

**OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM
and
PRELIMINARY OFFICIAL STATEMENT**

TOWN OF LITTLE ELM, TEXAS

(A Political Subdivision of the State of Texas Located in Denton County, Texas)

\$4,275,000*

**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF
OBLIGATION, SERIES 2020
(THE "CERTIFICATES")**

<p>To be Designated by the Town as "QUALIFIED TAX-EXEMPT OBLIGATIONS"</p>
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**Bids due
Tuesday, September 1, 2020
at
11:00 A.M., Central Time**

*Preliminary, subject to change based on bid structures. See "THE CERTIFICATES - MATURITY SCHEDULE" and "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" in the Official Notice of Sale relating to the Certificates.

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This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Certificates defined and described herein. The invitation for bids on the Certificates is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

The Issuer will designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions.

OFFICIAL NOTICE OF SALE

\$4,275,000*

TOWN OF LITTLE ELM, TEXAS

(A political subdivision of the State of Texas located in Denton County, Texas)

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BID: The Town Council (the “Town Council”) of the Town of Little Elm, Texas (the “Town” or the “Issuer”) is offering for sale at competitive bid its \$4,275,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the “Certificates”).

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central Time, on Tuesday, September 1, 2020. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System (“PARITY”) and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on Tuesday, September 1, 2020 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via email please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed sealed bid delivered to the Town. The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

OPENING OF BIDS: Bids will be opened and publicly read at 11:00 A.M., Central Time, on Tuesday, September 1, 2020, following which the bids will be evaluated by SAMCO Capital Markets, Inc. (the “Financial Advisor”) and the Town Council shall provide final approval of the award at a Town Council meeting later that evening. The Mayor of the Town or his representative shall award the Certificates as described in the section entitled “AWARD AND SALE OF THE CERTIFICATES” below.

AWARD AND SALE OF THE CERTIFICATES: By 12 Noon, Central Time, on the date set for receipt of bids, the Mayor of the Town or his representative shall award the Certificates to the **low qualified bidder (the “Winning Bidder”)**, as described in the section entitled “CONDITIONS OF SALE – Basis of Award” herein subject to final approval of the Town Council which will take action to adopt an ordinance (the “Ordinance”) authorizing the issuance and awarding sale of the Certificates or will reject all bids promptly at a scheduled meeting to commence at 6:00 P.M. Central Time on Tuesday, September 1, 2020. The Town reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

*Preliminary, subject to change based on bid structures. See “THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES” herein.

THE CERTIFICATES

DESCRIPTION OF CERTAIN TERMS OF THE CERTIFICATES: The Certificates will be dated September 15, 2020 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially on February 1, 2021, and semiannually on each August 1 and February 1 thereafter until the earlier of stated maturity or prior redemption. The Certificates will be issued as fully registered Certificates 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 Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof within a stated maturity. Purchasers of the Certificates (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, 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 Certificates. (See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.) The Certificates will be stated to mature on August 1 in each of the following years in the following amounts:

MATURITY SCHEDULE (Due August 1)

Stated Maturity	Principal Amount*	Stated Maturity	Principal Amount*
2021	\$185,000	2031	\$ 215,000
2022	170,000	2032	220,000
2023	175,000	2033	225,000
2024	180,000	2034	230,000
2025	185,000	2035	235,000
2026	190,000	2036	240,000
2027	195,000	2037	245,000
2028	200,000	2038	255,000
2029	200,000	2039	260,000
2030	205,000	2040	265,000

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES: The Town reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$4,275,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the Town to reflect such increase or decrease. The Town will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES: Bidders may provide that all of the Certificates be issued as serial maturities or may provide that any two or more consecutive annual principal amounts be combined into one or more term certificates, not to exceed five term certificates (the “Term Certificates”).

MANDATORY SINKING FUND REDEMPTION: If the Winning Bidder designates principal amounts to be combined into one or more Term Certificates, each such Term Certificate will be subject to mandatory sinking fund redemption commencing on August 1 of the first year which has been combined to form such Term Certificate and continuing on February 1 in each year thereafter until the stated maturity date of that Term Certificate. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption “MATURITY SCHEDULE”. Certificates to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Certificates then subject to redemption. The Town, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the Town or have been optionally redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The Town reserves the right, at its option, to redeem the Certificates maturing on or after August 1, 2030, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2029, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described in the Preliminary Official Statement.

*Preliminary, subject to change. See “THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES”.

SECURITY FOR PAYMENT: The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), an ordinance (the "Ordinance") to be adopted by the Town Council on September 1, 2020, and the Town's Home Rule Charter and are payable primarily from annual ad valorem taxes levied against all taxable property therein, within the limits prescribed by law, and are further secured by a lien on and limited pledge of the Net Revenues of the Issuer's waterworks and sewer system (the "System") not to exceed \$1,000 such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues that may be pledged to the payment of any Prior Lien Obligations, (as described and defined in the Ordinance) hereafter issued by the Issuer. In the Ordinance the Town retains the right to issue Prior Lien Obligations and Additional Certificates, while the Certificates are Outstanding, without limitations as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

OTHER TERMS AND COVENANTS: Other terms of the Ordinance and the various covenants of the Town contained in the Ordinance are described in the Official Statement, to which reference is made for all purposes.

SUCCESSOR PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the Town covenants to provide a Paying Agent/Registrar at all times while the Certificates are outstanding, and any Paying Agent/Registrar selected by the Town shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Certificates. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Certificates.

In the Ordinance, the Town retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Town, 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 Town, shall be qualified as described in the Preliminary Official Statement. Upon a change in the Paying Agent/Registrar for the Certificates, the Town 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.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Certificates will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Certificates from the Dated Date of the Certificates to the date of Initial Delivery (defined herein) of the Certificates. **No bid producing a cash premium on the Certificates that results in a dollar price of less than 102% will be considered; provided, however, that any bid is subject to adjustment as described under the caption "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Certificates (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Certificates of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein (the "Winning Bidder" or "Purchaser") and which produces the lowest True Interest Cost (defined herein) rate to the Town. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates plus the premium bid, (but not interest accrued from the Dated Date to the date of their initial delivery to the Purchaser). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the Town with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code") to the date of initial delivery of the Certificates, relating to the excludability of interest on the Certificates from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the Town (on or before the date of initial delivery of the Certificates) a certification as to their initial offering prices of the Certificates (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Official Notice of Sale (see "ESTABLISHMENT OF ISSUE PRICE" herein).

ESTABLISHMENT OF ISSUE PRICE:

(a) The Winning Bidder shall assist the Town in establishing the issue price of the Certificates and shall execute and deliver to the Town by the Delivery Date an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Winning Bidder, the Town, and Norton Rose Fulbright US LLP, the Town's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Certificates under applicable federal regulations). All actions to be taken by the Town under this Official Notice of Sale to establish the issue price of the Certificates may be taken on behalf of the Town by the Town's Financial Advisor and any notice or report to be provided to the Town may be provided to the Town's Financial Advisor.

(b) The Town intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Certificates) will apply to the initial sale of the Certificates (the "competitive sale requirements") because:

- (1) the Town shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Town may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Town anticipates awarding the sale of the Certificates to the bidder who submits a firm offer to purchase the Certificates at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Certificates, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the Town shall so advise the Winning Bidder. In such event, the Town intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Certificates as the issue price of that maturity (the "hold-the-offering-price rule"). The Town shall promptly advise the Winning Bidder, at or before the time of award of the Certificates, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Certificates. **Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies.** In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the Town.

(d) By submitting a bid, the Winning Bidder shall (i) confirm that the underwriters have offered or will offer the Certificates to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the Winning Bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Certificates, that the underwriters will neither offer nor sell unsold Certificates of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Winning Bidder will advise the Town promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

(e) The Town acknowledges that, in making the representations set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the third-party distribution agreement and the related pricing wires. The Town further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Certificates, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Certificates.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires, (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-

party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder or the underwriter and as set forth in the related pricing wires.

(g) Sales of any Certificates to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

- (1) "public" means any person other than an underwriter or a related party,
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Certificates to the public),
- (3) a purchaser of any of the Certificates is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) "sale date" means the date that the Certificates are awarded by the Town to the Winning Bidder.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" for a description of the Town's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities.

GOOD FAITH DEPOSIT: A bank cashier's check payable to the order of "Town of Little Elm, Texas" in the amount of \$85,500 which is 2% of the par value of the Certificates (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the Town until the Certificates are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Certificates; however, should the Purchaser fail or refuse to take up and pay for the Certificates, said Good Faith Deposit is to be cashed by the Town and the proceeds accepted as full and complete liquidated damages. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the Town prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Certificates has been made.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:

It is the obligation of the Town to receive information from Winning Bidder if bidder is not a publicly traded business entity (a "Privately Held Bidder"). Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the Town may not award the Certificates to a Winning Bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the Town as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Certificates is the best bid received, the Town, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the Town's conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the Town to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (Town of Little Elm, Texas) and (b) item 3 - the identification number assigned to this contract by the Town (Little Elm CO2020 – Bid Form) and description of the goods or services (Purchase of the Town of Little Elm, Texas Certificates of Obligation, Series 2020). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a non-publicly traded business entity contracting with the Town to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the Town. The executed Disclosure Form must be sent by email to the Town's financial advisor at mmcliney@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Bob Dransfield, c/o Norton Rose Fulbright US LLP, 2200 Ross Ave., Suite 3600, Dallas, Texas 75201, along with a PDF executed version sent to robert.dransfield@nortonrosefulbright.com.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under penalty of perjury." Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the Town, and no final award will be made by the Town regarding the sale of the Certificates until a completed Disclosure Form is received. If applicable, the Town reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the Town nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder's obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the Town that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE: Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the Official Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

Each bidder, through submittal of an executed Official Bid Form, represents that neither it nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>; <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law and excludes our company and each parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each bidder, through submittal of an executed Official Bid Form, understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the Town is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

OFFICIAL STATEMENT

To assist the Purchaser in complying with Rule 15c2-12, as amended (the "Rule"), of the United States Securities and Exchange Commission ("SEC"), the Town and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE: The Town has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Certificates, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the Town deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the Town of the initial offering yields of the Certificates.

The Town agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The Town consents to the distribution of such documents in a "designated electronic format." Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The Town will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The Town does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the Town intends the same to be final as of such date, within the meaning of Section 15c2-12(b)(3) of the Rule. Notwithstanding the foregoing, the Town makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the Town, the Official Statement contains information, including financial

information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates.

FINAL OFFICIAL STATEMENT: In addition to delivering the Official Statement in a “designated electronic format”, the Town will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Certificates, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Certificates. The Purchaser will be responsible for providing information concerning the Town and the Certificates to subsequent purchasers of the Certificates, and the Town will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The Town agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a “designated electronic format” (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the MSRB. The Town consents to the distribution of such documents in a “designated electronic format”. Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the MSRB Rule G-32. The Town's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Certificates to the Purchaser, unless the Purchaser notifies, in writing, the Town that less than all of the Certificates have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Certificates have been sold to ultimate customers.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the Town learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Certificates, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY", the Town will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a “designated electronic format”; provided, however, that the obligation of the Town to do so will terminate when the Town delivers the Certificates to the Purchaser, unless the Purchaser notifies the Town on or before such date that less than all of the Certificates have been sold to ultimate customers, in which case the Town's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the Town delivers the Certificates) until all of the Certificates have been sold to ultimate customers.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Certificate (the “Delivery Date”), the Purchaser will be furnished a certificate, executed by proper officials of the Town, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Town contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the initial delivery thereof, 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 statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the Town, and their 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 the date of the last financial statements of the Town appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the Town Council of the Town 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.

CONTINUING DISCLOSURE AGREEMENT: The Town will agree in the Ordinance to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

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

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL CERTIFICATES: The initial delivery of the Certificates to the Purchaser on the "Delivery Date", will be accomplished by the issuance of either (i) a single fully registered Certificate in the total principal amount of \$4,275,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Certificate for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial Certificate"), signed by manual or facsimile signature of the Mayor and the Town Secretary approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Certificates will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Certificate, they shall be immediately canceled and one Certificate for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Certificate must be made in immediately available funds for unconditional credit to the Town, or as otherwise directed by the Town. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Certificates. It is anticipated that Initial Delivery of the Initial Certificate can be made on or about September 30, 2020, but if for any reason the Town is unable to make delivery by September 30, 2020, then the Town shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Certificates. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the Town and the Purchaser shall be relieved of further obligation. In no event shall the Town be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the Town's reasonable control.

EXCHANGE OF INITIAL CERTIFICATES FOR DEFINITIVE CERTIFICATES: Upon payment for the Initial Certificate at the time of such delivery, the Initial Certificate is to be canceled by the Paying Agent/Registrar and registered definitive Certificates delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Certificates shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Certificate, final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Certificate and delivery of registered definitive Certificates may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Certificates, but neither the failure to print such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Certificates shall be paid by the Town; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Certificates is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Certificate, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE", all as described below. In addition, if the Town fails to comply with its obligations described under "OFFICIAL STATEMENT- FINAL OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Certificates by delivering written notice to the Town within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligation of the Purchaser to take up and pay for the Certificates, and of the Town to deliver the Initial Certificate, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Certificate, there shall have been no material adverse change in the affairs of the Town subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

LEGAL OPINIONS: The Certificates are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

CHANGE IN TAX-EXEMPT STATUS: At any time before the Certificates are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Certificates shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by U.S. Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

QUALIFIED TAX-EXEMPT OBLIGATIONS: The Town will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see discussion under "TAX MATTERS – Qualified Tax-Exempt Obligations" in the Preliminary Official Statement).

GENERAL CONSIDERATIONS

FUTURE REGISTRATION: The Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof 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 Certificates 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 corporate trust 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. To the extent possible, 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 its 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 interest rate as the Certificates surrendered for exchange or transfer.

RECORD DATE: The record date ("Record Date") for determining the party to whom the semiannual interest on the Certificates is payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date.

RATING: A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Rating" in the Preliminary Official Statement). An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the Town makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

SALE OF ADDITIONAL OBLIGATIONS: The Town currently has no plans to issue additional ad valorem tax supported debt in 2020, except potentially issuing refunding bonds for debt service savings.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE: No registration statement relating to the Certificates has been filed with the SEC under the Securities Act of 1933, as amended (the "Act"), in reliance upon exemptions provided in such Act. The Certificates have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The Town assumes no responsibility for registration or 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 registration or 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 or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The Town agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Certificates, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Certificates are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from www.samccapital.com.

On the date of the sale, the Town Council will, in the Ordinance authorizing the issuance of the Certificates, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

/s/ _____
Mayor,
Town of Little Elm, Texas

ATTEST:

/s/ _____
Town Secretary,
Town of Little Elm, Texas

September 1, 2020

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OFFICIAL BID FORM

Honorable Mayor and Town Council
 Town of Little Elm
 100 West Eldorado Parkway
 Little Elm, Texas 75068

September 1, 2020

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated August 25, 2020, which terms are incorporated by reference to this proposal (and which are agreed to as evidenced by our submission of this bid), we hereby submit the following bid for \$4,275,000 (preliminary, subject to change) TOWN OF LITTLE ELM, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020, dated September 15, 2020 (the "Certificates").

For said legally issued Certificates, we will pay you \$_____ (being a price of no less than 102% of the par value) plus accrued interest from their date to the date of delivery to us for Certificates maturing August 1 and bearing interest per annum as follows:

Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %	Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %
2021	\$ 185,000		2031*	\$ 215,000	
2022	170,000		2032*	220,000	
2023	175,000		2033*	225,000	
2024	180,000		2034*	230,000	
2025	185,000		2035*	235,000	
2026	190,000		2036*	240,000	
2027	195,000		2037*	245,000	
2028	200,000		2038*	255,000	
2029	200,000		2039*	260,000	
2030*	205,000		2040*	265,000	

**Maturities available for Term Certificates.*

Our calculation (which is not part of this bid) of the True Interest Cost from the above is: _____%

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: As a condition to our submittal of this bid for the Certificates, we acknowledge the following: The Town reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$4,275,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the Town to reflect such increase or decrease. The Town will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

Of the principal maturities set forth in the table above, we have created term certificates (the "Term Certificates") as indicated in the following table (which may include no more than five Term Certificates. For those years which have been combined into a Term Certificate, the principal amount shown in the table shown on page ii of the Official Notice of Sale will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Certificate maturity date will mature in such year. The Term Certificates created are as follows:

Term Certificate Maturity Date August 1	Year of First Mandatory Redemption	Principal Amount of Term Certificate	Interest Rate
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

The Initial Certificate shall be registered in the name of _____, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of the _____ Bank, _____, Texas, in the amount of \$85,500, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the Purchaser.

