the year	<u>\$ 26,305,262</u>	<u>\$ 325,068</u>	<u>\$ 26,630,330</u>	<u>\$ 2,556,762</u>
Noncash transactions:				
Capital contributions	<u>\$ 451,177</u>	<u>\$ -</u>	<u>\$ 451,177</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 – Continued
Proprietary Funds
For the Year Ended September 30, 2017

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Internal Service Fund</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 3,957,976	\$ 444,451	\$ 4,402,427	\$ 861,862
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,311,633	26,031	2,337,664	371,549
Pension expense (income)	448,949	-	448,949	-
Effects of changes in assets and liabilities:				
Decrease (increase) in receivables	(119,092)	(15,245)	(134,337)	-
Decrease (increase) in inventories	(16,357)	-	(16,357)	-
Decrease (increase) in prepaids	225	-	225	-
Increase (decrease) in payables	1,552,449	6,539	1,558,988	24,102
Increase (decrease) in deposits	79,510	-	79,510	-
Increase (decrease) in compensated absences	34,726	215	34,941	-
Net cash provided by operating activities	<u>\$ 8,250,019</u>	<u>\$ 461,991</u>	<u>\$ 8,712,010</u>	<u>\$ 1,257,513</u>

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
September 30, 2017

	PID Agency Fund
ASSETS	
Cash and cash equivalents	<u>\$ 2,740,355</u>
Total Assets	<u><u>\$ 2,740,355</u></u>
LIABILITIES	
Liability to bond holders	<u>\$ 2,740,355</u>
Total Liabilities	<u><u>\$ 2,740,355</u></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, 2017

ASSETS	Economic Development Corporation	Community Development Corporation	Total
Current assets:			
Cash and cash equivalents	\$ 3,795,360	\$ 241,345	\$ 4,036,705
Receivables (net of allowance for uncollectibles)	326,806	163,403	490,209
Leases receivable	3,048,000	-	3,048,000
Note receivable from primary government-current	100,000	-	100,000
Note receivable from primary government-noncurrent	700,000	-	700,000
Land	10,309,703	-	10,309,703
	<hr/>	<hr/>	<hr/>
Total Assets	18,279,869	404,748	18,684,617
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	1,813,068	-	1,813,068
Accrued interest payable	79,592	-	79,592
Non-current liabilities:			
Due within one year	738,967	-	738,967
Due in more than one year	12,495,178	-	12,495,178
	<hr/>	<hr/>	<hr/>
Total Liabilities	15,126,805	-	15,126,805
	<hr/>	<hr/>	<hr/>
NET POSITION			
Net investment in capital assets	(2,890,210)	-	(2,890,210)
Restricted by enabling legislation	5,877,808	-	5,877,808
Restricted for debt service	165,466	-	165,466
Unrestricted	-	404,748	404,748
	<hr/>	<hr/>	<hr/>
Total Net Position	\$ 3,153,064	\$ 404,748	\$ 3,557,812
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Town of Little Elm, Texas
Statement of Activities
Discretely Presented Component Units
For the Year Ended September 30, 2017

	Expenses	Program Revenues	
		Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:			
Economic Development Corporation	\$ 2,800,916	\$ 3,169,800	\$ -
Community Development Corporation	850,813	-	-
Total component units	\$ 3,651,729	\$ 3,169,800	\$ -

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

Net position - end of year

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

Component Units		
Economic Development Corporation	Community Development Corporation	Total
\$ 368,884	\$ -	\$ 368,884
-	(850,813)	(850,813)
<u>\$ 368,884</u>	<u>\$ (850,813)</u>	<u>\$ (481,929)</u>
1,721,448	884,915	\$ 2,606,363
5,618	4,592	10,210
94,551	-	94,551
<u>1,821,617</u>	<u>889,507</u>	<u>2,711,124</u>
2,190,501	38,694	2,229,195
<u>962,563</u>	<u>366,054</u>	<u>1,328,617</u>
<u>\$ 3,153,064</u>	<u>\$ 404,748</u>	<u>\$ 3,557,812</u>



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Town of Little Elm, Texas

Notes to the Financial Statements

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 Town'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.

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. The EDC does not issue separate financial statements.

Town of Little Elm, Texas

Notes to the Financial Statements

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. The CDC does not issue separate financial statements.

Tax Increment Reinvestment Zone Number Three (TIRZ #3)

The Town created Tax Increment Reinvestment Zone Number Three (TIRZ#3) to provide additional financing resources to further enhance development within the zone. The Town Council appoints a Board and Board members are removable by the Town Council. TIRZ#3 commenced October 2013 and will terminate on December 31, 2043, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and obligations of the zone have been paid in full. Although TIRZ#3 is fiscally dependent on the Town, as the Town approves their budgets and any debt issuances, TIRZ#3 qualifies for blending because the Board is the same as the Town Council. Previous to fiscal year 2017, TIRZ#3 had been reported as a discretely presented component unit, but is now reported as a blended component unit of the Town as ordinance #1413 was approved in 2017 clarifying the composition of the Board as described above. TIRZ#3 does not issue separate financial statements.

Tax Increment Reinvestment Zone Number Four (TIRZ #4)

The Town created Tax Increment Reinvestment Zone Number Four (TIRZ#4) to provide additional financing resources to further enhance development within the zone. The Town Council appoints a Board and Board members are removable by the Town Council. TIRZ#4 commenced December 2013 and will terminate on December 31, 2048, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and obligations of the zone have been paid in full. TIRZ#4 is fiscally dependent on the Town, as the Town approves their budgets and any debt issuances. TIRZ#4 qualifies for blending because the Board is the same as the Town Council. TIRZ#4 is reported as a blended component unit of the Town and it does not issue separate financial statements.

Tax Increment Reinvestment Zone Number Five (TIRZ #5)

The Town created Tax Increment Reinvestment Zone Number Five (TIRZ#5) to provide additional financing resources to further enhance development within the zone. The Town Council appoints a Board and Board members are removable by the Town Council. TIRZ#5 commenced December 2014 and will terminate on December 31, 2049, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and obligations of the zone have been paid in full. TIRZ#5 is fiscally dependent on the Town, as the Town approves their budgets and any debt issuances. TIRZ#5 qualifies for blending because the Board is the same as the Town Council. TIRZ#5 is reported as a blended component unit of the Town and it does not issue separate financial statements.

Town of Little Elm, Texas

Notes to the Financial Statements

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.