We agree to accept delivery of the Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificate in immediately available funds at the Corporate Trust Division, BOKF, NA, Dallas Texas, not later than 10:00 A.M., Central Time, on Wednesday, September 30, 2020, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the purchaser of the Certificates to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidenced thereof, agrees to complete, execute, and deliver to the Town, by the Delivery Date, a certificate relating to the "issue price" of the Certificates in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the Town. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Texas or Federal law, it does not and will not "boycott Israel" and is not a company on the Texas Comptroller's list concerning "foreign terrorist organizations" prepared and maintained thereby under applicable Texas law, all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE".

For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the Town is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – DISCLOSURE OF INTERESTED PARTY FORM", complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, and sent by email to the Town's financial advisor at mmcliney@samccapital.com and Bond Counsel at robert.dransfield@nortonrosefulbright.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the Town from providing final written award of the enclosed bid.

By: _____
 Authorized Representative

 Telephone Number

 E-mail Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the Town of Little Elm, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 1st day of September 2020.

 Mayor,
 Town of Little Elm, Texas

ATTEST:

 Town Secretary,
 Town of Little Elm, Texas

\$4,275,000*
TOWN OF LITTLE ELM, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2020

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____, _____, _____ (the "Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Obligations") of the Town of Little Elm, Texas (the "Issuer").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Obligations to the Public by _____ are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Obligations used by the "Purchaser" in formulating its bid to purchase the Obligations. Attached as Schedule B is a true and correct copy of the bid provided by the "Purchaser" to purchase the Obligations.

(b) _____ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by _____ constituted a firm offer to purchase the Obligations.

2. Defined Terms.

(a) *Maturity* means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is September 1, 2020.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate with respect to the Obligations and with respect to compliance with the federal income tax rules affecting the Obligations, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

By: _____
Name: _____
Title: _____

Dated: September 1, 2020

*Preliminary, subject to change.

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SCHEDULE A
EXPECTED OFFERING PRICES

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SCHEDULE B

COPY OF UNDERWRITER'S BID

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PRELIMINARY OFFICIAL STATEMENT
Dated: August 25, 2020

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.

\$4,275,000*
TOWN OF LITTLE ELM, TEXAS
(Denton County)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

Dated Date: September 15, 2020

Obligations Due: August 1, as shown on page ii

The Town of Little Elm, Texas (the "Town" or the "Issuer") \$4,275,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (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") to be 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 September 15, 2020 (the "Dated Date") as shown above and will be payable on February 1, 2021, 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 and improving the Town's public parking facilities, (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 a multi-use events center, 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 September 30, 2020.

BIDS FOR CERTIFICATES DUE ON SEPTEMBER 1, 2020 AT 11:00 A.M., CENTRAL TIME.

* Preliminary, subject to change.

STATED MATURITY SCHEDULE

(Due August 1)

Base CUSIP – 537095

<u>Stated Maturity August 1</u>	<u>Principal Amount*</u>	<u>Initial Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix^(a)</u>
2021	\$185,000			
2022	170,000			
2023	175,000			
2024	180,000			
2025	185,000			
2026	190,000			
2027	195,000			
2028	200,000			
2029	200,000			
2030	205,000			
2031	215,000			
2032	220,000			
2033	225,000			
2034	230,000			
2035	235,000			
2036	240,000			
2037	245,000			
2038	255,000			
2039	260,000			
2040	265,000			

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after August 1, 2030, on August 1, 2029, 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.

* Preliminary, subject to change.

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
Curtis Cornelious	Mayor Pro Tem	2017	2022	Vice President of Operations
Neil Blais	Council Member	2015	2021	Business Owner
Tony Singh	Council Member	2019	2022	Technical Training Manager
Lisa Norman	Council Member	2019	2022	Business Owner
Nick Musteen	Council Member	2015	2021	Director of Sales, Consumer Packaged Goods
Michael McClellan	Council Member	2020	2023	Director of Field Claims, Insurance

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Years of Municipal Experience</u>
Matt Mueller	Town Manager	20 years
Doug Peach	Deputy Town Manager	34 years
Kelly Wilson	Chief Financial Officer	15 years
Dianne Lawson	Assistant Director of Finance	27 years
Kathy Phillips	Town Secretary	32 years
Robert F. Brown	Town Attorney (Appointed)	33 years
Jason Shroyer	Public Works Director	10 years
Jennette Espinosa	Executive Director Little Elm EDC (Appointed)	13 years
Rodney Harrison	Police Chief	28 years
Joe Florentino	Assistant Town Manager/Director of Public Safety	26 years
Paul Rust	Fire Chief/Fire Marshall	27 years
Chad Hyde	Parks Director	21 years
Deidre Hale	Human Resource Manager	21 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

For Additional Information Please Contact:

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities Exchange Commission (the "Rule"), this document constitutes a preliminary official statement of the Issuer with respect to the Certificates that has been deemed "final" by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

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 57,112. (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") to be 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 August 1, 2030, on August 1, 2029, 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. (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 the Town's contractual obligations to be incurred for (i) constructing and improving the Town's public parking facilities, (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 a multi-use events center, 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	A municipal bond rating application has been made to S&P Global Ratings, a division of S&P Global Inc. ("S&P"). The Town currently has an S&P underlying rating of "AA" on its general obligation debt. An explanation of the significance of such rating may be obtained from S&P. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Issuance of Additional Debt	The Town currently has no plans to issue additional ad valorem tax supported debt in 2020, except potentially issuing refunding bonds for debt service savings.
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 September 30, 2020.
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 \$4,275,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (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") to be 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

Infectious Disease Outbreak – COVID -19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include executive orders which have, among other things, imposed limitations on social gatherings. In addition to the actions by the state and federal officials, certain local officials, including the Town and Denton County, Texas, have declared a local state of disaster and have issued "shelter-in-place" orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy. The Governor's Report to Open Texas, issued on April 27, 2020, and subsequent executive orders, have instituted a gradual reopening of businesses on a staggered basis with adherence to specified health protocols.

On June 26, 2020, due to substantial increases in COVID-19 positive cases, positivity rates and hospitalizations, the Governor issued adjustments to the re-opening plan, limiting and slowing the gradual reopening to reduce the growing spread of COVID-19. Further, on July 2, 2020, the Governor issued a new executive order requiring face coverings in certain counties and issued a proclamation related to limiting gathering sizes and requiring social distancing.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the Town. These negative impacts may reduce or otherwise negatively affect ad valorem tax revenues which are pledged as security for the Obligations. The Town, however, cannot predict the effect of the continued spread of COVID-19 will have on the finances or operations and maintenance of the Town.

The Town collects a sales and use tax on all taxable transactions within the Town's boundaries and other excise taxes and fees that depend on business activity. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the Town on which the Town collects taxes, charges, and fees. A reduction in the collection of sales or other excise taxes, utility system revenue, and utility franchise and other fees and charges may negatively impact the Town's operating budget and overall financial condition. In addition, the Pandemic has resulted in volatility of the value of investments in pension funds. Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could require increased Town contributions to fund or pay retirement and other post-employment benefits in the future.

The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the Town.

The Town continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the Town. While the potential impact of the Pandemic on the Town cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the Town's operations and financial condition, and the effect could be material.

THE CERTIFICATES

General Description

The Certificates will be dated September 15, 2020 (the "Dated Date"). The Certificates are stated to mature on August 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, 2021, 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 the Town's contractual obligations to be incurred for (i) constructing and improving the Town's public parking facilities, (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 a multi-use events center, including the acquisition of land therefor and (iv) professional services rendered in connection with the construction and financing of the foregoing projects.

Redemption Provisions

Optional Redemption: The Issuer reserves the right, at its option, to redeem the Certificates maturing on and after August 1, 2030, on August 1, 2029, 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) ("Wasson") 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. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship.

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 creditors' rights 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, 2020, 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 then 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 Ordinance 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 and the Little Elm Community Development Corporation (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 Aaam 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 June 30, 2020, (unaudited), all the Town's investable funds in the amount of \$86,573,236.37 were invested the following.

<u>Fund and Investment Type</u>	<u>Amount As of 6/30/2020 (Unaudited)</u>
Checking Accounts (Including Money Market Accounts)	\$56,292,497.64
TexPool Accounts	\$14,753,146.06
Other Investment Types:	
Certificates of Deposits	\$15,527,592.67
Municipal Bond	<u>\$ 630,000.00</u>
Total Investments	<u>\$86,573,236.37</u>

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.tmrs.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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	149
Active employees	<u>245</u>
	<u>441</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 13.54% and 13.31% in calendar years 2018 and 2019, respectively. The Town's contributions to TMRS for the year ended September 30, 2019 were \$2,459,086, and were equal to the required contributions.

The Town's Net Pension Liability (NPL) was measured as of December 31, 2018 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, 2018 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, 2018, 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).

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
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 12/31/2017	\$ 33,048,939	\$ 28,844,974	\$ 4,203,965
Changes for the year:			
Service Cost	3,014,390	-	3,014,390
Interest	2,313,659	-	2,313,659
Change of benefit terms	-	-	-
Difference between expected and actual experience	859,152	-	859,152
Changes of assumptions	-	-	-
Contributions – employer	-	2,266,748	(2,266,748)
Contributions - employee	-	1,197,238	(1,197,238)
Net investment income	-	(866,209)	866,209
Benefit payments, including refunds of employee contributions	(559,416)	(559,146)	-
Administrative expense	-	(16,699)	16,699
Other changes	-	(871)	871
Net Changes	<u>5,627,785</u>	<u>2,020,791</u>	<u>3,606,994</u>
Balance at 12/31/2018	\$ 38,676,724	\$ 30,865,765	\$ 7,810,959

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	\$ 14,833,230	\$ 7,810,959	\$ 2,193,126

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, 2019, the Town recognized pension expense of \$3,017,193. At September 30, 2019, 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	\$ 1,047,190	\$ 60,370
Changes in actuarial assumptions	33,294	-
Difference between projected and actual investment earnings	1,503,733	-
Contributions subsequent to the measurement date	<u>1,893,461</u>	<u>-</u>
Total	<u>\$ 4,477,678</u>	<u>\$ 60,370</u>

The \$1,893,461 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, 2020. 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
2020	\$ 777,606
2021	496,461
2022	431,097
2023	697,636
2024	121,047
Thereafter	-
	<u>\$ 2,523,847</u>

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

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 (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the Town is the responsibility of the Denton County Appraisal District ("Appraisal District"). Except as generally described below, the Appraisal District is required 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 market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a 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 homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, 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 as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the Town, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – Town and Taxpayer Remedies").

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. 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 is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, 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.

Town and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the Town, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the Town may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal

review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing 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.

Levy and Collection of Taxes

The Town is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the Town. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the Town may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

Town’s Rights in the Event of Tax Delinquencies

Taxes levied by the Town are a personal obligation of the owner of the property. 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 each taxing unit, including the Town, having power to tax the property. The Town’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 Town 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 Town 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 Town 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, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer’s debt.

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.

Public Hearing and Maintenance and Operations Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city’s tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The Town’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the Town must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the Town to the Town Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the Town’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the Town’s tax-supported debt obligations, including the Certificates.

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.

Debt Tax Rate Limitations

All taxable property within the Town is subject to the assessment, levy and collection by the Town of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the Town, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

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 currently does not have any active abatement agreements.

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 ECONOMIC DEVELOPMENT PROGRAMS - "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 of approximately 447.942 acres. The Town also created the Valencia Public Improvement District ("Valencia PID") in September 2013 to finance certain public infrastructure improvements. The Valencia PID and the TIRZ# 4 boundaries are contiguous as the goal of the TIRZ# 4 is to assist with the development. The Town issued two series of special assessment revenue bonds (the "Valencia 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. On November 6, 2018 the Town issued three series of bonds for the Valencia PID. The first series of revenue bonds refunded the 2014 Phase #1 Bonds, refinanced the Phase #1 reimbursement agreement portion of the 2014 bonds and restructured the debt service requirements by passage of Ordinance No.1445. The second series of revenue bonds were identified as the Improvement Area #2 Refunding and Improvement Bonds and were issued to refund a portion of the 2014 bonds used to finance improvements related to Improvement Area #2, refinance the pro rata portion of the Phase #2 local improvements and financed additional improvements relating in Improvement Area #2 through Ordinance No. 1446. The Major

Improvement Area Refunding Bonds were the third series of bonds issued in FY2018 through Ordinance No. 1447. They were to refund the pro-rata portion of the 2014 Major Improvement Bonds related to Phases #2B, #3B, and #4.

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 "Hillstone PID Bonds") for Phases #1-1a through approval of Ordinance No. 1422 on October 17, 2017. The Hillstone PID Bonds are secured solely from assessment revenues generated within the Hillstone Pointe PID No. 2. The Hillstone PID 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 issued the next set of Hillstone PID Bonds for the Hillstone Pointe PID No. 2 Phases 2 and 3 through Ordinance No. 1471.

The Town's third PID was created by the Town on October 2016 identified as the Rudman Tract Public Improvement District ("Rudman PID") to finance the costs of certain public improvements for the benefit of property in that 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 Rudman 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 secured by such reimbursement amounts.

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 ("Lakeside PID"). 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 Lakeside 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.

Tax Abatements

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 2019, the Town rebated \$403,206 in sales taxes and \$494,518 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 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 TIRZ #3'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. Specific project costs may include but are not limited to roads, water, sewer and storm water management. In fiscal year 2019, the Town made \$1,066,475 in payments to the TIRZ funds. Denton County agreed to participate in TIRZ #3 for a period of five years and contributed \$53,350 in fiscal year 2019.

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 of 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 ($\frac{1}{2}\%$) sales tax to be used for economic development purposes in accordance with Chapter 504, Texas Local Government Code as amended. Collections 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 ($\frac{1}{4}\%$), to be used for street maintenance. Collections of the additional $\frac{1}{4}\%$ 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 ($\frac{1}{4}\%$) sales tax for street maintenance.

The Town also held a successful election May 12, 2007, for the purpose of approving a one-quarter percent ($\frac{1}{4}\%$) 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 $\frac{1}{4}\%$ 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.. 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.

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 financial asset securitization investment trust ("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 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 2020. The Issuer will additionally provide audited financial statements within 12 months after the end of each fiscal year ending in or after 2020. 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; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Town, any of which reflect financial difficulties. In addition, the Town will provide timely notice of any failure by the Town to provide annual financial information or operating data 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.

For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Town intends the words used in clauses (15) and (16) in the immediately preceding paragraph to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

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.

On April 7, 2020, the Town authorized a private placement of \$5,725,000 General Obligation Refunding Bonds, Series 2020, which financing closed on May 7, 2020. The Town filed a notice of late filing referencing the financial obligation evidenced by such bonds on June 15, 2020.

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 laws 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 currently has no plans to issue additional ad valorem tax supported debt in 2020, except potentially issuing refunding bonds for debt service savings.

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

A municipal bond rating application have been made to S&P Global Ratings, a division of S&P Global Inc. ("S&P"). The Issuer currently has an S&P underlying rating of "AA" on its general obligation debt. 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, 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." 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 September 1, 2020, after requesting competitive bids for the Certificates, the Town accepted the bid of _____ (the "Certificate Purchaser" or the "Initial Certificate Purchaser") to purchase the Certificates at the interest rates shown on the page ii of this Official Statement at a price of par, plus a cash premium of \$_____, (representing the par amount of the Certificates, plus a [net] original issue reoffering premium of \$_____, less Certificate Purchaser's discount of \$_____), plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The Town can give no assurance that any trading market will be developed for the Town after their sale by the Town to the Certificate Purchaser. The Town has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Certificate Purchaser.

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 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, 2018, the date of the last audited financial statements of the Town, portions of which appear in the Official Statement.

The Official Statement will be approved as to form and content and the use thereof in the offering of the Certificates will be 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' 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 will be approved by the Town Council of the Issuer for distribution in accordance with the provisions of the Rule.

TOWN OF LITTLE ELM, TEXAS

ATTEST:

Mayor
Town of Little Elm, Texas

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

2020 Actual Market Value of Taxable Property (100% of Actual)	\$ 5,217,644,567
Less Exemptions/Losses:	
Local, Optional Over-65 and/or Disabled Homestead Exemptions	11,967,925
Veterans' Exemptions	36,817,132
Homestead 10% Cap Adjustment	6,960,931
Productivity Value Loss	86,738,976
Prorated Exempt Property	54,112
House Bill 366 Exempt Property	5,785
Community Housing Development Corporation	4,675,000
Abatements	-
Pollution Control / Other	139,150
Total Exempt Property	231,838,891
Freeze Taxable Value	272,975,673
Transfer Adjustment	229,728
Value Captured by TIRZ #3, TIRZ # 5 and TIRZ # 6	332,953,524
	<u>985,356,827</u>
2020 Freeze Adjusted Net Taxable Assessed Valuation ("FANTAV") (Less TIRZ Captured Value)	<u>\$ 4,232,287,740</u>

Source: Denton Central Appraisal District

Note: Figures above represent values as of July 24, 2020.

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Principal Outstanding: (As of August 25, 2020)

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012	\$ 3,160,000
General Obligation Refunding Bonds, Series 2012	2,055,000
General Obligation Refunding Bonds, Series 2012A	1,395,000
General Obligation Refunding Bonds, Series 2013	1,460,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013	4,270,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013A	2,200,000
General Obligation Refunding Bonds, Series 2014	2,960,000
Tax Notes, Series 2014	250,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015	8,105,000
General Obligation Refunding Bonds, Series 2016	4,400,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016	6,580,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017	10,300,000
General Obligation Refunding Bonds, Series 2017	12,320,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018	11,810,000
General Obligation Refunding Bonds, Series 2019	6,795,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019	6,370,000
General Obligation Refunding Bonds, Series 2020	<u>5,725,000</u>
Total Gross General Obligation Debt Principal Outstanding:	<u>\$ 90,155,000</u>

Current Issue General Obligation Debt Principal

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the "Certificates")	<u>\$ 4,275,000</u> *
Total Gross General Obligation Debt Principal Outstanding following the issuance of the Bonds:	<u>\$ 94,430,000</u> *

Less: Self-Supporting General Obligation Debt Principal:

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012 (100% WS) ^(a)	\$ 3,160,000
General Obligation Refunding Bonds, Series 2012 (aprox. 55.96% WS) ^(a)	1,150,000
General Obligation Refunding Bonds, Series 2013 (100% WS) ^(a)	1,460,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013 (100% CDC)	4,270,000
General Obligation Refunding Bonds, Series 2014 (aprox. 55.74% WS) ^(a)	1,650,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 (100% WS)	6,580,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017 (100% WS)	10,300,000
General Obligation Refunding Bonds, Series 2017 (100% WS)	12,320,000
General Obligation Refunding Bonds, Series 2019 (19.87% CDC)	1,350,000
General Obligation Refunding Bonds, Series 2020 (2.88% WS)	165,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the "Certificates") (77.89% TIRZ #3)	<u>3,330,000</u>
Total Self-Supporting General Obligation Debt Principal	<u>\$ 45,735,000</u>

Total Net General Obligation Debt Principal Outstanding Following the Issuance of the Obligations	<u>\$ 48,695,000</u> *
--	------------------------

General Obligation Interest and Sinking Fund Balance as of June 30, 2020	\$ 4,341,136
Ratio of Gross General Obligation/Special Obligation Debt Principal to 2020 FANTAV (Less TIRZ Captured Value)	2.23% *
Ratio of Net General Obligation/Special Obligation Debt Principal to 2020 FANTAV (Less TIRZ Captured Value)	1.15% *
2020 Freeze Adjusted Net Taxable Assessed Valuation ("FANTAV") (Less TIRZ Captured Value) ^(b)	\$ 4,232,287,740
Population: 1980 - 926; 1990 - 1,308; 2000 - 3,646; 2010 - 25,898; Current (Estimate) -	44,530
Per Capita 2020 Freeze Adjusted Net Taxable Assessed Valuation (Less TIRZ Captured Value) -	\$95,044
Per Capita Gross General Obligation/Special Obligation Debt Principal -	\$2,121 *
Per Capita Net General Obligation/Special Obligation Debt Principal -	\$1,094 *

^(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.

* Preliminary; subject to change.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 3

Fiscal Year	Currently	The Certificates*			Combined	Less: Self-	Net General
	Outstanding					Debt Service ^{(a)*}	Supporting
30-Sep	Debt Service ^(a)	Principal	Interest	Total	Debt Service ^{(a)*}	Debt ^{(b)*}	Debt Service ^{(c)*}
2021	\$ 9,787,237	\$ 185,000	\$ 93,813	\$ 278,813	\$ 10,066,049	\$ 4,657,921	\$ 5,408,128
2022	\$ 9,248,169	\$ 170,000	\$ 102,250	\$ 272,250	\$ 9,520,419	\$ 4,520,314	\$ 5,000,105
2023	\$ 9,104,870	\$ 175,000	\$ 98,000	\$ 273,000	\$ 9,377,870	\$ 4,517,414	\$ 4,860,456
2024	\$ 8,926,088	\$ 180,000	\$ 93,625	\$ 273,625	\$ 9,199,713	\$ 4,519,164	\$ 4,680,549
2025	\$ 8,927,576	\$ 185,000	\$ 89,125	\$ 274,125	\$ 9,201,701	\$ 4,498,439	\$ 4,703,262
2026	\$ 8,402,940	\$ 190,000	\$ 84,500	\$ 274,500	\$ 8,677,440	\$ 3,970,253	\$ 4,707,187
2027	\$ 8,035,567	\$ 195,000	\$ 79,750	\$ 274,750	\$ 8,310,317	\$ 3,976,213	\$ 4,334,104
2028	\$ 6,946,430	\$ 200,000	\$ 74,875	\$ 274,875	\$ 7,221,305	\$ 3,473,206	\$ 3,748,099
2029	\$ 6,878,793	\$ 200,000	\$ 69,875	\$ 269,875	\$ 7,148,668	\$ 3,403,425	\$ 3,745,243
2030	\$ 5,647,795	\$ 205,000	\$ 64,875	\$ 269,875	\$ 5,917,670	\$ 3,070,563	\$ 2,847,108
2031	\$ 5,037,531	\$ 215,000	\$ 59,750	\$ 274,750	\$ 5,312,281	\$ 3,053,538	\$ 2,258,744
2032	\$ 5,051,831	\$ 220,000	\$ 54,375	\$ 274,375	\$ 5,326,206	\$ 3,059,688	\$ 2,266,519
2033	\$ 5,051,216	\$ 225,000	\$ 48,875	\$ 273,875	\$ 5,325,091	\$ 3,058,238	\$ 2,266,853
2034	\$ 4,432,438	\$ 230,000	\$ 43,250	\$ 273,250	\$ 4,705,688	\$ 2,657,175	\$ 2,048,513
2035	\$ 3,305,950	\$ 235,000	\$ 37,500	\$ 272,500	\$ 3,578,450	\$ 1,537,738	\$ 2,040,713
2036	\$ 3,313,363	\$ 240,000	\$ 31,625	\$ 271,625	\$ 3,584,988	\$ 1,539,700	\$ 2,045,288
2037	\$ 2,142,544	\$ 245,000	\$ 25,625	\$ 270,625	\$ 2,413,169	\$ 1,010,275	\$ 1,402,894
2038	\$ 1,345,038	\$ 255,000	\$ 19,500	\$ 274,500	\$ 1,619,538	\$ 215,375	\$ 1,404,163
2039	\$ 446,600	\$ 260,000	\$ 13,125	\$ 273,125	\$ 719,725	\$ 215,375	\$ 504,350
2040	\$ -	\$ 265,000	\$ 6,625	\$ 271,625	\$ 271,625	\$ 215,250	\$ 56,375
	\$ 112,031,974	\$ 4,275,000	\$ 1,190,938	\$ 5,465,938	\$ 117,497,912	\$ 57,169,260	\$ 60,272,277

^(a) Includes self-supporting debt. Excludes the Refunded Obligations.

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

^(c) Excludes self-supporting debt.

* Preliminary; subject to change.

TAX ADEQUACY (Includes Self-Supporting Debt)

TABLE 4

2020 Freeze Adjusted Net Taxable Assessed Valuation (Less TIRZ Captured Value)	\$ 4,232,287,740
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-21*)	\$ 10,066,049 *
Indicated required I&S Fund Tax Rate at 99% Collections to produce Maximum Debt Service requirements	\$ 0.24024 *

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

* Preliminary; subject to change.

TAX ADEQUACY (Excludes Self-Supporting Debt)

TABLE 5

2020 Freeze Adjusted Net Taxable Assessed Valuation (Less TIRZ Captured Value)	\$ 4,232,287,740
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-21*)	\$ 5,408,128 *
Indicated required I&S Fund Tax Rate at 99% Collections to produce Maximum Debt Service requirements	\$ 0.12907 *

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

* Preliminary; subject to change.

(Audited information per the Town's Audited Annual Financial Statements for Fiscal Year Ended September 30, 2019)

<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	\$ -	\$ -	\$ -	\$ -	\$ -

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

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 2019 Comprehensive Annual Financial Report, Note 13.

<u>Fiscal Year Ended 9-30</u>	<u>Outstanding Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,540,000.00</u>	<u>\$ 78,300.00</u>	<u>\$ 1,618,300.00</u>

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

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2019	\$ 1,080,534
2019-2020 Interest and Sinking (I&S) Fund Tax Levy of \$0.154026 at 99% Collections Produces ^(a)	6,453,635
Transfer from TIRZ 3	<u>508,366</u>
Total Available for Debt Service	<u>\$ 8,042,535</u>
Less: Net General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-20	<u>7,008,312</u> ^{(b)*}
Estimated Interest & Sinking Fund Balance at Fiscal Year Ending 9-30-20	<u>\$ 1,034,223</u> ^{(c)*}

^(a) Does not include delinquent tax collections, Freeze Value Taxes, penalties and interest on delinquent tax collections or investments

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

^(c) The City anticipates a drawdown from an overfunded Interest and Sinking Fund Balance.

* Preliminary; subject to change.

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

Net System Revenues Available, Fiscal Year End September 30, 2019	\$ 8,556,618
Less: 2020 Annual Debt Service Requirements on Outstanding Revenue Bonds	<u>-</u>
Balance Available for Other Purposes	<u>\$ 8,556,618</u>
Estimated System General Obligation Debt for Fiscal Year Ended September 30, 2020	\$ 4,027,587
Percentage of System General Obligation Debt Self-Supporting	100%

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**TABLE 9**

(As of August 31, 2020)

Fiscal Year Ending 9/30	Principal Repayment Schedule*			Bonds Unpaid at End of Year*	Percent of Principal Retired (%)*
	Outstanding Principal ^(a)	The Certificates	Total		
2021	\$ 6,940,000	\$ 185,000	\$ 7,125,000	\$ 87,305,000	7.55%
2022	6,630,000	170,000	6,800,000	80,505,000	14.75%
2023	6,710,000	175,000	6,885,000	73,620,000	22.04%
2024	6,755,000	180,000	6,935,000	66,685,000	29.38%
2025	6,960,000	185,000	7,145,000	59,540,000	36.95%
2026	6,655,000	190,000	6,845,000	52,695,000	44.20%
2027	6,500,000	195,000	6,695,000	46,000,000	51.29%
2028	5,615,000	200,000	5,815,000	40,185,000	57.44%
2029	5,735,000	200,000	5,935,000	34,250,000	63.73%
2030	4,680,000	205,000	4,885,000	29,365,000	68.90%
2031	4,205,000	215,000	4,420,000	24,945,000	73.58%
2032	4,350,000	220,000	4,570,000	20,375,000	78.42%
2033	4,485,000	225,000	4,710,000	15,665,000	83.41%
2034	4,010,000	230,000	4,240,000	11,425,000	87.90%
2035	3,015,000	235,000	3,250,000	8,175,000	91.34%
2036	3,120,000	240,000	3,360,000	4,815,000	94.90%
2037	2,040,000	245,000	2,285,000	2,530,000	97.32%
2038	1,310,000	255,000	1,565,000	965,000	98.98%
2039	440,000	260,000	700,000	265,000	99.72%
2040	<u>-</u>	<u>265,000</u>	<u>265,000</u>	-	100.00%
	<u>\$ 90,155,000</u>	<u>\$ 4,275,000</u>	<u>\$ 94,430,000</u>		

^(a) Includes self-supporting debt principal

* Preliminary; subject to change.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 10

Category	2020	% of Total	2019	% of Total	2018	% of Total	2017	% of Total	2016	Total
Real, Residential, Single-Family	\$ 3,455,464,020	66.23%	\$ 3,166,052,037	67.12%	\$ 2,905,061,872	68.87%	\$ 2,569,833,909	68.90%	\$ 2,208,567,640	70.26%
Real, Residential, Multi-Family	530,701,443	10.17%	477,354,824	10.12%	349,707,686	8.29%	265,382,007	7.12%	158,090,379	5.03%
Real, Vacant Lots/Tracts	172,082,394	3.30%	129,649,542	2.75%	117,553,978	2.79%	86,570,495	2.32%	84,399,365	2.69%
Real, Acreage (Land Only)	86,850,615	1.66%	78,039,397	1.65%	74,546,469	1.77%	83,189,786	2.23%	79,236,806	2.52%
Farm & Ranch Improvements	49,312,395	0.95%	54,730,220	1.16%	29,844,730	0.71%	63,551,721	1.70%	33,752,329	1.07%
Real, Commercial / Industrial	514,228,572	9.86%	390,768,372	8.28%	369,574,754	8.76%	331,713,201	8.89%	270,261,577	8.60%
Real & Tangible, Personal Utilities	32,337,526	0.62%	29,041,243	0.62%	28,075,402	0.67%	24,300,794	0.65%	22,475,593	0.72%
Personal, Commercial / Industrial	80,049,414	1.53%	77,797,620	1.65%	70,180,699	1.66%	70,883,863	1.90%	64,769,282	2.06%
Tangible Personal, Mobile Homes	9,903,053	0.19%	7,985,132	0.17%	8,045,449	0.19%	7,904,368	0.21%	8,088,935	0.26%
Residential Inventory	53,553,399	1.03%	78,429,528	1.66%	68,975,459	1.64%	40,858,113	1.10%	40,274,749	1.28%
Special Inventory	1,317,060	0.03%	1,610,328	0.03%	1,285,405	0.03%	1,623,613	0.04%	1,285,386	0.04%
Totally Exempt Property	231,844,676	4.44%	225,344,682	4.78%	195,352,747	4.63%	183,731,158	4.93%	172,106,371	5.48%
Total Appraised Value	\$ 5,217,644,567	100.00%	\$ 4,716,802,925	100.00%	\$ 4,218,204,650	100.00%	\$ 3,729,543,028	100.00%	\$ 3,143,308,412	100.00%
Less Exemptions:										
Over-65 or Disabled Homestead	\$ 11,967,925		\$ 10,616,720		\$ 9,777,878		\$ 9,069,126		\$ 8,873,099	
Veteran's Exemptions	36,817,132		29,712,007		20,769,813		13,952,413		11,610,530	
Homestead Cap Adjustment	6,960,931		19,385,162		48,639,334		58,825,518		57,190,137	
Productivity Value Loss	86,738,976		77,921,302		74,430,571		83,019,565		79,000,085	
Priorated Exempt Property	54,112		858,208		1,019,658		1,210		111,501	
House Bill 366 Exempt Propoerty	5,785		4,976		8,683		6,511		6,171	
Freeport	-		-		-		69,053		-	
Community Housing Dev. Corp.	4,675,000		4,650,000		5,186,172		4,386,500		3,970,500	
Abatements	-		2,640,958		3,283,457		3,743,506		3,733,494	
Pollution Control / Other/Charitable	139,150		209,216		153,263		166,239		111,343	
Totally Exempt Property	231,838,891		219,790,998		189,079,359		179,291,196		167,969,843	
Total Exemptions	379,197,902		365,789,547		352,348,188		352,530,837		332,576,703	
Net Taxable Assessed Valuation	\$ 4,838,446,665		\$ 4,351,013,378		\$ 3,865,856,462		\$ 3,377,012,191		\$ 2,810,731,709	
Less:										
Freeze Taxable Value	\$ 272,975,673		\$ 242,601,223		\$ 209,253,959		\$ 181,751,600		\$ 163,032,979	
Transfer Adjustment	229,728		69,500		97,673		-		47,006	
Captured Value by TIRZ #3, TIRZ #5 and TIRZ #6	332,953,524		156,036,084		167,486,550		113,992,212		58,318,268	
Freeze Adjusted Net Taxable Assessed Valuation (After Deduction of TIRZ Captured Value)	\$ 4,232,287,740		\$ 3,952,306,571		\$ 3,489,018,280		\$ 3,081,268,379		\$ 2,589,333,456	

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.