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.

Town of Little Elm, Texas

Notes to the Financial Statements

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.

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:

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.

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.

Capital Projects Fund is used to account for the acquisition or construction of capital facilities and improvements except those being financed by proprietary funds.

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.

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.

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.

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.

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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.

Red Light Camera Fund accounts for proceeds and expenses related to red-light cameras.

Stormwater Drainage Fund accounts for fees charged for stormwater drainage services.

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

SAFER Grant Fund accounts for proceeds and expenditures relating to the SAFER grant.

Little Elm Parks Fund accounts for fees used to help fund parks and recreational spaces.

Little Elm TIRZ#3 Fund accounts for proceeds and expenditures relating to Little Elm Tax Increment Reinvestment Zone Number 3.

Little Elm TIRZ#4 Fund accounts for proceeds and expenditures relating to Little Elm Tax Increment Reinvestment Zone Number 4.

Little Elm TIRZ#5 Fund accounts for proceeds and expenditures relating to Little Elm Tax Increment Reinvestment Zone Number 5.

Highway 380 MMD fund accounts for the Town's contributions to the Highway 380 Municipal Management District (MMD).

The Town reports the following fiduciary fund:

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.

Town of Little Elm, Texas

Notes to the Financial Statements

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

E. Cash and Cash Equivalents

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

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.

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, 2017, 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.

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 the acquisition value at the date of donation.

Town of Little Elm, Texas

Notes to the Financial Statements

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:

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

J. Interfund Transactions

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

K. Compensated Absences

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

L. 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.

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

Town of Little Elm, Texas

Notes to the Financial Statements

M. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources and pension expense, Town specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the Town's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Information regarding the Town's Total Pension Liability is obtained from TMRS through a report prepared for the Town by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

N. Deferred Outflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has the following items that qualify for reporting in this category:

Deferred Loss on Refunding – these deferred outflows result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Pensions – these deferred outflows result from pension contributions after the measurement date (deferred and recognized in the following fiscal year) and/or differences in projected and actual earnings on pension assets (deferred and amortized over a closed five year period).

O. Fund Equity

Governmental Funds:

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.

Town of Little Elm, Texas

Notes to the Financial Statements

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

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

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

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

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

Economic stabilization: It is the goal of the Town to achieve and maintain an unassigned fund balance in the General Fund equal to 25% of the budgeted expenditures in the General Fund for unanticipated expenditures, unforeseen revenue fluctuations, or other adverse circumstances. The fund balance level may be reduced to the equivalent of 15% of budgeted expenditures in unusual financial circumstances. If such a situation should occur, the Town will implement necessary corrective action with a three-year plan to restore the unassigned fund balance to the equivalent of 25% of budgeted expenditures.

Proprietary Funds:

Net position represents the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources. 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.

P. Subsequent Events

The Town has evaluated all events or transactions that occurred after September 30, 2017 up through February 15, 2018, 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.

Town of Little Elm, Texas

Notes to the Financial Statements

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 \$57,690,104 and the bank balance was \$59,298,275. The bank balance was completely covered by federal deposit insurance and collateral held by the pledging financial institution in the Town's name.

Cash and investments as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Primary Government:	
Cash and cash equivalents	\$ 55,725,842
Fiduciary Fund:	
Cash and cash equivalents	2,740,355
Component Unit:	
Cash and cash equivalents	<u>4,036,705</u>
Total cash and investments	<u>\$ 62,502,902</u>
Cash on hand:	
	\$ 2,550
Deposits with financial institution	57,690,104
Investments	<u>4,810,248</u>
Total cash and investments	<u>\$ 62,502,902</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 Town'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

Town of Little Elm, Texas

Notes to the Financial Statements

Disclosures relating to interest rate risk

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

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

As of September 30, 2017, the Town had the following investments:

Investment Type	Amount	Weighted Average Maturity
Mutual Funds	<u>\$ 4,810,248</u>	19

Disclosures relating to credit risk

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

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
Mutual Funds	<u>\$ 4,810,248</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.

Town of Little Elm, Texas

Notes to the Financial Statements

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, 2017 the Town deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The Town has recurring fair value measurements as presented in the table below. The Town's investment balances and weighted average maturity of such investments are as follows:

	Fair Value Measurements Using					Weighted Average Maturity (Days)
	Value at September 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percent of Total Investments	
<i>Investments by Fair Value Level:</i>						
<i>Marketable Equity Securities:</i>						
Mutual Funds	\$ 4,810,248	\$ 4,810,248	\$ -	\$ -	100.00%	19
<i>Total Value</i>	<u>\$ 4,810,248</u>	<u>\$ 4,810,248</u>	<u>\$ -</u>	<u>\$ -</u>		

Mutual funds reported as level 1 are valued at the net asset value (NAV) of shares held by the Town at year end. The NAV is a quoted price in an active market.

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 2017 levy was based was approximately \$2,820,000,000. Such assessed value was computed based on 100% appraised values.

Town of Little Elm, Texas

Notes to the Financial Statements

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, 2017 was \$0.661687 per \$100 of assessed valuation. Current tax collections for the year ended September 30, 2017 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, 2017 are as follows:

	Governmental Funds				
	General	Debt Service	Capital Projects	Nonmajor Funds	Total
Ad valorem taxes	\$ 167,547	\$ 59,781	\$ -	\$ -	\$ 227,328
Sales taxes	653,611	-	-	204,105	857,716
Court	1,082,015	-	-	641,545	1,723,560
Ambulance	511,934	-	-	-	511,934
Storm drainage	-	-	-	129,556	129,556
Franchise fees	1,833,517	-	-	-	1,833,517
Intergovernmental	-	-	1,526,684	480,815	2,007,499
Other	73,118	83,750	520,000	49,485	726,353
Gross receivables	4,321,742	143,531	2,046,684	1,505,506	8,017,463
Less: allowances	(1,285,965)	(11,881)	-	(585,503)	(1,883,349)
Net total receivables	<u>\$ 3,035,777</u>	<u>\$ 131,650</u>	<u>\$ 2,046,684</u>	<u>\$ 920,003</u>	<u>\$ 6,134,114</u>

	Proprietary Funds		
	Water and Sewer	Solid Waste	Total
Customer accounts	\$ 2,133,466	\$ 241,659	\$ 2,375,125
Other	812,189	-	812,189
Gross receivables	2,945,655	241,659	3,187,314
Less: allowances	(142,905)	(21,187)	(164,092)
Net total receivables	<u>\$ 2,802,750</u>	<u>\$ 220,472</u>	<u>\$ 3,023,222</u>

Town of Little Elm, Texas
Notes to the Financial Statements

Component Units

	<u>EDC</u>	<u>CDC</u>	<u>Total</u>
Sales taxes	\$ 326,806	\$ 163,403	\$ 490,209
Total receivables	<u>\$ 326,806</u>	<u>\$ 163,403</u>	<u>\$ 490,209</u>

Direct-Financing Lease

EDC leases certain Corporation-owned property to a company for use in its business. The lease is classified as a direct-financing lease and expires in 2043. The following are the components of the EDC's net investment in direct financing leases and reported as leases receivable as of September 30, 2017:

Total minimum lease payments to be received	\$ 5,138,616
less: unearned interest income	<u>(2,090,616)</u>
Net investment in direct financing lease	<u>\$ 3,048,000</u>

As of September 30, 2017, minimum lease payments are as follows:

Fiscal Year	
2018	\$ 102,412
2019	205,559
2020	205,559
2021	205,559
2022	205,559
2023-2027	1,027,797
2028-2032	1,027,797
2033-2037	1,027,797
2038-2042	1,027,797
2043-2047	102,780
	<u>\$ 5,138,616</u>

Town of Little Elm, Texas
Notes to the Financial Statements

Note 5. Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 9,085,631	\$ 125,000	\$ -	\$ -	\$ 9,210,631
Construction in progress	12,357,449	15,410,012	-	(7,868,005)	19,899,456
Total capital assets, not being depreciated	<u>21,443,080</u>	<u>15,535,012</u>	<u>-</u>	<u>(7,868,005)</u>	<u>29,110,087</u>
Capital assets being depreciated:					
Infrastructure	102,548,170	3,599,341	-	7,495,019	113,642,530
Buildings	28,163,565	-	-	-	28,163,565
Improvements other than buildings	15,757,465	263,364	-	372,986	16,393,815
Machinery and Equipment	14,103,231	1,380,401	(264,581)	-	15,219,051
Total capital assets being depreciated	<u>160,572,431</u>	<u>5,243,106</u>	<u>(264,581)</u>	<u>7,868,005</u>	<u>173,418,961</u>
Less accumulated depreciation for:					
Infrastructure	39,559,687	2,301,007	-	-	41,860,694
Buildings	4,070,456	703,261	-	-	4,773,717
Improvements other than buildings	1,869,881	887,200	-	-	2,757,081
Machinery and Equipment	6,634,780	1,240,673	(252,627)	-	7,622,826
Total accumulated depreciation	<u>52,134,804</u>	<u>5,132,141</u>	<u>(252,627)</u>	<u>-</u>	<u>57,014,318</u>
Total capital assets being depreciated, net	<u>108,437,627</u>	<u>110,965</u>	<u>(11,954)</u>	<u>7,868,005</u>	<u>116,404,643</u>
Governmental activities capital assets, net	<u>\$ 129,880,707</u>	<u>\$ 15,645,977</u>	<u>\$ (11,954)</u>	<u>\$ -</u>	<u>\$ 145,514,730</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,639,066	\$ -	\$ -	\$ -	\$ 1,639,066
Construction in progress	2,665,388	2,569,466	-	-	5,234,854
Total capital assets, not being depreciated	<u>4,304,454</u>	<u>2,569,466</u>	<u>-</u>	<u>-</u>	<u>6,873,920</u>
Capital assets being depreciated:					
Buildings	173,679	-	-	-	173,679
Water system improvements	42,856,575	1,300,727	-	-	44,157,302
Sewer system improvements	33,117,362	49,893	-	-	33,167,255
Machinery and equipment	2,801,002	205,076	(89,769)	-	2,916,309
Total capital assets being depreciated	<u>78,948,618</u>	<u>1,555,696</u>	<u>(89,769)</u>	<u>-</u>	<u>80,414,545</u>
Less accumulated depreciation for:					
Buildings	142,218	4,561	-	-	146,779
Water system improvements	7,516,921	1,227,385	-	-	8,744,306
Sewer system improvements	7,902,283	815,405	-	-	8,717,688
Machinery and equipment	1,514,860	225,349	(89,769)	-	1,650,440
Total accumulated depreciation	<u>17,076,282</u>	<u>2,272,700</u>	<u>(89,769)</u>	<u>-</u>	<u>19,259,213</u>
Total capital assets being depreciated, net	<u>61,872,336</u>	<u>(717,004)</u>	<u>-</u>	<u>-</u>	<u>61,155,332</u>
Business-type activities capital assets, net	<u>\$ 66,176,790</u>	<u>\$ 1,852,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,029,252</u>

Town of Little Elm, Texas
Notes to the Financial Statements

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

Governmental activities:	
General government	\$ 2,354,824
Public safety	1,008,266
Public works	1,191,010
Culture and recreation	206,492
Internal service fund	371,549
	<u>\$ 5,132,141</u>
Business-type activities:	
Solid Waste	\$ 26,031
Water and Sewer	2,246,669
	<u>\$ 2,272,700</u>

Note 6. Transfers

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

Transfer In	Transfer Out	Amount	Purpose
Capital Projects Fund	General Fund	\$ 1,000,000	Provide funding assistance for capital projects
Capital Projects Fund	Non-major Fund	845,949	Provide funding assistance for capital projects
Capital Projects Fund	Solid Waste Fund	391,000	Provide funding assistance for capital projects
General Fund	Capital Projects Fund	25,200	Provide funding assistance for capital projects
General Fund	Non-major Fund	178,320	To offset the court costs and park maintenance
General Fund	Solid Waste Fund	175,000	For miscellaneous administrative expenses
General Fund	Water and Sewer Fund	1,731,150	For miscellaneous administrative expenses
Non-major Fund	Capital Projects Fund	75,000	To assist with drainage at Swim Beach
		<u>\$ 4,421,619</u>	

Note 7. 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	Capital Projects Fund	Nonmajor Funds	Total
Property taxes	\$ 91,401	\$ 32,482	\$ -	\$ -	\$ 123,883
Court fines	123,138	-	-	41,531	164,669
Other	156,539	-	125,000	-	281,539
Total	<u>\$ 371,078</u>	<u>\$ 32,482</u>	<u>\$ 125,000</u>	<u>\$ 41,531</u>	<u>\$ 570,091</u>

Town of Little Elm, Texas

Notes to the Financial Statements

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.