Fiscal Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
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	3,081,268,379	270,536,670	9.63%
2018-19	3,489,018,280	407,749,901	13.23%
2019-20	3,952,306,571	463,288,291	13.28%
2020-21	4,232,287,740	279,981,169	7.08%

Sources: The Municipal Advisory Council of Texas Website, the Issuer's 2019 Comprehensive Annual Financial Report 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 2019-2020*

TABLE 12

Name	Type of Business	2019 Net Taxable Assessed Valuation	% of Total 2019 Taxable Assessed Valuation
Western Rim Investors 2014-5 LP	Financial/Banking	\$ 67,109,160	1.70%
Orion Lakeside LLC	Real Estate Development	66,290,019	1.68%
Bell Fund VI Frisco LLC	Real Estate Development	54,840,126	1.39%
G&L Park View LLC	Real Estate Development	53,818,742	1.36%
Centennial Luxe LP	Real Estate Development	53,618,000	1.36%
Texas Property Borrower LLC	Real Estate Development	45,334,305	1.15%
The Landing at Little Elm LLC	Real Estate Development	40,908,203	1.04%
Western Rim Investors 2014-4 LP	Financial/Banking	33,063,109	0.84%
Palladium USA	Real Estate Development	28,977,443	0.73%
Retractable Technologies Inc.	Industrial Production of Medical Supplies	18,861,650	0.48%
		<u>\$ 462,820,757</u>	11.71% **

* Top Taxpayers for 2020-2021 not available at this time.
 ** Based on a 2019 Freeze Adjusted Net Taxable Assessed Valuation (Less TIRZ Captured Value) of \$ 3,952,306,571

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	
2010	1,470,524,017	0.665229	10,024,864	98.34%	99.99%	9/30/2011
2011	1,571,713,483	0.664960	10,462,821	98.25%	100.00%	9/30/2012
2012	1,615,536,605	0.664980	10,651,248	98.71%	100.00%	9/30/2013
2013	1,780,379,223	0.664971	11,780,687	98.88%	99.88%	9/30/2014
2014	2,060,061,476	0.664970	13,629,127	99.65%	99.93%	9/30/2015
2015	2,421,160,195	0.661687	15,848,795	99.77%	99.91%	9/30/2016
2016	2,810,731,709	0.661687	18,694,955	99.58%	99.93%	9/30/2017
2017	3,081,268,379	0.657671	21,819,292	99.80%	99.90%	9/30/2018
2018	3,489,018,280	0.649900	24,976,789	99.71%	99.89%	9/30/2019
2019	3,952,306,571	0.649900	28,556,940	97.95% ^(d)	98.49% ^(d)	9/30/2020
2020	4,232,287,740					9/30/2021

^(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, freeze loss or TIRZ captured values.

^(c) Includes interest and penalties.

^(d) Current Collections are as of June 30, 2020.

Source: The Denton Central Appraisal District, The Town's 2019 Comprehensive Annual Financial Report and other information from the Issuer.

TAX RATE DISTRIBUTION

TABLE 14

	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016
Maintenance & Operations	\$0.495874	\$0.479431	\$0.485188	\$0.495731	\$0.477600
I & S Fund	<u>0.154026</u>	<u>0.170469</u>	<u>0.172483</u>	<u>0.165956</u>	<u>0.184087</u>
TOTAL	<u>\$0.649900</u>	<u>\$0.649900</u>	<u>\$0.657671</u>	<u>\$0.661687</u>	<u>\$0.661687</u>

Source: The Denton Central Appraisal District.

MUNICIPAL SALES TAX

TABLE 15

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 2009 the Town held a successful election for the purpose of continuing the 1/4% sales tax for street maintenance. The vote 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 Corporation 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% Town	Ad Valorem Tax Levy	Ad Valorem Tax Rate	0.50% 4A EDC	0.25% 4B CDC
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	1,119,928	559,964
2014	4,810,546	3,006,591	25.58%	0.17007	1,202,637	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	4,526,331	24.21%	0.16020	1,810,532	905,266
2018	7,999,075	4,999,422	22.91%	0.15069	1,999,769	999,884
2019	8,695,403	5,434,627	19.25%	0.12508	2,173,851	1,086,925
2020 *	6,335,201	3,959,501			1,583,800	791,900

* As of July 2020.

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

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

	Audited As of 6/30/2020
General Operating Fund (Unrestricted / Undesignated)	\$ 28,345,028
General Obligation Interest and Sinking Fund (Debt Service Fund)	4,341,136
Capital Projects Fund (Major governmental Funds)	6,464,286
Waterworks and Sewer System Operating fund (Excluding Impact Fees)	13,329,929
Water and Sewer Impact Fees Fund	3,447,330
Solid Waste Fund	577,074
Special Revenue Funds	2,482,821
Internal Replacement Funds	3,777,743
Street Impact Fees Fund	1,186,564
Component Units Funds (EDC / CDC)	1,450,138
Total	\$ 65,402,049

Sources: The Issuer's 2019 Comprehensive Annual Financial Report.

OVERLAPPING DEBT DATA AND INFORMATION

TABLE 17

(As of June 30, 2020)

<u>Taxing Body</u>	<u>Gross Debt</u>		<u>Amount</u>
	<u>Principal</u>	<u>% Overlapping</u>	
Denton County	\$ 638,280,000	3.86%	\$ 24,637,608
Frisco Independent School District	2,019,142,591	3.14%	63,401,077
Highway 380 MMD #1	32,440,000	71.26%	23,116,744
Little Elm Independent School District	<u>315,439,212</u>	39.89%	<u>125,828,702</u>
Total Gross Overlapping Debt	\$ 3,005,301,803		\$ 236,984,131
Town of Little Elm	94,430,000 ^{(a)*}	100.00%	<u>94,430,000</u> ^{(a) *}
Total Gross Direct and Overlapping Debt Principal			\$ 331,414,131 ^{(a) *}
Ratio of Gross Direct and Overlapping Debt to 2020 Freeze Adjusted Net Taxable Assessed Valuation (Less TIRZ Captured Value)			7.83% ^{(a) *}
Ratio of Gross Direct and Overlapping Debt to 2020 Actual Value			6.35% ^{(a) *}
Per Capita Gross Direct and Overlapping Debt			\$7,442 ^{(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			\$ 48,695,000 ^{(b) *}
Calculations on the basis of Net General Obligation Debt would change the above figures as follows:			
Total Net Direct and Overlapping Debt Principal			\$ 285,679,131 ^{(b) *}
Ratio of Net Direct and Overlapping Debt Principal to 2020 Freeze Adjusted Net Taxable Assessed Valuation (Less TIRZ Captured Value)			6.75% ^{(b) *}
Ratio of Net Direct and Overlapping Debt Principal to 2020 Actual Value			5.48% ^{(b) *}
Per Capita Net Direct and Overlapping Debt			\$6,415 ^{(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.

* Preliminary; subject to change.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES

TABLE 18

<u>Governmental Entity</u>	<u>2019 Net Taxable Assessed Valuation</u>	<u>% of Actual</u>	<u>2019 Tax Rate^(a)</u>
Denton County	\$ 108,204,034,359	100%	\$ 0.225300
Frisco Independent School District	41,093,295,657	100%	1.338000
Highway 380 Municipal Management District #1	268,873,878	100%	0.515000
Little Elm Independent School District	5,061,525,533	100%	1.538000

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</u>		<u>Purpose</u>	<u>Amount</u>		<u>Issued</u>	
	<u>Authorized</u>	<u>Authorized</u>		<u>Authorized</u>	<u>To Date</u>	<u>Unissued</u>	
Denton County	1/16/1999		Road	\$ 85,320,000	\$ 77,629,375	\$ 7,690,625	
	5/15/2004		Equipment	<u>2,000,000</u>	-	<u>2,000,000</u>	
				\$ 87,320,000	\$ 77,629,375	\$ 9,690,625	
Frisco Independent School District	5/10/2014		Sch Bldg & Technolgy	\$ 775,000,000	\$ 706,000,000	\$ 69,000,000	
	11/6/2018		Sch Bldg & Security	<u>691,000,000</u>	<u>124,000,000</u>	<u>567,000,000</u>	
				\$ 1,466,000,000	\$ 830,000,000	\$ 636,000,000	
Highway 380 Municipal Management District #1	5/9/2015		Road	\$ 99,000,000	\$ 17,740,000	\$ 81,260,000	
	5/9/2015		Water, Sewer, Drainage	62,000,000	15,570,000	46,430,000	
	5/7/2016		Road	19,450,000	-	19,450,000	
	5/7/2016		Utility	<u>7,825,000</u>	-	<u>7,825,000</u>	
				\$ 188,275,000	\$ 33,310,000	\$ 154,965,000	
Little Elm Independent School District	11/7/2017		Sch Bldg/Athletic Imp	\$ 235,000,000	\$ 195,000,000	\$ 40,000,000	
	11/7/2017		Refunding	<u>4,500,000</u>	<u>3,985,000</u>	<u>515,000</u>	
			\$ 239,500,000	\$ 198,985,000	\$ 40,515,000		

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				
	2019	2018	2017	2016	2015
Revenues					
Property taxes, penalty, and interest	\$ 23,731,352	\$ 21,845,134	\$ 19,346,127	\$ 16,835,452	\$ 14,863,621
Licenses and Permits	3,494,513	4,105,031	4,501,472	4,827,059	4,009,517
Intergovernmental and Grant Revenues	1,158,889	518,461	806,708	408,265	384,535
Charges for Services	4,398,501	3,797,275	3,169,497	2,583,980	2,270,800
Fines	813,047	765,229	653,524	594,256	583,422
Interest	629,050	327,787	139,061	81,041	55,316
Contributions and Donations	-	-	-	-	43,310
Other Revenues	300,041	375,998	355,872	508,757	567,668
Total Revenues	\$ 34,525,393	\$ 31,734,915	\$ 28,972,261	\$ 25,838,810	\$ 22,778,189
Expenditures					
Current:					
General Government	\$ 4,171,885	\$ 4,052,008	\$ 3,941,541	\$ 3,896,083	\$ 5,479,481
Community Services	2,635,371	2,519,977	2,275,030	2,638,775	2,129,107
Public Safety	18,243,219	15,773,178	12,851,040	10,763,308	10,453,632
Public Works	3,678,222	3,232,957	2,546,491	2,356,842	2,217,731
Culture and Recreation	4,315,131	3,952,086	3,553,251	3,161,376	2,920,802
Capital Outlay	699,185	78,143	1,316,232	605,829	1,730,722
Debt Service	-	-	-	-	-
Total Expenditures	\$ 33,743,013	\$ 29,608,349	\$ 26,483,585	\$ 23,422,213	\$ 24,931,475
Excess (Deficit) of Revenues					
Over Expenditures	\$ 782,380	\$ 2,126,566	\$ 2,488,676	\$ 2,416,597	\$ (2,153,286)
Other Financing Sources (Uses):					
Proceeds from Capital Leases/Sale of Assets	\$ 142,943	\$ 103,668	\$ 31,663	\$ 252,717	\$ 128,457
Insurance proceeds	426,578	321,485	1,016,343	-	-
Operating Transfers In	1,969,135	2,786,598	2,109,670	1,898,332	2,206,459
Operating Transfers Out	(3,160,000)	(100,000)	(1,000,000)	(205,464)	(1,667,505)
Total Other Financing Sources (Uses)	\$ (621,344)	\$ 3,111,751	\$ 2,157,676	\$ 1,945,585	\$ 667,411
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 161,036	\$ 5,238,317	\$ 4,646,352	\$ 4,362,182	\$ (1,485,875)
Fund Balance - October 1 (Beginning)	\$ 21,212,812	\$ 15,974,495	\$ 11,328,143	\$ 6,965,961	\$ 8,451,836
Restatement	-	-	-	-	-
Prior Period Adjustment	-	-	-	-	-
Reclassification of Funds	-	-	-	-	-
Fund Balance - September 30 (Ending)	\$ 21,373,848	\$ 21,212,812	\$ 15,974,495	\$ 11,328,143	\$ 6,965,961
Fund Balance:					
Non-spendable (Prepays and Inventory)	\$ 60,914	\$ 64,554	\$ 313,699	\$ 299,425	\$ 265,038
Spendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	21,312,934	21,148,258	15,660,796	11,028,718	6,700,923
	\$ 21,373,848	\$ 21,212,812	\$ 15,974,495	\$ 11,328,143	\$ 6,965,961

Note: The estimated FYE 2020 General Fund Balance is \$21,124,901.