Changes in Long-term Liabilities

The following is a summary of changes in long-term debt for the year ended September 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Governmental activities:					
General obligation bonds	\$ 27,943,052	\$ -	\$ (2,106,897)	\$ 25,836,155	\$ 2,223,540
Unamortized bond premium	1,452,101	-	(115,470)	1,336,631	-
Certificates of obligation	19,620,000	-	(840,000)	18,780,000	1,020,000
Tax Notes	1,550,000	-	(345,000)	1,205,000	350,000
Capital leases	52,905	-	(34,973)	17,932	17,932
Compensated absences	1,752,582	1,830,696	(1,692,945)	1,890,333	979,527
Net pension liability	4,707,761	454,567	-	5,162,328	-
	<u>57,078,401</u>	<u>2,285,263</u>	<u>(5,135,285)</u>	<u>54,228,379</u>	<u>4,590,999</u>
Business-type activities:					
General obligation bonds	7,796,947	13,645,000	(908,104)	20,533,843	846,461
Certificates of obligation	26,970,000	11,830,000	(14,645,000)	24,155,000	1,710,000
Unamortized bond premium	1,009,615	1,158,510	(234,397)	1,933,728	-
Compensated absences	242,495	247,645	(212,705)	277,435	93,439
Note payable to EDC	900,000	-	(100,000)	800,000	100,000
Net pension liability	597,101	52,537	-	649,638	-
	<u>37,516,158</u>	<u>26,933,692</u>	<u>(16,100,206)</u>	<u>48,349,644</u>	<u>2,749,900</u>
Total Primary Government	<u>\$ 94,594,559</u>	<u>\$ 29,218,955</u>	<u>\$ (21,235,491)</u>	<u>\$ 102,578,023</u>	<u>\$ 7,340,899</u>
Component Units:					
Notes payable - EDC	\$ 11,050,746	\$ 3,048,000	\$ (898,834)	\$ 13,199,912	\$ 731,622
Compensated absences	31,738	31,738	(29,243)	34,233	7,345
	<u>\$ 11,082,484</u>	<u>\$ 3,079,738</u>	<u>\$ (928,077)</u>	<u>\$ 13,234,145</u>	<u>\$ 738,967</u>

Town of Little Elm, Texas
Notes to the Financial Statements

Long-term debt of the Town is comprised of the following individual issues as of September 30, 2017:

Certificates of Obligation	Outstanding		Outstanding	
	Governmental	Due in one year	Business-Type	Due in one year
\$2,500,000 Series 2009A Combination Tax and Revenue Certificates of Obligation due in annual installments of \$75,000 to \$190,000 through August 2029, plus interest at 3.00% to 5.00%	\$ 1,780,000	\$ 110,000		
\$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%	5,080,000	265,000		
\$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%	2,610,000	135,000		
\$9,966,000 Series 2015 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$275,000 to \$630,000 through August 2036, plus interest at 2.00% to 3.50%	9,310,000	510,000		
\$7,640,000 Series 2016 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$205,000 to \$510,000 through August 2036, plus interest at 2.00% to 5.00%			\$ 7,435,000	\$ 270,000
\$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%			215,000	215,000
\$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%			355,000	355,000
\$11,830,000 Series 2017 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of \$450,000 to \$770,000 through August 2037, plus interest at 3.00% to 5.00%			11,830,000	495,000
\$6,000,000 Series 2012 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$280,000 to \$495,000 through August 2027, plus interest at 2.00% to 2.38%			4,320,000	375,000
	<u>\$ 18,780,000</u>	<u>\$ 1,020,000</u>	<u>\$ 24,155,000</u>	<u>\$ 1,710,000</u>

On January 15, 2017, the Town issued \$11,830,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017. Proceeds from the sale of the certificates will be used for the purpose of paying the Town's contractual obligations to be incurred for improvements and extensions to the Town's System including the acquisition of land and rights-of-way therefor.

Town of Little Elm, Texas

Notes to the Financial Statements

On January 15, 2017, the Town also issued \$13,645,000 General Obligation Refunding Bonds, Series 2017. Proceeds from the sale of the bonds will be used for the purpose of refunding a portion of the Town's outstanding debt in order to achieve debt service savings. This issuance is an advanced refunding of \$5,190,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation Bond, Series 2008 and \$8,335,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009. \$14,313,516 was paid to escrow to an irrevocable trust to refund future debt payments. This refunding resulted in a decrease in the Town's debt service payments of \$2,200,151, which represents an economic gain of \$1,724,050. As a result of the transaction, the refunded bonds are considered legally defeased and are no longer included as a liability in the Town's basic financial statements.

General Obligation Bonds	Outstanding		Outstanding	
	Governmental	Due in one year	Business-Type	Due in one year
\$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%	\$ 7,115,000	\$ 445,000		
\$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%	6,851,155	453,540		
\$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%	1,935,000	175,000		
\$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%			\$ 768,843	\$ 221,461
\$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%	2,100,000	385,000	1,930,000	255,000
\$6,725,000 Series 2016 General Obligation Refunding Bonds due in annual installments of \$375,000 to \$735,000 through August 2027, plus interest at 2.00% to 5.00%	6,155,000	645,000	-	-
\$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%	1,680,000	120,000	2,110,000	145,000
\$13,645,000 Series 2017 General Obligation Refunding Bonds due in annual installments of \$10,000 to \$1,090,000 through September 2025, plus interest at			13,560,000	10,000
\$3,040,000 Series 2013 General Obligation Refunding Bonds due in annual installments of \$205,000 to \$525,000 through September 2025, plus interest at 2.00% to 2.50%			2,165,000	215,000
	<u>\$ 25,836,155</u>	<u>\$ 2,223,540</u>	<u>\$ 20,533,843</u>	<u>\$ 846,461</u>

Town of Little Elm, Texas
Notes to the Financial Statements

Tax Notes	Outstanding		Outstanding	
	Governmental	Due in one year	Business-Type	Due in one year
\$1,990,000 Series 2014 Tax Notes due in annual installments of \$230,000 to \$250,000 through September 2021, plus interest at 1.77%	\$ 1,205,000	\$ 350,000	\$ -	\$ -
	\$ 1,205,000	\$ 350,000	\$ -	\$ -