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

	Fiscal Year Ended 9-30				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues ^(a)	\$ 18,631,658	\$ 18,300,349	\$ 15,570,997	\$ 14,228,299	\$ 13,023,491
Expenses ^(b)	<u>(9,670,109)</u>	<u>(9,743,731)</u>	<u>(9,154,302)</u>	<u>(8,068,474)</u>	<u>(6,469,613)</u>
Net Revenue Available for Debt Service	<u>\$ 8,961,549</u>	<u>\$ 8,556,618</u>	<u>\$ 6,416,695</u>	<u>\$ 6,159,825</u>	<u>\$ 6,553,878</u>
Annual Revenue Bond Debt Service Requirements	\$0	\$0	\$0	\$0	\$0
Revenue Debt Service Coverage	N/A	N/A	N/A	N/A x	N/A x
Annual Debt Service Requirements for all Bonds Paid from System Revenues	\$ 4,027,587	\$ 4,029,817	\$ 3,540,906	\$ 2,753,238	\$ 2,759,193
Debt Service Coverage on All Bonds Paid from System Revenues	2.23 x	2.12 x	1.81 x	2.24 x	2.38 x
Customer Count					
Water	11,408	11,153	10,680	10,370	9,880
Sewer	10,948	10,732	10,272	9,983	9,531
Impact Fee Revenues ^(c) (not included in Revenues above)	\$ 1,128,838	\$ 1,351,845	\$ 912,169	\$ 980,403	\$ 980,095

^(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, 2019**

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

5/8 inch Meter	\$	24.08	
1 inch Meter		39.35	
1½ inch Meter		72.08	
2 inch Meter		120.39	
3 inch Meter		240.83	
4 inch Meter		787.37	
6 inch Meter		1,576.82	
8 inch Meter		1,908.04	Commercial/Schools/Multi-Family

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

2,000 to 10,000 gallons	\$	6.39	/ 1,000 gallons
10,001 to 20,000 gallons		6.69	/ 1,000 gallons
20,001 & above gallons		6.99	/ 1,000 gallons

2,001 gallons & greater (all meter sizes) \$ 7.07 Commercial/Schools/Multi-Family

PRINCIPAL WATER CUSTOMERS**TABLE 24***(As of September 30, 2019)*

<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)	31,872,000	\$ 257,642	\$ 21,470
Bell Fund VI Frisco, LLC	26,499,000	252,500	21,042
Overlook by the Park	25,395,000	222,781	18,565
Orion Lakeside LLC	24,672,000	240,178	20,015
Little Elm ISD	21,410,000	195,333	16,278
GCRE/TX Main MFLLC	7,742,000	171,243	14,270
Palladium Little Elm, LLC	7,415,000	95,647	7,971
Eldorado Village LLC	5,842,000	46,814	3,901
Valencia On the Lake HOA	5,438,000	39,112	3,259
Fast Lane Car Wash	5,347,000	38,576	3,215
Sub-Total Top Ten ^(b)	161,632,000	\$ 1,559,826	\$ 129,986
Remaining (All Customers)	1,048,881,000	\$ 8,410,383	\$ 65
Total Consumption / Revenue	1,210,513,000	\$ 9,970,209	\$ 130,051
Top Ten Percent of Total System	13.35%	15.64%	
Remaining Customers Percent of Total	86.65%	84.36%	

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

SEWER RATES

TABLE 25

(Based on Monthly Billing)

Existing Rates Effective October 1, 2019		
<u>Minimum Charge Per Month</u>		
Residential (single family, one unit) Base Rate		
First 2,000 Gallons	\$	30.73
2,001 & Above (per 1,000) (Winter Average)	\$	4.71
Commercial - first 2,000 Gallons	\$	30.73
2,001 & Above (per 1,000) (Actual Average)	\$	4.71

PRINCIPAL SEWER CUSTOMERS

TABLE 26

(As of September 30, 2019)

<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)	31,872,000	\$ 147,750	\$ 12,313
Overlook by the Park	22,250,000	103,296	8,608
Bell Fund VI Frisco LLC	21,102,000	97,993	8,166
Orion Lakeside LLC	20,526,000	95,331	7,944
Little Elm ISD	8,897,000	43,370	3,614
Palladium Little Elm, LLC	6,020,000	28,314	2,360
Lakeside Manor Senior Community	5,170,000	24,419	2,035
Fast Lane Car Wash	4,419,000	20,667	1,722
Eldorado Village LLC	3,183,000	15,458	1,288
Elm Place I, LP	<u>2,717,000</u>	<u>12,803</u>	<u>1,067</u>
Sub-Total Top Ten ^(b)	126,156,000	\$ 589,401	\$ 49,117
Remaining (All Customers)	<u>758,633,000</u>	<u>\$ 6,156,664</u>	<u>\$ 48</u>
Total Consumption / Revenue	884,789,000	\$ 6,746,065	\$ 49,165
Top Ten Percent of Total System	14.26%	8.74%	
Remaining Customers Percent of Total	85.74%	91.26%	

^(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 "District") 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 District. Services are billed quarterly at a rate equal to 1.25 times the Town's historic treatment cost, which currently is a rate of \$5.40 per 1,000 gallons (\$4.32 x 1.25 = \$5.40). The Town billed 32.6 million gallons of effluent in calendar year 2013 for an annual revenue of \$176,000.

NOTE: The Town provides water to Frisco Ranch and Hills and bills a minimum on the metered water at \$1,200 per month; the minimum bill is for the first 500,000 gallons; after the first 500,000 gallons, the Town charges \$2.40 per 1,000 gallons. During the fiscal year 2013-2014 (start-up January 2013) the Town billed 8.6 million gallons for a total revenue to the Town's Utility system of \$21,500.

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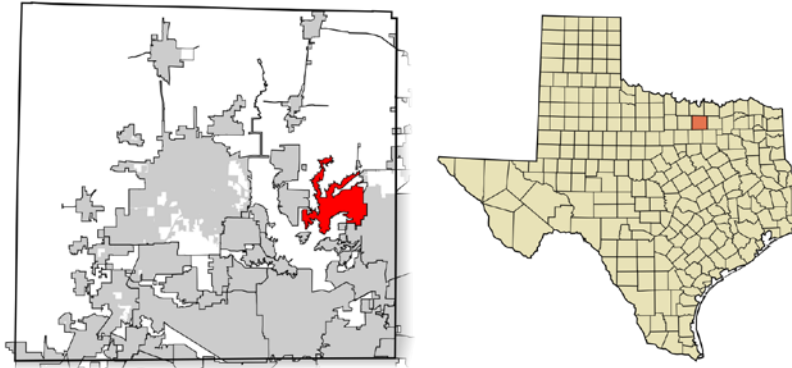
APPENDIX B

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 44,530. 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.

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 874,240. 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	44,530	874,240
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	853
Town of Little Elm	Municipal government	294
Kroger	Retail Grocery	191
Lowes Home Center	Retail Sales	178
Retractable Technologies	Medical Production	146
Holt	Heavy Duty Equipment	78
Hula Hut	Restaurant	40
Applebee's	Restaurant	40
24 Hour Fitness	Gym and Fitness Center	34
Hobby Lobby	Retail Sales	31

Source: The Issuer's 2019 CAFR

Residential and Commercial Building Construction:

Fiscal Year	Residential (a)		Commercial (b)		Total (Includes Multi-Family)	
	Number of Permits	AV Property Value \$\$ Amount	Number of Permits	AV Property Value \$\$ Amount	Number of Permits	AV Property Value \$\$ Amount
Ended 9-30						
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	1,154	409,297,791	59	8,144,568	1,230	433,264,829
2017	1,084	386,023,376	87	26,236,536	1,195	440,041,460
2018	1,101	370,219,049	101	34,054,309	1,202	404,273,358
2019	823	187,864,895	43	62,269,198	866	250,134,093

Fiscal Year	Multi-Family (c)	
	Number of Permits	AV Property Value \$\$ Amount
Ended 9-30		
2013	67	\$ 68,325,000
2014	14	\$ 45,214,000
2015	83	36,862,413
2016*	17	15,822,470
2017	24	27,781,548
2018	0	0
2019	0	0

(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.

* AV values are from the Certified Values Reports provided by Denton Central Appraisal District.

Sources: The Issuer.

Labor Force Statistics:

	<u>Little Elm</u>		<u>Denton County</u>		<u>State of Texas</u>	
	<u>June 2020</u>	<u>June 2019</u>	<u>June 2020</u>	<u>June 2019</u>	<u>June 2020</u>	<u>June 2019</u>
Civilian Labor Force	26,282	26,298	492,871	493,353	13,844,386	14,009,283
Total Employed	24,179	25,441	454,236	477,944	12,612,804	13,489,259
Total Unemployed	2,103	857	38,635	15,409	1,231,582	520,024
% Unemployed	8.0%	3.3%	7.8%	3.1%	8.9%	3.7%
% Unemployed (United States)	11.2%	3.8%	11.2%	3.8%	11.2%	3.8%

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 2020,” dated September 15, 2020, in the principal amount of \$_____ (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 2020"

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 the owners thereof.

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 financial asset securitization investment trust, 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, 2019**

(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



LITTLE ELM

**Fiscal Year Ended
September 30, 2019**

PREPARED BY:

Kelly Wilson, CPM, CGFO—Chief Financial Officer

Dianne Lawson, CGFO—Asst. Director of Finance

Robin N. Bromiley, CGFO—Controller

Crystal Williamson

Amanda Dossey

Sheryl Champlin

Shelly Newell



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Town of Little Elm, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2019
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Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2019
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Financial Section



LITTLE ELM

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Austin | Conroe | Dallas | Fort Worth | Houston
Los Angeles | Midland | New York City | San Antonio

Independent Auditor's Report

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

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, 2019, 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, Texas

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, 2019, 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 (pages 5-14), budgetary comparison information (Pages 68-70), and TMRS pension and OPEB schedules (pages 71-74) 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 Honorable Mayor,
Town of Little Elm, Texas

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2020, 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 12, 2020



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MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2019
(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, 2019. 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 \$237,955,747 (net position). Of this amount \$34,401,037 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$27,310,509 during the fiscal year.
- The Town's total amount of long-term liabilities is \$114,368,697, which is a net increase of \$3,064,265 when compared to the prior year. During 2019, the Town issued \$6,640,000 of Certificates of Obligation and \$7,320,000 of General Obligation Refunding Bonds.
- As of the close of the current fiscal year, the Town of Little Elm's governmental funds reported a combined ending fund balance of \$55,531,116, an increase of \$5,031,847 in comparison with the prior year. The increase is due in part to increased intergovernmental revenues and insurance proceeds. Within this total, \$32,482,359 (58%) is restricted by specific legal requirements, \$21,312,934 (38%) is unassigned fund balance, \$1,674,909 (3%) is committed to specific types of expenditures and \$60,914 (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 condition of the Town, other non-financial factors should also be taken into consideration. These



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2019
(unaudited)

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



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2019
(unaudited)

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 PID 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 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 2019, the Town's net position (assets exceeding liabilities) totaled \$237,955,747. 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, \$186,487,239 or 78% 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 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



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2019
(unaudited)

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, \$17,067,471 or 7%, represents resources that are subject to external restrictions on how they may be used. The unrestricted portion of net position which is \$34,401,037 or 15% 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 67,157,545	\$ 60,436,321	\$ 24,452,048	\$ 25,495,231	\$ 91,609,593	\$ 85,931,552
Capital assets	185,346,202	165,531,793	79,909,387	77,414,060	265,255,589	242,945,853
Total assets	252,503,747	225,968,114	104,361,435	102,909,291	356,865,182	328,877,405
Deferred outflow s of resources	4,112,872	2,072,661	1,189,740	1,040,164	5,302,612	3,112,825
Current liabilities	6,578,230	5,562,160	3,176,130	3,604,653	9,754,360	9,166,813
Noncurrent liabilities	71,492,457	65,848,186	42,876,240	45,456,246	114,368,697	111,304,432
Total liabilities	78,070,687	71,410,346	46,052,370	49,060,899	124,123,057	120,471,245
Deferred inflow s of resources	80,589	800,446	8,401	73,301	88,990	873,747
Net position:						
Net investment in capital	145,345,688	123,244,861	41,141,551	40,669,826	186,487,239	163,914,687
Restricted	13,172,118	12,374,755	3,895,353	2,766,515	17,067,471	15,141,270
Unrestricted	19,947,537	20,210,367	14,453,500	11,378,914	34,401,037	31,589,281
Total net position	<u>\$ 178,465,343</u>	<u>\$ 155,829,983</u>	<u>\$ 59,490,404</u>	<u>\$ 54,815,255</u>	<u>\$ 237,955,747</u>	<u>\$ 210,645,238</u>

Changes in Net Position. The net position of the Town increased by \$27,310,509 from the prior year.

Governmental Activities. Governmental activities increased the Town's net position by \$22,635,360 from the prior year. This was due in part to intergovernmental revenue and insurance proceeds, but in large part, the increase is due to increased assessed property values, which in turn, bring in more property tax revenue to the Town that support services.

Business-type Activities. Net position from business-type activities increased \$4,675,149 from the prior year. Increased utility revenues from growth of our customer base are partially responsible for this increase in net position. However, previously approved rate increases in water and sewer rates as well as 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, 2019
 (unaudited)

Government-Wide Financial Analysis

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 11,269,262	\$ 11,973,120	\$ 20,668,887	\$ 20,149,486	\$ 31,938,149	\$ 32,122,606
Operating grants and contributions	741,359	1,909,369	3,750	194,520	745,109	2,103,889
Capital grants and contributions	20,308,931	34,764,994	1,128,838	2,224,101	21,437,769	36,989,095
General revenues:						
Property taxes	24,654,126	21,827,298	-	-	24,654,126	21,827,298
Sales taxes	5,278,231	4,881,118	-	-	5,278,231	4,881,118
Franchise taxes	2,271,058	2,339,724	150,895	123,504	2,421,953	2,463,228
Investment Income	1,456,551	628,922	472,431	307,881	1,928,982	936,803
Other	1,648,669	751,830	25,136	59,830	1,673,805	811,660
Gain on sale of capital assets	108,592	-	15,456	15,864	124,048	15,864
Total revenues	67,736,779	79,076,375	22,465,393	23,075,186	90,202,172	102,151,561
Expenses:						
General government	8,443,749	10,282,772	-	-	8,443,749	10,282,772
Community service	2,948,714	2,837,652	-	-	2,948,714	2,837,652
Public safety	18,514,472	17,650,976	-	-	18,514,472	17,650,976
Public works	8,392,911	6,274,905	-	-	8,392,911	6,274,905
Culture and recreation	5,884,721	5,597,971	-	-	5,884,721	5,597,971
Interest expense	3,244,002	4,970,121	-	-	3,244,002	4,970,121
Water and sewer services	-	-	13,401,840	13,442,962	13,401,840	13,442,962
Solid waste services	-	-	2,061,254	1,937,883	2,061,254	1,937,883
Total expenses:	47,428,569	47,614,397	15,463,094	15,380,845	62,891,663	62,995,242
Change in net position before transfers	20,308,210	31,461,978	7,002,299	7,694,341	27,310,509	39,156,319
Transfers	2,327,150	57,640	(2,327,150)	(57,640)	-	-
Change in net position	22,635,360	31,519,618	4,675,149	7,636,701	27,310,509	39,156,319
Net position - beginning	155,829,983	124,540,970	54,815,255	47,202,592	210,645,238	171,743,562
Cumulative effect of change in accounting policy	-	(230,605)	-	(24,038)	-	(254,643)
Net position - ending	\$ 178,465,343	\$ 155,829,983	\$ 59,490,404	\$ 54,815,255	\$ 237,955,747	\$ 210,645,238

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 \$55,531,116.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2019
(unaudited)

**Table 3
Governmental Funds
Condensed Balance Sheet**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>PID Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets	\$ 23,933,613	\$ 1,140,873	\$ 30,955,576	\$ 2,393,043	\$ 5,398,934	\$ 63,822,039
Liabilities	\$ 2,114,911	\$ 40,594	\$ 3,032,883	\$ 22,433	\$ 1,265,833	\$ 6,476,654
Deferred Inflows of Resources	444,854	19,745	1,349,670	-	-	1,814,269
Fund Balances	21,373,848	1,080,534	26,573,023	2,370,610	4,133,101	55,531,116
Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 23,933,613	\$ 1,140,873	\$ 30,955,576	\$ 2,393,043	\$ 5,398,934	\$ 63,822,039

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, unassigned fund balance was \$21,312,934. The unassigned fund balance of the General Fund was consistent with prior year increasing by \$164,676 which is consistent with the total general fund balance increase of \$161,036.

The Debt Service Fund had a decrease of \$72,671 in fund balance which included bond issuance and premium totaling \$7,851,519 and payments to escrow agent to refund prior debt outstanding of \$7,878,498. The Capital Projects Fund increased by \$6,896,648 due primarily to the issuance of debt with a premium totaling \$7,169,863 this fiscal year. PID Capital Projects Fund decreased by \$2,808,916 due to expenditures for PID projects. Other governmental funds' combined fund balances increased by \$855,750 with the ending fund balance of \$4,133,101 restricted for specific purposes.

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

Unrestricted net position of the Utility Fund at the end of the year was \$14,453,500. This represents an increase of \$3,074,586. The increase is attributable to gains in water and sewer sales revenue. This year's operating revenue was \$20,697,773. The slight increase of \$302,346 from last year's operating revenue is attributable to increases in water and sewer sales revenue, due to increases in rates and consistent consumption.