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
2018	\$ 2,223,540	\$ 930,529	\$ 3,154,069	\$ 846,461	\$ 712,474	\$ 1,558,935
2019	2,191,004	867,562	3,058,566	1,458,996	691,734	2,150,730
2020	2,235,396	802,490	3,037,886	1,489,605	639,994	2,129,599
2021	2,331,215	718,284	3,049,499	1,478,781	584,658	2,063,439
2022-2026	11,155,000	2,325,361	13,480,361	6,870,000	2,104,725	8,974,725
2027-2031	5,700,000	550,202	6,250,202	5,230,000	986,425	6,216,425
2032-2036	-	-	-	3,160,000	198,413	3,358,413
Total	\$ 25,836,155	\$ 6,194,428	\$ 32,030,583	\$ 20,533,843	\$ 5,918,423	\$ 26,452,266

Certificates of Obligation

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 1,020,000	\$ 552,293	\$ 1,572,293	\$ 1,710,000	\$ 1,417,251	\$ 3,127,251
2019	800,000	532,268	1,332,268	1,175,000	701,858	1,876,858
2020	960,000	511,893	1,471,893	1,230,000	664,758	1,894,758
2021	970,000	488,593	1,458,593	1,175,000	625,858	1,800,858
2022-2026	5,210,000	2,066,410	7,276,410	6,590,000	2,499,211	9,089,211
2027-2031	5,685,000	1,216,960	6,901,960	5,600,000	1,520,772	7,120,772
2032-2036	4,135,000	315,707	4,450,707	5,905,000	703,177	6,608,177
2037-2041	-	-	-	770,000	25,025	795,025
Total	\$ 18,780,000	\$ 5,684,124	\$ 24,464,124	\$ 24,155,000	\$ 8,157,911	\$ 32,312,910

Tax Notes

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 350,000	\$ 21,329	\$ 371,329
2019	360,000	15,134	375,134
2020	245,000	8,762	253,762
2021	250,000	4,425	254,425
Total	\$ 1,205,000	\$ 49,649	\$ 1,254,650

Town of Little Elm, Texas
Notes to the Financial Statements

Capital Leases

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 17,932	\$ 304	\$ 18,236
Total	\$ 17,932	\$ 304	\$ 18,236

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, 2017 consists of the following:

Series	Type	Amount
2008	Certificate of Obligation	\$ 5,190,000
2009	Certificate of Obligation	8,335,000
		<u>\$ 13,525,000</u>

Compensated Absences

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

Town of Little Elm, Texas
Notes to the Financial Statements

Discretely presented component units – Economic Development Corporation

Notes payable of the Little Elm Economic Development Corporation as of September 30, 2017 are as follows:

Payee	Description	Balance 09/30/17
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%.	\$ 6,029,784
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%	1,619,456
Southside Bank	\$2,543,750, payable to bank, made January 2015, payable in semi-annual installments of \$87,965 through November 15, 2034, including interest at 3.4%	2,302,672
The Parker Corporation	\$1,200,000 payable to company, made November 15, 2014, payable in annual installments of \$400,000, final payment \$200,000 November 15, 2017. No interest.	200,000
Government Capital Corporation	\$3,048,000 payable to bank, made July 13, 2017 payable in quarterly installments of \$34,138 through October 13, 2018, and then \$51,389 through to final payment January 13, 2043, including interest at 4.48%	3,048,000
		\$ 13,199,912

During the year ended September 30, 2017, EDC entered into a \$3,048,000 note payable with the Government Capital Corporation. Proceeds from the note will be used to fund construction of the facility described in the direct-financing lease portion of Note 4.

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

Year	Principal	Interest	Total
2018	\$ 731,622	\$ 461,172	\$ 1,192,794
2019	619,616	442,187	1,061,803
2020	641,229	420,574	1,061,803
2021	663,604	398,199	1,061,803
2022-2026	3,682,322	1,626,693	5,309,015
2027-2031	4,373,104	935,911	5,309,015
2032-2036	1,319,167	382,106	1,701,273
2037-2041	857,020	170,777	1,027,797
2042-2046	312,228	11,736	323,964
Total	\$ 13,199,912	\$ 4,849,355	\$ 18,049,267

During 2015, the Town entered into an acquisition and funding agreement; whereby the Town acquired the Lincoln Park Utility System. As part of the funding for this transaction, EDC issued payment of \$1,300,000 and entered into an agreement to pay the remaining \$1,200,000 owed. The remaining balance as of September 30, 2017 was \$200,000.

Town of Little Elm, Texas

Notes to the Financial Statements

On December 15, 2015, the Town Council approved an Interlocal Chapter 380 Economic Development Program and Performance Agreement between the Town of Little Elm and the Little Elm EDC for payments related to the Utility Acquisition Agreement with Mustang Special Utility District (SUD). Mustang SUD agreed to purchase the system and assume the contracts for a cash consideration of \$1,000,000 which is to be paid to the Town in ten equal yearly payments of \$100,000 with the first installment payment to the Town to occur on July 1, 2016. The Town also covenants and agrees to pay to the Little Elm EDC the ten equal yearly payments. Accordingly a note payable / receivable has been recorded between the Town and Little Elm EDC. The remaining balance as of September 30, 2017 was \$800,000.

Note 9. Pension Plan

Plan Description

The Town participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CFAR) that can be obtained at www.tmr.com.

All eligible employees of the Town are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Town-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Town of Little Elm, Texas

Notes to the Financial Statements

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

Members can retire at ages 60 and above with 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.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	106
Active employees	<u>218</u>
	<u><u>360</u></u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for each Town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 13.05% and 13.61% in calendar years 2016 and 2017, respectively. The Town's contributions to TMRS for the year ended September 30, 2017 were \$1,901,949, and were equal to the required contributions.

The Town's Net Pension Liability (NPL) was measured as of December 31, 2016 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Town of Little Elm, Texas

Notes to the Financial Statements

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender distinct RP2000 Combined Healthy Mortality Table, which male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

Town of Little Elm, Texas

Notes to the Financial Statements

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Allocations

The Town's net pension liability, pension expense, and deferred outflows of resources related to TMRS have been allocated between governmental activities and business-type activities using a contribution-based method.