General Fund Budgetary Highlights. In FY 2019, the General Fund expenditure budget was increased by \$4,302,876 over the 2018 budget. Amendments made during the fiscal year 2019 increased the original revenue budget by \$331,880 and increased the expenditure budget by \$1,772,072. Amendments were primarily due to 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 was \$3,097,967 more than budgeted. This positive variance is most noticeable in taxes and charges for service revenue. General Fund expenditures had a final budget to actual variance of \$2,999,852 prior to other financing sources/uses. This positive variance is the result of savings experienced in nearly all departments. Also some budgeted projects were not completed in FY2019 and were encumbered to the FY2020 budget.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2019
 (unaudited)

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, 2019, amounts to \$265,255,589 (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 70% of the capital assets are governmental and 30% are business-type activities. The total increase in the Town's investment in capital assets for the current year was 9%.

Table 4
Capital Assets at Year-end
(net of accumulated depreciation)

	Governmental activities		Business-type activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 9,210,630	\$ 9,166,511	\$ 1,639,066	\$ 1,639,066	\$ 10,849,696	\$ 10,805,577
Construction in progress	14,378,446	9,392,093	13,560,560	14,378,345	27,939,006	23,770,438
Buildings	33,371,051	34,282,454	2,062,333	22,339	35,433,384	34,304,793
Infrastructure	102,031,849	86,928,488	61,422,763	60,266,691	163,454,612	147,195,179
Other improvements	19,181,475	18,907,723	-	-	19,181,475	18,907,723
Machinery and equipment	7,172,751	6,854,524	1,224,665	1,107,619	8,397,416	7,962,143
Total	\$ 185,346,202	\$ 165,531,793	\$ 79,909,387	\$ 77,414,060	\$ 265,255,589	\$ 242,945,853

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 had total bonded debt outstanding of \$114,368,697, 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 5
Outstanding Debt
Outstanding Debt and Long-Term Liabilities

	Governmental activities		Business-type activities		Total Primary Government		Component Units	
	2019	2018	2019	2018	2019	2018	2019	2018
Gross bonded debt:								
General obligation	\$ 22,541,613	\$ 23,612,615	\$ 18,228,388	\$ 19,687,382	\$ 40,770,001	\$ 43,299,997	\$ -	\$ -
Certificates of obligation	35,860,000	33,220,000	21,270,000	22,445,000	57,130,000	55,665,000	-	-
Total bonded debt	58,401,613	56,832,615	39,498,388	42,132,382	97,900,001	98,964,997	-	-
Other long-term debt:								
Capital leases	-	-	-	-	-	-	-	-
Tax notes	495,000	855,000	-	-	495,000	855,000	-	-
Notes Payable	-	-	600,000	700,000	600,000	700,000	11,819,698	12,427,001
Unamortized premiums	2,800,220	1,984,780	1,639,444	1,782,654	4,439,664	3,767,434	-	-
Compensated absences	2,524,700	2,180,586	268,969	313,232	2,793,669	2,493,818	72,410	42,522
Total OPEB liability	298,307	289,083	31,097	30,135	329,404	319,218	-	-
Net pension liability	6,972,617	3,706,122	838,342	497,843	7,810,959	4,203,965	-	-
Total other long-term debt	13,090,844	9,015,571	3,377,852	3,323,864	16,468,696	12,339,435	11,892,108	12,469,523
Total	\$ 71,492,457	\$ 65,848,186	\$ 42,876,240	\$ 45,456,246	\$114,368,697	\$111,304,432	\$ 11,892,108	\$ 12,469,523



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2019
(unaudited)

The Town continues to maintain favorable ratings from the bond rating agencies. Standard & Poor's rating continues to be AA. The outlook is stable. The 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.

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 components unit 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 fund balance at fiscal year-end was \$1,672,827. This is an increase of \$487,372 from the prior year. The LEEDC's total revenues were \$2,466,060 of which \$2,016,882 was from sales taxes. For the year, the LEEDC had expenditures of \$2,049,651. Of this amount \$852,441 was for economic and physical development and \$607,303 represented principal payments on notes payable.

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 fund balance at year-end was \$581,218. This is an increase of \$80,878 from the prior year. The LECDC's total revenues were \$1,067,375 of which \$1,057,767 was from sales taxes. For the year, the LECDC had expenditures of \$986,497. Of this amount, \$371,517 was for economic and physical development and \$602,980 for debt service.

2019 Highlights and Accomplishments

The following are a few of the highlights and accomplishments for the fiscal year:

- Maintained a 94% voluntary compliance rate and cleared 7,095 community integrity cases using a more proactive and educational approach to gain compliance
- Animal Services reclaimed 204 animals, adopted out 251 animals, and transferred 161 animals to rescue
- Responded to 41,839 calls for service for the Police department from October 2018 – September 2019
- Completed the Public Safety Honor Park to show community support between residents and first responders
- Added additional officers to the Little Elm Police Department through contracts funded by neighborhood municipalities and water districts bringing our staff to 80 certified police officers and ten civilians



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2019
(unaudited)

- Completed design and began construction on a 42,000 square-foot aquatic park
- Expanded the trail system with the completion of the Harts Branch Trail that provides a link to our entire system and connectivity to the region
- Completed and adopted Cottonwood Park Master Plan
- Broke ground and began construction on the Wood Family Dog Park at McCord Park
- Completed 4-million gallon per day (MGD) expansion of the Waste Water Treatment Plant
- Completed \$1.2M in street, sidewalk, and curb maintenance projects as part of the Annual Street Maintenance Program
- Brought vehicle safety inspection process in-house to decrease downtime for vehicles and save 200+ hours of staff time annually
- Completed construction and opened a new Public Works Fleet Facility

Economic Factors and Next Year's Budgets and Rates

Little Elm is still one of the fastest growing areas in the nation and with that comes a tremendous number of challenges, but also outstanding opportunity. With this growth, there are new sources and higher amounts of revenue, but there is also a mounting list of needs for programs and services to accommodate the growth and meet the expectations of the community.

Little Elm continues to 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 North quadrant of Little Elm.

For the last several years, it has been the goal to maintain 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 keep the tax rate of \$.64990 and still meet those objectives. Of the total tax rate, \$.496524 is dedicated to general operations and maintenance (O&M) in the General Fund, and \$.153376 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 2019-2020 budget.) Projects include the WWTP expansion, an aquatic center, several road reconstruction projects, Fire Station #1 floor repair and McCord Park water reuse water line.

The fiscal year 2019-2020 operating budget increased by 10% or \$5,005,783, from fiscal year 2018-2019 budget. General revenues for property taxes were budgeted with a 9% or \$2,080,905 increase from fiscal year 2018-2019. The growth in property tax revenue is due to new assessed properties added to the tax roll as well as a moderate increase of 12% more on assessed values that are seen across the North DFW area. Sales tax revenue is also expected to grow. The total amount of sales tax (\$.015) budgeted for FY 20 reflects a 10% increase over last year which is another indicator of growth within the area. Major increases in operational costs are:

Compensation and Benefits	\$1,464,115
New Personnel	\$ 582,524
Public Safety Personnel (Interlocal)	\$1,599,987



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2019
(unaudited)

IT Upgrades	\$ 659,429
Vehicle Replacement Capital Equipment Purchase	\$1,239,322

General Fund revenues and budgeted transfers are estimated at \$36,803,799 for FY 2020. This is an increase of 15% or \$4,820,543 over FY 2019. The sales tax maximum rate is 8.25%, with 1% contributed to the Town of Little Elm's General Fund. The sales tax reported in the General Fund is projected to generate revenue of approximately \$3.6 million or 9% more than last year's budget. This growth is a result of continued commercial development and population growth in the area.

The Water and Sewer Fund is expected to begin FY 2020 with a \$8.5 million working capital balance. The Town's policy initiative to maintain working capital reserves at a minimum of 60 days calculated from the previous year's earnings. A healthy fund balance is necessary to help fund the future capital projects and one-time maintenance infrastructure costs planned within the five-year balanced budget.

The Utility Fund total system revenues are estimated at \$18,885,935, or 13% more than the prior year budget due to the growth in residential, multi-family and commercial connections to the Town's utility system.

The total number of budgeted employees or FTE's (Full-time equivalents) is 304 for a salary with benefits cost of \$29.6 million (including new positions). New positions budgeted for FY 2019-2020 are: Police: two-Patrol Officers; Fleet: Technician; Streets: Crew Leader; IT: Tech Support.

The 2019-2020 budget reflects the efforts of the governing body and Town staff to address the need to provide services and facilities to support our vibrant and growing community, while still maintaining a strong financial position.

Tax Increment Reinvestment Zones and Public Improvement Districts

Note 14 to the Financial Statements addresses the Town Council's creation of four Tax Increment Reinvestment Zones ("TIRZ") (#3, #4, #5 and #6) and the four Public Improvement Districts. The Financial Statements specifically addresses the creation for each zone and district

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.

Basic Financial Statements



LITTLE ELM

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Town of Little Elm, Texas
Statement of Net Position
September 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 38,253,800	\$ 13,258,416	\$ 51,512,216	\$ 1,957,528
Investments	-	5,000,000	5,000,000	-
Restricted cash and cash equivalents	21,821,204	2,132,711	23,953,915	-
Restricted investments	2,393,043	-	2,393,043	-
Receivables (net of allowance for uncollectibles)	3,195,608	3,573,505	6,769,113	611,604
Due from other governments	1,351,970	215,301	1,567,271	-
Due from component unit	81,006	-	81,006	-
Lease receivable	-	-	-	2,959,785
Prepays	3,927	779	4,706	-
Inventories	56,987	271,336	328,323	-
Note receivable from primary government				600,000
Capital assets:				
Land	9,210,630	1,639,066	10,849,696	10,309,703
Depreciable assets, net	161,757,126	64,709,761	226,466,887	-
Construction in progress	14,378,446	13,560,560	27,939,006	-
Total assets	252,503,747	104,361,435	356,865,182	16,438,620
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	4,005,955	471,723	4,477,678	-
Deferred outflows - OPEB	21,570	2,250	23,820	-
Deferred loss on refunding	85,347	715,767	801,114	-
Total deferred outflows of resources	4,112,872	1,189,740	5,302,612	-
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	5,004,214	1,170,636	6,174,850	234,081
Due to primary government	-	-	-	81,006
Accrued interest payable	386,361	214,193	600,554	37,956
Retainage payable	346,044	478,482	824,526	-
Customer deposits	841,611	1,312,819	2,154,430	-
Non-current liabilities:				
Due within one year	6,627,841	2,918,266	9,546,107	640,131
Due in more than one year	64,864,616	39,957,974	104,822,590	11,251,977
Total liabilities	78,070,687	46,052,370	124,123,057	12,245,151
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	54,671	5,699	60,370	-
Deferred inflows - OPEB	25,918	2,702	28,620	-
Total deferred inflows of resources	80,589	8,401	88,990	-
NET POSITION (DEFICIT)				
Net investment in capital assets	145,345,688	41,141,551	186,487,239	(1,509,995) ¹
Restricted:				
Construction	7,450,693	3,895,353	11,346,046	-
Economic development	1,254,449	-	1,254,449	4,941,212
Stormwater drainage	1,112,918	-	1,112,918	-
Street maintenance	995,781	-	995,781	-
Streetscape	834,081	-	834,081	-
Debt service	754,243	-	754,243	181,034
Other	769,953	-	769,953	-
Unrestricted	19,947,537	14,453,500	34,401,037	581,218
Total net position (deficit)	\$ 178,465,343	\$ 59,490,404	\$ 237,955,747	\$ 4,193,469

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, 2019

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Functions/Programs:				
Governmental activities:				
General government	\$ 8,443,749	\$ 81,933	\$ 75,471	\$ 5,082,021
Community service	2,948,714	4,045,264	-	300,000
Public safety	18,514,472	3,702,971	296,555	-
Public works	8,392,911	1,775,903	85,863	14,526,910
Culture and recreation	5,884,721	1,663,191	283,470	400,000
Interest expense	3,244,002	-	-	-
Total governmental activities	47,428,569	11,269,262	741,359	20,308,931
Business-type activities:				
Water and sewer services	13,401,840	18,144,028	-	1,128,838
Solid waste services	2,061,254	2,524,859	3,750	-
Total business-type activities	15,463,094	20,668,887	3,750	1,128,838
Total primary government	\$ 62,891,663	\$ 31,938,149	\$ 745,109	\$ 21,437,769
Component Units:				
Economic Development Corporation	1,426,129	\$ -	\$ 145,880	\$ -
Community Development Corporation	986,497	-	-	-
Total component units	\$ 2,412,626	\$ -	\$ 145,880	\$ -

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
\$ (3,204,324)	\$ -	\$ (3,204,324)	\$ -
1,396,550	-	1,396,550	-
(14,514,946)	-	(14,514,946)	-
7,995,765	-	7,995,765	-
(3,538,060)	-	(3,538,060)	-
(3,244,002)	-	(3,244,002)	-
(15,109,017)	-	(15,109,017)	-
-	5,871,026	5,871,026	-
-	467,355	467,355	-
-	6,338,381	6,338,381	-
<u>\$ (15,109,017)</u>	<u>\$ 6,338,381</u>	<u>\$ (8,770,636)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	(1,280,249)
-	-	-	(986,497)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,266,746)</u>
\$ 24,654,126	\$ -	\$ 24,654,126	\$ -
5,278,231	-	5,278,231	3,074,649
2,271,058	150,895	2,421,953	-
1,456,551	472,431	1,928,982	46,310
1,648,669	25,136	1,673,805	166,596
108,592	15,456	124,048	-
2,327,150	(2,327,150)	-	-
37,744,377	(1,663,232)	36,081,145	3,287,555
22,635,360	4,675,149	27,310,509	1,020,809
155,829,983	54,815,255	210,645,238	3,172,660
<u>\$ 178,465,343</u>	<u>\$ 59,490,404</u>	<u>\$ 237,955,747</u>	<u>\$ 4,193,469</u>

Town of Little Elm, Texas
 Balance Sheet
 Governmental Funds
 September 30, 2019

	General Fund	Debt Service	Capital Projects	PID Capital Projects	Nonmajor Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 20,903,664	\$ 1,030,329	\$ 9,269,986	\$ -	\$ 3,469,473	\$ 34,673,452
Restricted cash and cash equivalents	-	-	20,333,620	-	1,487,584	21,821,204
Restricted investments	-	-	-	2,393,043	-	2,393,043
Receivables, net of allowance for doubtful accounts						
Taxes	899,231	29,538	-	-	259,853	1,188,622
Franchise fees	1,164,993	-	-	-	-	1,164,993
Other	659,969	-	-	-	182,024	841,993
Due from other governments	-	-	1,351,970	-	-	1,351,970
Due from component unit	-	81,006	-	-	-	81,006
Due from other funds	244,842	-	-	-	-	244,842
Prepays	3,927	-	-	-	-	3,927
Inventories	56,987	-	-	-	-	56,987
Total assets	<u>\$ 23,933,613</u>	<u>\$ 1,140,873</u>	<u>\$ 30,955,576</u>	<u>\$ 2,393,043</u>	<u>\$ 5,398,934</u>	<u>\$ 63,822,039</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	\$ 1,929,244	\$ 269	\$ 2,074,291	\$ 22,433	\$ 977,595	\$ 5,003,832
Due to other funds	-	-	-	-	244,842	244,842
Accrued interest payable	-	40,325	-	-	-	40,325
Retainage payable	-	-	302,648	-	43,396	346,044
Deposits	185,667	-	655,944	-	-	841,611
Total liabilities	<u>2,114,911</u>	<u>40,594</u>	<u>3,032,883</u>	<u>22,433</u>	<u>1,265,833</u>	<u>6,476,654</u>
Deferred inflows of resources:						
Unavailable resources	444,854	19,745	1,349,670	-	-	1,814,269
Total deferred inflows of resources	<u>444,854</u>	<u>19,745</u>	<u>1,349,670</u>	<u>-</u>	<u>-</u>	<u>1,814,269</u>
FUND BALANCES						
Nonspendable	60,914	-	-	-	-	60,914
Restricted	-	1,080,534	24,898,114	2,370,610	4,133,101	32,482,359
Committed	-	-	1,674,909	-	-	1,674,909
Unassigned	21,312,934	-	-	-	-	21,312,934
Total fund balances	<u>21,373,848</u>	<u>1,080,534</u>	<u>26,573,023</u>	<u>2,370,610</u>	<u>4,133,101</u>	<u>55,531,116</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,933,613</u>	<u>\$ 1,140,873</u>	<u>\$ 30,955,576</u>	<u>\$ 2,393,043</u>	<u>\$ 5,398,934</u>	<u>\$ 63,822,039</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, 2019

Total governmental fund balances	\$ 55,531,116
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 \$3,428,661 in assets allocated to governmental activities from the internal service fund).	181,917,541
Accrued interest on governmental activities debt is not reported in the governmental funds financial statements until paid.	(346,036)
Revenues earned but not available within sixty days of fiscal year-end are not recognized as revenue in the governmental funds financial statements.	1,814,269
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.	85,347
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.	7,008,627
Net deferred outflows/inflows of resources related to the Town's net pension and total OPEB liability increases net position.	3,946,936
Net pension liability (\$6,972,617) and total OPEB liability (\$298,307) are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.	(7,270,924)
Premiums on bond issuance for governmental activities debt are included in other financing sources in the governmental funds financial statements.	(2,800,220)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.	(2,524,700)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.	<u>(58,896,613)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 178,465,343</u></u>

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

Town of Little Elm, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended September 30, 2019

	General Fund	Debt Service	Capital Projects	PID Capital Projects	Nonmajor Governmental Funds	Total
Revenues:						
Taxes:						
Property taxes, penalty, and interest	\$ 17,419,782	\$ 6,191,509	\$ -	\$ -	\$ 1,044,688	\$ 24,655,979
General sales and use taxes	4,085,873	-	-	-	1,192,358	5,278,231
Other taxes and franchise fees	2,225,697	-	-	-	45,361	2,271,058
Licenses and permits	3,494,513	-	830,909	-	-	4,325,422
Intergovernmental	1,158,889	683,986	1,126,772	-	226,315	3,195,962
Charges for services	4,398,501	-	-	-	621,657	5,020,158
Impact fees	-	-	738,079	-	-	738,079
Fines and forfeitures	813,047	-	-	-	367,749	1,180,796
Contributions	-	-	400,000	5,071,860	124,879	5,596,739
Interest	629,050	74,322	503,769	82,878	99,605	1,389,624
Other revenues	300,041	-	169,455	-	102,868	572,364
Total revenues	34,525,393	6,949,817	3,768,984	5,154,738	3,825,480	54,224,412
Expenditures:						
Current:						
General government	4,171,885	-	-	2,086,825	349,070	6,607,780
Community services	2,635,371	-	368,694	-	-	3,004,065
Public safety	18,243,219	-	-	-	403,190	18,646,409
Public works	3,678,222	-	-	-	1,599,924	5,278,146
Culture and recreation	4,315,131	-	-	-	15,811	4,330,942
Debt service:						
Principal retirement	-	5,001,002	-	-	-	5,001,002
Interest and fiscal agent fees	-	1,842,080	169,863	-	-	2,011,943
Other debt service costs	-	152,427	-	1,218,188	-	1,370,615
Capital outlay	699,185	-	7,054,642	4,658,641	568,750	12,981,218
Total expenditures	33,743,013	6,995,509	7,593,199	7,963,654	2,936,745	59,232,120
Excess (deficiency) of revenues over (under) expenditures	782,380	(45,692)	(3,824,215)	(2,808,916)	888,735	(5,007,708)
Other financing sources (uses):						
Proceeds from sale of assets	142,943	-	-	-	-	142,943
Issuance of refunding bonds	-	7,320,000	-	-	-	7,320,000
Issuance of certificates of obligation	-	-	6,640,000	-	-	6,640,000
Premium on debt issuances	-	531,519	529,863	-	-	1,061,382
Payment to refunded bond escrow agent	-	(7,878,498)	-	-	-	(7,878,498)
Insurance proceeds	426,578	-	-	-	-	426,578
Transfers in	1,969,135	-	3,551,000	-	-	5,520,135
Transfers out	(3,160,000)	-	-	-	(32,985)	(3,192,985)
Total other financing sources (uses)	(621,344)	(26,979)	10,720,863	-	(32,985)	10,039,555
Net change in fund balances	161,036	(72,671)	6,896,648	(2,808,916)	855,750	5,031,847
Fund balance at beginning of year	21,212,812	1,153,205	19,676,375	5,179,526	3,277,351	50,499,269
Fund balance, end of year	\$ 21,373,848	\$ 1,080,534	\$ 26,573,023	\$ 2,370,610	\$ 4,133,101	\$ 55,531,116

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, 2019

Net change in fund balances - total governmental funds	\$ 5,031,847
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.	177,662
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 \$12,726,883 of capital outlay (\$12,826,945 less \$100,062 allocated from internal service fund) and \$34,351 of disposals.	12,692,532
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. Depreciation expense is \$6,710,383 less the internal service fund depreciation expense of \$697,005.	(6,013,378)
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	12,732,608
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:	
Debt issued	(13,960,000)
Premiums from bond issuance	(1,061,382)
Repayments of bonds	5,001,002
Refunded bonds	7,750,000
Amortization of premium from debt that was refunded	79,516
Deferred loss on refunding	48,982
Current year amortization of deferred loss on refunding	(14,229)
Current year amortization of premium on bonds	166,426
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.	(344,114)
The following is the net effect of a decrease in net position from net increases in the TMRS pension and total OPEB liability, (\$3,275,719), and a increase in net position from net increases of deferred outflows/inflows for TMRS pension and OPEB, \$2,725,315.	(550,404)
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.	911,933
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	(13,641)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 22,635,360

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, 2019

	Business-type Activities Enterprise funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Solid Waste	Total	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash and cash equivalents	\$ 12,806,332	\$ 452,084	\$ 13,258,416	\$ 3,580,348
Investments	5,000,000	-	5,000,000	-
Restricted cash and cash equivalents	2,132,711	-	2,132,711	-
Receivables (net of allowance for uncollectibles)	3,311,533	261,972	3,573,505	-
Due from other governments	215,301	-	215,301	-
Prepays	779	-	779	-
Inventories	271,336	-	271,336	-
Total current assets	23,737,992	714,056	24,452,048	3,580,348
Capital assets:				
Land	1,639,066	-	1,639,066	-
Depreciable assets, net	64,580,367	129,394	64,709,761	3,428,661
Construction in progress	13,560,560	-	13,560,560	-
Total capital assets	79,779,993	129,394	79,909,387	3,428,661
Total assets	103,517,985	843,450	104,361,435	7,009,009
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	471,723	-	471,723	-
Deferred outflows - OPEB	2,250	-	2,250	-
Deferred loss on refunding	715,767	-	715,767	-
Total deferred outflows of resources	1,189,740	-	1,189,740	-
Total assets and deferred outflows of resources	\$ 104,707,725	\$ 843,450	\$ 105,551,175	\$ 7,009,009
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable and other accrued expenses	\$ 985,164	\$ 185,472	\$ 1,170,636	\$ 382
Accrued interest payable	214,193	-	214,193	-
Retainage payable	478,482	-	478,482	-
Customer deposits	1,312,819	-	1,312,819	-
Current portion of long-term debt	2,917,779	487	2,918,266	-
Total current liabilities	5,908,437	185,959	6,094,396	382
Long-term debt, net of current portion	39,952,760	5,214	39,957,974	-
Total liabilities	45,861,197	191,173	46,052,370	382
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	5,699	-	5,699	-
Deferred inflows - OPEB	2,702	-	2,702	-
Total deferred inflows of resources	8,401	-	8,401	0
Net position:				
Net investment in capital assets	41,012,157	129,394	41,141,551	3,428,661
Restricted for:				
Construction - impact fees	3,895,353	-	3,895,353	-
Unrestricted	13,930,617	522,883	14,453,500	3,579,966
Total net position	58,838,127	652,277	59,490,404	7,008,627
Total liabilities, deferred inflows of resources and net position	\$ 104,705,023	\$ 843,450	\$ 105,548,473	\$ 7,009,009

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, 2019

	Business-type Activities			Governmental- Activities Internal Service Fund
	Enterprise funds			
	Water and Sewer	Solid Waste	Total	
Operating revenues:				
Water sales	\$ 10,074,484	\$ -	\$ 10,074,484	\$ -
Charges for sewer services	7,457,735	-	7,457,735	-
Tap, connections, and other fees	592,401	-	592,401	-
Charges for solid waste	-	2,523,446	2,523,446	-
Contributions	-	-	-	1,777,864
Other revenue	44,544	5,163	49,707	-
Total operating revenues	18,169,164	2,528,609	20,697,773	1,777,864
Operating expenses:				
Personnel services	2,336,445	55,820	2,392,265	-
Contractual services	415,121	1,886,794	2,301,915	-
Repairs and maintenance	358,906	76,782	435,688	-
Supplies	5,866,482	15,404	5,881,886	235,853
Depreciation and amortization	2,429,809	26,031	2,455,840	697,005
Other operating expenses	693,155	423	693,578	-
Total operating expenses	12,099,918	2,061,254	14,161,172	932,858
Operating income	6,069,246	467,355	6,536,601	845,006
Non-operating revenues (expenses):				
Taxes	-	150,895	150,895	-
Gain on sale of assets	15,456	-	15,456	-
Interest income	462,494	9,937	472,431	66,927
Interest expense	(1,301,922)	-	(1,301,922)	-
Total non-operating revenue (expenses)	(823,972)	160,832	(663,140)	66,927
Income before capital contributions and transfers	5,245,274	628,187	5,873,461	911,933
Capital contributions and transfers				
Impact fees	1,128,838	-	1,128,838	-
Transfers out	(1,761,150)	(566,000)	(2,327,150)	-
Total capital contributions and transfers	(632,312)	(566,000)	(1,198,312)	-
Change in net position	4,612,962	62,187	4,675,149	911,933
Cumulative effect of change in accounting principal	-	-	-	-
Net position at beginning of year	54,225,165	590,090	54,815,255	6,096,694
Net position, end of year	\$ 58,838,127	\$ 652,277	\$ 59,490,404	\$ 7,008,627

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, 2019

	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	\$ 17,798,517	\$ 2,509,916	\$ 20,308,433	\$ -
Payments to suppliers	(8,390,867)	(2,009,405)	(10,400,272)	(247,471)
Payments to employees	(1,695,600)	(7,579)	(1,703,179)	-
Cash received (paid) from transactions with other funds	-	-	-	1,777,864
Net cash provided by operating activities	<u>7,712,050</u>	<u>492,932</u>	<u>8,204,982</u>	<u>1,530,393</u>
Cash flow from noncapital financing activities:				
Transfers out	(1,761,150)	(566,000)	(2,327,150)	-
Taxes	-	150,895	150,895	-
Net cash used by noncapital financing activities	<u>(1,761,150)</u>	<u>(415,105)</u>	<u>(2,176,255)</u>	<u>-</u>
Cash flow from capital financing activities:				
Acquisition of capital assets	(4,951,167)	-	(4,951,167)	(1,099,652)
Proceeds from sale of capital assets	15,456	-	15,456	-
Impact fees	1,128,838	-	1,128,838	-
Principal paid on capital debt	(2,733,994)	-	(2,733,994)	-
Interest paid on capital debt	(1,393,593)	-	(1,393,593)	-
Net cash provided by used by capital financing activities	<u>(7,934,460)</u>	<u>-</u>	<u>(7,934,460)</u>	<u>(1,099,652)</u>
Cash flow from investing activities:				
Net purchases of investments	(5,000,000)	-	(5,000,000)	-
Interest and dividends on investments	462,494	9,937	472,431	66,927
Net cash provided by (used by) investing activities	<u>(4,537,506)</u>	<u>9,937</u>	<u>(4,527,569)</u>	<u>66,927</u>
Net increase (decrease) in cash and cash equivalents	(6,521,066)	87,764	(6,433,302)	497,668
Cash and cash equivalents, beginning of the year	21,460,109	364,320	21,824,429	3,082,680
Cash and cash equivalent, ending of the year	<u>\$ 14,939,043</u>	<u>\$ 452,084</u>	<u>\$ 15,391,127</u>	<u>\$ 3,580,348</u>
Noncash transactions:				
Capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2019

	<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	\$ 6,069,246	\$ 467,355	\$ 6,536,601	\$ 845,006
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,429,809	26,031	2,455,840	697,005
Pension and OPEB expense (net)	57,374	-	57,374	-
Effects of changes in assets and liabilities:				
Decrease (increase) in receivables	(370,930)	(18,693)	(389,623)	-
Decrease (increase) in inventories	283	-	283	-
Decrease (increase) in prepaids	(779)	-	(779)	-
Increase (decrease) in payables	(477,144)	13,025	(464,119)	(11,618)
Increase (decrease) in deposits	53,668	-	53,668	-
Increase (decrease) in compensated absences	(49,477)	5,214	(44,263)	-
Net cash provided by operating activities	<u>\$ 7,712,050</u>	<u>\$ 492,932</u>	<u>\$ 8,204,982</u>	<u>\$ 1,530,393</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, 2019

	<u>PID Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 95,122
Restricted Investments	<u>4,432,754</u>
Total Assets	<u><u>\$ 4,527,876</u></u>
LIABILITIES	
Liability to bond holders	<u>\$ 4,527,876</u>
Total Liabilities	<u><u>\$ 4,527,876</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, 2019

ASSETS	Economic Development Corporation	Community Development Corporation	Total
Current assets:			
Cash and cash equivalents	\$ 1,542,474	\$ 415,054	\$ 1,957,528
Receivables (net of allowance for uncollectibles)	410,068	201,536	611,604
Leases receivable	2,959,785	-	2,959,785
Note receivable from primary government-current	100,000	-	100,000
Non-current assets:			
Note receivable from primary government	500,000	-	500,000
Land	10,309,703	-	10,309,703
Total Assets	<u>15,822,030</u>	<u>616,590</u>	<u>16,438,620</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	198,709	35,372	234,081
Due to primary government	81,006	-	81,006
Accrued interest payable	37,956	-	37,956
Non-current liabilities:			
Due within one year	640,131	-	640,131
Due in more than one year	11,251,977	-	11,251,977
Total Liabilities	<u>12,209,779</u>	<u>35,372</u>	<u>12,245,151</u>
NET POSITION			
Net investment in capital assets	(1,509,995)	-	(1,509,995)
Restricted for economic development	4,941,212	-	4,941,212
Restricted for debt service	181,034	-	181,034
Unrestricted	-	581,218	581,218
Total Net Position	<u>\$ 3,612,251</u>	<u>\$ 581,218</u>	<u>\$ 4,193,469</u>

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, 2019

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:			
Economic Development Corporation	\$ 1,426,129	\$ 145,880	\$ -
Community Development Corporation	986,497	-	-
Total component units	\$ 2,412,626	\$ 145,880	\$ -

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
\$ (1,280,249)	\$ -	\$ (1,280,249)
-	(986,497)	(986,497)
<u>\$ (1,280,249)</u>	<u>\$ (986,497)</u>	<u>\$ (2,266,746)</u>
2,016,882	1,057,767	\$ 3,074,649
36,702	9,608	46,310
166,596	-	166,596
<u>2,220,180</u>	<u>1,067,375</u>	<u>3,287,555</u>
939,931	80,878	1,020,809
<u>2,672,320</u>	<u>500,340</u>	<u>3,172,660</u>
<u>\$ 3,612,251</u>	<u>\$ 581,218</u>	<u>\$ 4,193,469</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

Tax Increment Reinvestment Zone Number Six (TIRZ #6)

The Town created Tax Increment Reinvestment Zone Number Six (TIRZ#6) 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#6 commenced November 1, 2016 and will terminate on December 31, 2052, 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#6 is fiscally dependent on the Town, as the Town approves their budgets and any debt issuances. TIRZ#6 qualifies for blending because the Board is the same as the Town Council. TIRZ#6 is reported as a blended component unit of the Town and it does not issue separate 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; however, interfund services provided and used are not eliminated in the process of consolidation.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

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

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.