Town of Little Elm, Texas
Notes to the Financial Statements

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	\$ 24,756,105	\$ 19,451,243	\$ 5,304,862
Changes for the year:			
Service Cost	2,355,108	-	2,355,108
Interest	1,739,588	-	1,739,588
Change of benefit terms	-	-	-
Difference between expected and actual experience	298,105	-	298,105
Changes of assumptions	-	-	-
Contributions - employer	-	1,676,473	(1,676,473)
Contributions - employee	-	908,306	(908,306)
Net investment income	-	1,316,544	(1,316,544)
Benefit payments, including refunds of employee contributions	(323,979)	(323,979)	-
Administrative expense	-	(14,848)	14,848
Other changes	-	(778)	778
Net Changes	<u>4,068,822</u>	<u>3,561,718</u>	<u>507,104</u>
Balance at 12/31/2016	<u>\$ 28,824,927</u>	<u>\$ 23,012,961</u>	<u>\$ 5,811,966</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	\$ 11,100,135	\$ 5,811,966	\$ 1,575,036

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained at www.tmr.com.

The general fund has typically been used to liquidate pension liabilities related to governmental activities.

Town of Little Elm, Texas

Notes to the Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the Town recognized pension expense of \$2,337,985. At September 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 651,385	\$ -
Changes in actuarial assumptions	61,750	-
Difference between projected and actual investment earnings	791,496	-
Contributions subsequent to the measurement date	<u>1,488,896</u>	<u>-</u>
Total	<u>\$ 2,993,527</u>	<u>\$ -</u>

The \$1,488,896 reported as deferred outflows of resources related to pensions result from contributions subsequent to the measurement date and will reduce the net pension liability during the fiscal year ended September 30, 2018. The other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended Sept. 30:	Net deferred outflows (inflows) of resources
2018	\$ 448,909
2019	448,911
2020	410,669
2021	129,523
2022	64,158
Thereafter	<u>2,461</u>
	<u>\$ 1,504,631</u>

Town of Little Elm, Texas

Notes to the Financial Statements

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.

Note 11. Net Position / Fund Balance

In the government-wide financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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 proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

A. Restricted Net Position

Net position is reported in the government-wide statement of net position consisted of the following as of September 30, 2017:

	Governmental Activities	Business-type Activities	Total Primary Government	Discretely Presented Component Units
Restricted for construction	\$ 4,598,365	\$ -	\$ 4,598,365	\$ -
Restricted by enabling legislation	1,511,812	2,014,670	3,526,482	5,877,808
Restricted for streetscape	507,679	-	507,679	-
Restricted for debt service	534,717	-	534,717	165,466
Restricted for other:				
Grant requirements	214,289	-	214,289	-
Donor stipulations	50,704	-	50,704	-
Forfeitures	46,214	-	46,214	-
Total restricted for other	311,207	-	311,207	-
	<u>\$ 7,463,780</u>	<u>\$ 2,014,670</u>	<u>\$ 9,478,450</u>	<u>\$ 6,043,274</u>

Town of Little Elm, Texas
Notes to the Financial Statements

B. Fund Balance

The composition of the governmental fund balances at September 30, 2017 is as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Valencia Capital Project	Non major Governmental Funds	Total Governmental Funds
Non-spendable:						
Inventory	\$ 52,633	\$ -	-	\$ -	\$ -	\$ 52,633
Prepays	261,066	-	-	-	-	261,066
Total non-spendable	313,699	-	-	-	-	313,699
Restricted for:						
Debt service	-	746,213	-	-	-	746,213
Street maintenance	-	-	-	-	354,407	354,407
Police	-	-	-	-	26,742	26,742
Fire	-	-	-	-	17,983	17,983
Parks and Rec	-	-	-	-	7,517	7,517
Stormwater drainage	-	-	-	-	586,157	586,157
Court	-	-	-	-	97,191	97,191
Red Light camera	-	-	-	-	134,172	134,172
Library	-	-	-	-	25,958	25,958
Animal Control	-	-	-	-	2,698	2,698
Forfeiture	-	-	-	-	46,214	46,214
Public, Education, Govt. Access	-	-	-	-	182,498	182,498
Streetscape	-	-	507,679	-	-	507,679
Equipment Replacement	-	-	-	-	-	-
Economic Development	-	-	-	-	260,210	260,210
Child Safety	-	-	-	-	87,578	87,578
Capital projects	-	-	6,367,455	1,842,265	-	8,209,720
Total restricted	-	746,213	6,875,134	1,842,265	1,829,325	11,292,937
Committed to:						
Street development	-	-	409,582	-	-	409,582
Total committed	-	-	409,582	-	-	409,582
Unassigned	15,660,796	-	-	-	(6,306)	15,654,490
	<u>\$ 15,974,495</u>	<u>\$ 746,213</u>	<u>\$ 7,284,716</u>	<u>\$ 1,842,265</u>	<u>\$ 1,823,019</u>	<u>\$ 27,670,708</u>

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, 2017, the cost of water purchased under this contract was \$3,483,627.

Town of Little Elm, Texas

Notes to the Financial Statements

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, 2017, the payments made under this contract were \$421,721.

At September 30, 2017 and subsequent to year end, the Town is committed to numerous contracts for capital improvements totaling approximately \$12,595,000.

Note 13. Little Elm Tax Increment Reinvestment Zones and Public Improvement District

The Town Council created and participates in a total of four Tax Increment Reinvestment Zones (TIRZ) #3, #4, #5, and #6). The two original TIRZ created in 2008, referred to as TIRZ #1 and TIRZ #2, were terminated in November 2013. Subsequent to the creation of the two TIRZ zones, the Council on February 3, 2009 authorized, and established the creation of the Little Elm Redevelopment Authority ("LERA"). The LERA was dissolved in February 2014. Upon the termination of TIRZ #1 in 2013, the Town created TIRZ #3 for the "Lakefront District" which consists of approximately 847 acres and has a base taxable assessed value of \$46,554,879.

The Town Council created TIRZ #4 in December 2013 for the Valencia on the Lake multi-phase residential development of approximately 447.942 acres. The Town also created the Valencia Public Improvement District ("PID") in September 2013 to finance certain public infrastructure improvements. The PID and the TIRZ boundaries are contiguous as the goal of the TIRZ is to assist with the development. The Town issued two series of special assessment revenue bonds (the "PID Bonds") in the amounts of \$12,240,000 and \$4,000,000 in February 2014 that are secured solely from assessment revenues generated within the Valencia PID. The Bonds funded Major Improvement projects to include certain roadway, water, wastewater and drainage improvements.

The Town Council created TIRZ #5 in December 2014 with a base value of Real Property of \$6,728,553. The TIRZ #5 zone has removed sections and added additional property to create the existing 943.5 acre zone. The Hillstone Pointe PID No. 2 was created in June 2015. It is located at the northern section of TIRZ #5 and its boundaries are not contiguous. TIRZ #5 and Hillstone Pointe PID No. 2 are located near the 380 Corridor within the newly annexed area on the northern boundary of the Town of Little Elm. The Town issued \$6,000,000 in special assessment revenue bonds (the "PID Bonds") for Phases #1-la thru approval of Ordinance No. 1422 on October 17, 2017. The Bonds are secured solely from assessment revenues generated within the Hillstone Pointe PID No. 2. The Bonds funded Phase 1 and Phase 1A improvements which included certain roadway, water system, storm drainage, sanitary sewer, screening and landscaping and other soft and miscellaneous improvements.

The Town's third PID was created by the Town on October 2016 identified as the Rudman Tract Public Improvement District to finance the costs of certain public improvements for the benefit of property in the PID. TIRZ #6 was created in November 2016 to be contiguous with the Rudman Tract to help the area develop. The area encompasses 146.8 acres. The Town approved reimbursement obligations to finance the public improvements provided for the benefit of the property in the PID. Phase #1 Reimbursement Agreement of \$7,300,000 and Phase #2 Major Improvements Reimbursement Agreement of \$2,075,000 are secured by special assessments. The Town consented to the assignment of the reimbursement amounts between the OPLE Prairie Oaks Development, Inc. and the Public Finance Authority ("PFA") in May 2017. Bonds were issued by the Wisconsin PFA for the development in May 2017.

Town of Little Elm, Texas

Notes to the Financial Statements

The Town on December 20, 2016 created the fourth PID for the Town of Little Elm. This PID is located at the Town's northern border next to Highway 380 and will be identified as Lakeside Estates PID No. 2. A TIRZ was not approved to assist with the development of this project. The Town authorized the issuance and sale of special assessment revenue bonds, Series 2017 in December 2017 for \$4,700,000. The Bonds funded improvements which included certain roadway, water distribution system, storm drainage, sanitary sewer, screening and other PID Bond issuance costs.

The TIRZ and PID's in respect to their duration and the projects to be undertaken and other terms and conditions are set forth in the respective ordinances creating such zones and the public improvement districts. Although current plans provide that project costs for the zones will be paid or reimbursed from tax increments as collected, the Town may determine at a future date to issue bonds or other obligations secured by or payable in whole or in part from Tax Increment Revenues. The owners of the PID Bonds do not have the right to demand payment from any funds of the Town other than the pledged revenues, consisting primarily of assessments levied and collected against the property within the specific PID, and the Town has no obligation to pay the PID Bonds from any other source.

Note 14. Tax Abatements and Economic Incentives

The Town enters into economic development agreements designed to promote development, stimulate commercial activity, enhance the property tax base, and increase the economic vitality. These programs rebate property taxes and sales tax. The Town's economic development agreements are authorized under the Texas Local Government Code Chapter 311 (Tax Increment Financing Act) and Chapter 380 (Economic Development Programs). Recipients may be eligible to receive economic assistance based upon employment impact, economic or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or remodeling real property and related infrastructure, expanding operations, renewing facility leases or bringing targeted development to the Town. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The Town has two categories of economic development agreements:

A. General Economic Development

The Town enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or a percentage of property taxes or sales tax received by the Town. For fiscal year 2017, the Town rebated \$387,358 in sales taxes and \$86,907 of property taxes.

B. Tax Increment Financing

Tax Increment Financing (TIF) is a tool to help finance public improvements and development projects within a defined area. A municipality makes an area eligible for TIF by designating it a Tax Increment Reinvestment Zone (TIRZ). Within the designated zone all of the incremental tax revenue growth flows to an established tax increment fund to help pay for public improvements within the zone. The Town has adopted four Tax Increment Reinvestment Zones (TIRZ) in accordance with the provisions of the Tax Increment Financing Act, V.T.C.A., Tax Code, Chapter 311. The four active Tax increment reinvestment zones include TIRZ #3, #4, #5 and #6. The purpose of TIRZ #3 is to help pay for project costs associated with the development of the Town's Lakefront District. The Zone's projected costs are primarily related to park and park improvements, streets, a conference center, utilities, a recreation center, landscaping, trails, a plaza and lighting. TIRZ #4, #5 and #6 were created to facilitate the development of the currently vacant land with retail and single family developments while creating a unique cohesive development that builds on the high development standards already established within the Town.

Town of Little Elm, Texas

Notes to the Financial Statements

Specific project costs may include but is not limited to roads, water, sewer and storm water management. In fiscal year 2017, the Town made \$239,812 in payments to the TIRZ funds. Denton County agreed to participate in TIRZ 3 for a period of five years and contributed \$16,162 in fiscal year 2017.

Note 15. Subsequent Events

On October 1, 2017, the Town issued \$6,000,000 Special Assessment Revenue Bonds, Series 2017 (Hillstone Pointe Public Improvement District No. 2 Phases 1-1A Project). Proceeds from the sale of the bonds will be used for the purpose of paying a portion of the costs of the Phase 1-1A Improvements.

On December 1, 2017, the Town issued \$4,700,000 Special Assessment Revenue Bonds, Series 2017 (Lakeside Estates Public Improvement District No. 2 Project). Proceeds from the sale of the bonds will be used for the purpose of paying a portion of the costs of construction, acquisition or purchase of the Authorized Improvements.



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Required Supplementary Information

Town of Little Elm, Texas

Schedule of Revenues, Expenditures and Changes In Fund Balances - Budget (GAAP Basis) and Actual – General Fund For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
Revenues:				
Taxes:				
Property taxes, penalty, and interest	\$ 13,468,523	\$ 13,468,523	\$ 13,940,325	\$ 471,802
General sales and use taxes	3,089,200	3,089,200	3,327,049	237,849
Other taxes and franchise fees	2,070,863	2,070,863	2,078,753	7,890
Licenses and permits	2,971,790	2,971,790	4,501,472	1,529,682
Intergovernmental revenue	326,810	778,521	806,708	28,187
Charges for services	2,643,482	2,719,852	3,169,497	449,645
Fines	512,100	512,100	653,524	141,424
Interest	65,530	65,530	139,061	73,531
Miscellaneous	291,170	291,170	355,872	64,702
	<u>25,439,468</u>	<u>25,967,549</u>	<u>28,972,261</u>	<u>3,004,712</u>
Total revenues				
Expenditures:				
General government:				
Town council	75,251	75,251	43,117	32,134
Town manager	1,199,503	1,043,998	870,566	173,432
Town secretary	161,727	162,102	145,390	16,712
Municipal court	394,272	394,828	347,639	47,189
Finance	1,375,986	1,843,443	1,425,128	418,315
Information technology	917,699	915,127	825,897	89,230
Town attorney	340,000	340,000	283,804	56,196
	<u>4,464,438</u>	<u>4,774,749</u>	<u>3,941,541</u>	<u>833,208</u>
Total general government				
Community services:				
Inspections	2,209,614	2,389,923	2,275,030	114,893
	<u>2,209,614</u>	<u>2,389,923</u>	<u>2,275,030</u>	<u>114,893</u>
Total community services				
Public safety:				
Police	6,497,337	6,478,611	5,984,116	494,495
Fire	6,337,354	6,836,263	6,449,682	386,581
Animal control	514,224	515,172	417,242	97,930
	<u>13,348,915</u>	<u>13,830,046</u>	<u>12,851,040</u>	<u>979,006</u>
Total public safety				
Public works:				
Streets	1,553,973	1,862,546	1,477,934	384,612
Fleet maintenance	344,220	457,672	408,551	49,121
Facility maintenance	694,741	819,010	660,006	159,004
	<u>2,592,934</u>	<u>3,139,228</u>	<u>2,546,491</u>	<u>592,737</u>
Total public works				

Town of Little Elm, Texas

Schedule of Revenues, Expenditures and Changes (Concluded) In Fund Balances - Budget (GAAP Basis) and Actual – General Fund For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
Culture and recreation:				
Library	\$ 530,808	\$ 526,014	\$ 492,746	\$ 33,268
Parks and recreation	3,236,925	3,382,419	3,060,505	321,914
Total culture and recreation	<u>3,767,733</u>	<u>3,908,433</u>	<u>3,553,251</u>	<u>355,182</u>
Capital outlay	<u>351,286</u>	<u>1,360,724</u>	<u>1,316,232</u>	<u>44,492</u>
Total expenditures	<u>26,734,920</u>	<u>29,403,103</u>	<u>26,483,585</u>	<u>2,919,518</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,295,452)</u>	<u>(3,435,554)</u>	<u>2,488,676</u>	<u>5,924,230</u>
Other financing sources (uses):				
Transfers in	1,916,150	2,114,150	2,109,670	(4,480)
Proceeds from sale of assets	10,500	10,500	31,663	21,163
Insurance recovery	-	182,340	1,016,343	834,003
Transfers out	<u>(121,800)</u>	<u>(1,121,800)</u>	<u>(1,000,000)</u>	<u>121,800</u>
Total other financing sources (uses)	<u>1,804,850</u>	<u>1,185,190</u>	<u>2,157,676</u>	<u>972,486</u>
Revenues and other financing sources over (under) expenditures and other financing uses	509,398	(2,250,364)	4,646,352	6,896,716
Fund balance at beginning of year	<u>11,328,143</u>	<u>11,328,143</u>	<u>11,328,143</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 11,837,541</u></u>	<u><u>\$ 9,077,779</u></u>	<u><u>\$ 15,974,495</u></u>	<u><u>\$ 6,896,716</u></u>

Town of Little Elm, Texas

Notes to Budgetary Comparison Schedule

Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

Town of Little Elm, Texas

Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System Last Three Measurement Periods

	2014	2015	2016
Total Pension Liability:			
Service cost	\$ 1,781,572	\$ 2,120,510	\$ 2,355,108
Interest	1,306,279	1,544,900	1,739,588
Change in benefit terms	-	-	-
Difference between expected and actual experience	511,427	187,346	298,105
Change in assumptions	-	90,206	-
Benefit payments	(326,527)	(393,218)	(323,979)
Net change in total pension liability	3,272,751	3,549,744	4,068,822
Total Pension Liability-beginning	17,933,610	21,206,361	24,756,105
Total Pension Liability-ending	21,206,361	24,756,105	28,824,927
Plan Fiduciary Net Position			
Contributions - employer	1,185,583	1,535,872	1,676,473
Contributions - nonemployer	774,891	838,620	908,306
Net investment income	857,339	25,774	1,316,544
Benefit payments	(326,527)	(393,218)	(323,979)
Administrative income	(8,946)	(15,693)	(14,848)
Other	(736)	(776)	(800)
Net change in plan fiduciary net position	2,481,604	1,990,579	3,561,696
Plan fiduciary net position -beginning	14,979,082	17,460,686	19,451,265
Plan fiduciary net position - ending	17,460,686	19,451,265	23,012,961
Town's net pension liability -ending	\$ 3,745,675	\$ 5,304,840	5,811,966
Plan fiduciary net position as a % of total pension liability	82.34%	78.57%	79.84%
Covered payroll	\$ 11,065,942	\$ 11,980,280	\$ 12,975,800
Town's net pension liability as a % of employee payroll	33.85%	44.28%	44.79%

Note: Only three years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement. Additional years' information will be displayed as it becomes available."

Town of Little Elm, Texas
 Schedule of Contributions –
 Texas Municipal Retirement System
 Last Three Fiscal Years

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
Actuarially determined contribution	\$ 1,450,482	\$ 1,721,094	\$ 1,901,949
Contribution in relation of the actuarially determined contribution	<u>1,450,482</u>	<u>1,721,094</u>	<u>1,901,949</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 12,244,425	\$ 13,214,555	\$ 14,104,876
Contributions as a percentage of covered employee payroll	11.85%	13.02%	13.48%

Note: GASB #68, paragraph 81.2.b requires that the data in this schedule be presented as of the Town's fiscal year as opposed to the time period covered by the measurement date.

Note: Only three years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement. Additional years' information will be displayed as it becomes available."

Town of Little Elm, Texas

Notes to Required Supplementary Information -
Texas Municipal Retirement System
For the Year Ended September 30, 2017

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31 each year and become effective in January, 12 months and one day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Other information	There were no benefit changes during the year.



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Financial Advisory Services
Provided By:

SAMCO CAPITAL MARKETS, INC.