PID Capital Projects Fund is used to account for the acquisition or construction of capital facilities and improvements relating to the Valencia, Lakeside and Hillstone Public Improvement Districts (PIDs).

The Town reports the following non-major governmental funds.

Town of Little Elm, Texas

Notes to the Financial Statements

Dedication Funds accounts for dedicated revenue that is attributed to court operations, motor vehicle and child safety.

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.

Street Maintenance Fund – this Special Purpose District provides 1/4 cent sales and use tax for street maintenance. This was originally approved in 2009 by voters and has since been renewed twice by the citizens of Little Elm. This Special Purpose District is up for renewal in 2021.

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 related to Little Elm Tax Increment Reinvestment Zone Number 3.

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

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

Little Elm TIRZ#6 Fund accounts for proceeds and expenditures related to Little Elm Tax Increment Reinvestment Zone Number 6.

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) 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 Valencia, Hillstone, and Lakeside Public Improvement Districts.

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.

Town of Little Elm, Texas

Notes to the Financial Statements

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

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

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

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

E. Cash and Cash Equivalents

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

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.

Restricted cash and cash equivalents represent bond debt service reserves and restricted accounts required to be established under the various TIRZ and PID agreements of the Town.

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, 2019, 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.

Town of Little Elm, Texas
Notes to the Financial Statements

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.

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.

Town of Little Elm, Texas

Notes to the Financial Statements

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.

M. Pensions and Other Postemployment Benefits (OPEB)

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 and Total OPEB Liabilities is obtained from TMRS through reports 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 and Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than 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.

Pension / OPEB – these deferred outflows result from pension/ OPEB contributions after the measurement date (deferred and recognized in the following fiscal year) and/or differences in projected and actual earnings on pension / OPEB 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.

Town of Little Elm, Texas

Notes to the Financial Statements

The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

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

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

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

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

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

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

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

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

Town of Little Elm, Texas
Notes to the Financial Statements

P. Subsequent Events

The Town has evaluated all events or transactions that occurred after September 30, 2019 up through February 12, 2020, the date the financial statements were issued.

Note 2. Cash and Investments

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

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

At year end, the carrying amount of the Town's deposits was \$52,938,651 and the bank balance was \$53,440,136. 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, 2019 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Primary Government:	
Cash and cash equivalents	\$ 51,512,216
Investments	5,000,000
Restricted cash and cash equivalents	23,953,915
Restricted investments	2,393,043
Fiduciary Fund:	
Cash and cash equivalents	95,122
Restricted investments	4,432,754
Component Unit:	
Cash and cash equivalents	<u>1,957,528</u>
Total cash and investments	<u>\$ 89,344,578</u>
Cash on hand:	\$ 3,050
Deposits with financial institutions	52,938,651
Investments	<u>36,402,877</u>
Total cash and investments	<u>\$ 89,344,578</u>

Town of Little Elm, Texas

Notes to the Financial Statements

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

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 for negotiable investments. 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 the mutual funds held by the Town and TexPool Prime was AAA-m at September 30, 2019.

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 and interest rate risk

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

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

As of September 30, 2019 the Town deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

Town of Little Elm, Texas

Notes to the Financial Statements

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.

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.

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:

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.

	Value at September 30, 2019	Fair Value Measurements Using			Percent of Total Investments	Weighted Average Maturity (Days)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
<i>Not subject to fair value measurement:</i>						
Certificate of Deposits:						
Legacy CD	\$ 5,000,000	\$ -	\$ -	\$ -	13.74%	550
Investment Pools:						
TexPool Prime	24,577,080	-	-	-	67.51%	33
<i>Subject to fair value measurement:</i>						
Marketable Equity Securities						
Mutual Funds	6,825,797	6,825,797	-	-	18.75%	25
Total Value	\$ 36,402,877	\$ 6,825,797	\$ -	\$ -		103

Town of Little Elm, Texas
Notes to the Financial Statements

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 2018 levy was based was approximately \$3,747,281,786. Such assessed value was computed based on 100% appraised values.

Article XI, Section 5 of the Texas Constitution allows a tax rate up to \$2.50 per \$100 valuation. Further, Section 8.03B of the Town's Home-Rule Charter provides that the "Town Council shall have the power, and is hereby authorized to levy, assess, and collect annual taxes not to exceed the maximum limit set by the Constitution and laws of the State of Texas, as they now exist or as they may be amended, on each one hundred dollars (\$100.00) assessed valuation". The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2019 was \$0.6499 per \$100 of assessed valuation. Current tax collections for the year ended September 30, 2019 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, 2019 are as follows:

	Governmental Funds				Total
	General	Debt Service	Capital Projects	Nonmajor Funds	
Ad valorem taxes	\$ 116,392	\$ 36,856	\$ -	\$ -	\$ 153,248
Sales taxes	806,143	-	-	259,853	1,065,996
Court	1,649,491	-	-	-	1,649,491
Ambulance	694,407	-	-	-	694,407
Storm drainage	-	-	-	150,838	150,838
Franchise fees	1,164,993	-	-	-	1,164,993
Other	156,634	-	-	46,270	202,904
Gross receivables	4,588,060	36,856	-	456,961	5,081,877
Less: allowances	(1,863,867)	(7,318)	-	(15,084)	(1,886,269)
Net total receivables	\$ 2,724,193	\$ 29,538	\$ -	\$ 441,877	\$ 3,195,608

Town of Little Elm, Texas
Notes to the Financial Statements

	Proprietary Funds		
	Water and Sewer	Solid Waste	Total
Customer accounts	\$ 2,918,933	\$ 286,663	\$ 3,205,596
Note receivable	600,000	-	600,000
Other	17,499	-	17,499
Gross receivables	<u>3,536,432</u>	<u>286,663</u>	<u>3,823,095</u>
Less: allowances	<u>(224,899)</u>	<u>(24,691)</u>	<u>(249,590)</u>
Net total receivables	<u>\$ 3,311,533</u>	<u>\$ 261,972</u>	<u>\$ 3,573,505</u>

	Component Units		
	EDC	CDC	Total
Sales taxes	\$ 410,068	\$ 201,536	\$ 611,604
Total receivables	<u>\$ 410,068</u>	<u>\$ 201,536</u>	<u>\$ 611,604</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, 2019:

Total minimum lease payments to be received	\$ 4,779,255
less: unearned interest income	(1,819,470)
Net investment in direct financing lease	<u>\$ 2,959,785</u>

As of September 30, 2019, minimum lease payments are as follows:

Fiscal Year	Amount
2020	\$ 205,559
2021	205,559
2022	205,559
2023	205,559
2024	205,559
2025-2029	1,027,797
2030-2034	1,027,797
2035-2039	1,027,797
2040-2043	668,069
	<u>\$ 4,779,255</u>

Town of Little Elm, Texas
Notes to the Financial Statements

Note 5. Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 9,166,511	\$ 44,119	\$ -	\$ -	\$ 9,210,630
Construction in progress	9,392,093	7,482,414	-	(2,496,061)	14,378,446
Total capital assets, not being depreciated	<u>18,558,604</u>	<u>7,526,533</u>	<u>-</u>	<u>(2,496,061)</u>	<u>23,589,076</u>
Capital assets being depreciated:					
Infrastructure	131,258,735	16,959,689	-	1,022,667	149,241,091
Buildings	39,968,914	1,371	-	-	39,970,285
Improvements other than buildings	22,865,558	205,208	-	1,473,394	24,544,160
Machinery and Equipment	15,411,227	1,866,342	(648,264)	-	16,629,305
Total capital assets being depreciated	<u>209,504,434</u>	<u>19,032,610</u>	<u>(648,264)</u>	<u>2,496,061</u>	<u>230,384,841</u>
Less accumulated depreciation for:					
Infrastructure	44,330,247	2,878,995	-	-	47,209,242
Buildings	5,686,460	912,774	-	-	6,599,234
Improvements other than buildings	3,957,835	1,404,850	-	-	5,362,685
Machinery and Equipment	8,556,703	1,513,764	(613,913)	-	9,456,554
Total accumulated depreciation	<u>62,531,245</u>	<u>6,710,383</u>	<u>(613,913)</u>	<u>-</u>	<u>68,627,715</u>
Total capital assets being depreciated, net	<u>146,973,189</u>	<u>12,322,227</u>	<u>(34,351)</u>	<u>2,496,061</u>	<u>161,757,126</u>
Governmental activities capital assets, net	<u>\$ 165,531,793</u>	<u>\$ 19,848,760</u>	<u>\$ (34,351)</u>	<u>\$ -</u>	<u>\$ 185,346,202</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,639,066	\$ -	\$ -	\$ -	\$ 1,639,066
Construction in progress	14,378,345	4,551,977	-	(5,369,762)	13,560,560
Total capital assets, not being depreciated	<u>16,017,411</u>	<u>4,551,977</u>	<u>-</u>	<u>(5,369,762)</u>	<u>15,199,626</u>
Capital assets being depreciated:					
Buildings	173,679	-	-	2,055,527	2,229,206
Water system improvements	45,721,167	-	-	3,106,569	48,827,736
Sewer system improvements	34,104,643	-	-	207,666	34,312,309
Machinery and equipment	2,947,679	399,190	(48,438)	-	3,298,431
Total capital assets being depreciated	<u>82,947,168</u>	<u>399,190</u>	<u>(48,438)</u>	<u>5,369,762</u>	<u>88,667,682</u>
Less accumulated depreciation for:					
Buildings	151,340	15,533	-	-	166,873
Water system improvements	10,009,931	1,272,593	-	-	11,282,524
Sewer system improvements	9,549,188	885,570	-	-	10,434,758
Machinery and equipment	1,840,060	282,144	(48,438)	-	2,073,766
Total accumulated depreciation	<u>21,550,519</u>	<u>2,455,840</u>	<u>(48,438)</u>	<u>-</u>	<u>23,957,921</u>
Total capital assets being depreciated, net	<u>61,396,649</u>	<u>(2,056,650)</u>	<u>-</u>	<u>5,369,762</u>	<u>64,709,761</u>
Business-type activities capital assets, net	<u>\$ 77,414,060</u>	<u>\$ 2,495,327</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,909,387</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	\$ 425,773
Public safety	1,000,754
Public works	2,925,490
Culture and recreation	1,661,361
Internal service fund	697,005
	<u>\$ 6,710,383</u>
Business-type activities:	
Solid Waste	\$ 26,031
Water and Sewer	2,429,809
	<u>\$ 2,455,840</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
General Fund	Non-major Fund	\$ 9,985	Transfer for annual court bailiff from court security fund
General Fund	Solid Waste Fund	175,000	Transfer for operating services
General Fund	Water and Sewer Fund	1,761,150	Transfer for operating services
General Fund	Non-major Fund	23,000	To fund maintenance on behalf of the TIRZ
Capital Projects Fund	General Fund	3,160,000	Funding for Honor Park, Aquatics and other smaller CIP projects
Capital Projects Fund	Solid Waste Fund	391,000	To fund capital projects that will benefit solid waste development
		<u>\$ 5,520,135</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	Total
Property taxes	\$ 65,649	\$ 19,745	\$ -	\$ 85,394
Grants	-	-	1,274,670	1,274,670
Court fines	217,407	-	-	217,407
Other	161,798	-	75,000	236,798
Total	<u>\$ 444,854</u>	<u>\$ 19,745</u>	<u>\$ 1,349,670</u>	<u>\$ 1,814,269</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, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Governmental activities:					
General obligation bonds	\$ 23,612,615	\$ 7,320,000	\$ (8,391,002)	\$ 22,541,613	\$ 2,270,396
Unamortized bond premium	1,984,780	1,061,382	(245,942)	2,800,220	-
Certificates of obligation	33,220,000	6,640,000	(4,000,000)	35,860,000	3,105,000
Tax Notes	855,000	-	(360,000)	495,000	245,000
Compensated absences	2,180,586	2,279,767	(1,935,653)	2,524,700	1,007,445
Net pension liability	3,706,122	3,266,495	-	6,972,617	-
OPEB	289,083	9,224	-	298,307	-
	<u>65,848,186</u>	<u>20,576,868</u>	<u>(14,932,597)</u>	<u>71,492,457</u>	<u>6,627,841</u>
Business-type activities:					
General obligation bonds	19,687,382	-	(1,458,994)	18,228,388	1,489,605
Certificates of obligation	22,445,000	-	(1,175,000)	21,270,000	1,230,000
Unamortized bond premium	1,782,654	-	(143,210)	1,639,444	-
Compensated absences	313,232	163,361	(207,624)	268,969	98,661
Note payable to EDC	700,000	-	(100,000)	600,000	100,000
Net pension liability	497,843	340,499	-	838,342	-
OPEB	30,135	962	-	31,097	-
	<u>45,456,246</u>	<u>504,822</u>	<u>(3,084,828)</u>	<u>42,876,240</u>	<u>2,918,266</u>
Total Primary Government	<u>\$ 111,304,432</u>	<u>\$ 21,081,690</u>	<u>\$ (18,017,425)</u>	<u>\$ 114,368,697</u>	<u>\$ 9,546,107</u>
Component Units:					
Notes payable - EDC	\$ 12,427,001	\$ -	\$ (607,303)	\$ 11,819,698	\$ 631,007
Compensated absences	42,522	43,937	(14,049)	72,410	9,124
	<u>\$ 12,469,523</u>	<u>\$ 43,937</u>	<u>\$ (621,352)</u>	<u>\$ 11,892,108</u>	<u>\$ 640,131</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, 2019:

Certificates of Obligation	Outstanding		Outstanding	
	Governmental	Due in one year	Business-Type	Due in one year
\$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%	\$ 4,545,000	\$ 275,000		
\$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%	2,340,000	140,000		
\$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%	8,525,000	420,000		
\$9,966,000 Series 2018 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$440,000 to \$2,000,000 through August 2038, plus interest at 3.00% to 5.00%	13,810,000	2,000,000		
\$6,640,000 Series 2019 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$410,000 to \$410,000 through February 2039, plus interest at 1.18% to 2.75%	6,640,000	270,000		
\$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%			\$ 3,560,000	\$ 400,000
\$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%			6,880,000	300,000
\$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%			10,830,000	530,000
	<u>\$ 35,860,000</u>	<u>\$ 3,105,000</u>	<u>\$ 21,270,000</u>	<u>\$ 1,230,000</u>

On August 14, 2019, the Town issued \$6,640,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 at a premium of \$529,863. Proceeds from the sale of the certificates will be used 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.

On May 15, 2019, the Town issued \$7,320,000 of general obligation refunding bonds at a premium of \$531,519 to refund \$6,200,000 of general obligation bonds, series 2009, and \$1,550,000 of certificates of obligation, series 2009. The difference between the debt service of the old and new debt is \$890,676, resulting in an economic gain of \$783,055.

Town of Little Elm, Texas
Notes to the Financial Statements

General Obligation Bonds	Outstanding		Outstanding	
	Governmental	Due in one year	Business-Type	Due in one year
\$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%	\$ 5,931,613	\$ 465,396		
\$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%	1,580,000	185,000		
\$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%	1,315,000	410,000		
\$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%			\$ 313,388	\$ 154,605
\$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%	4,960,000	560,000	1,415,000	265,000
\$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%	1,435,000	125,000	-	-
\$7,320,000 Series 2019 General Obligation Refunding Bonds due in annual installments of \$525,000 to \$880,000 through August 2029, plus interest at 1.60% to 2.20%	7,320,000	525,000	1,740,000	280,000
\$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			12,950,000	630,000
\$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%			1,810,000	160,000
	<u>\$ 22,541,613</u>	<u>\$ 2,270,396</u>	<u>\$ 18,228,388</u>	<u>\$ 1,489,605</u>

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%	\$ 495,000	\$ 245,000	\$ -	\$ -
	<u>\$ 495,000</u>	<u>\$ 245,000</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Little Elm, Texas
Notes to the Financial Statements

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
2020	\$ 2,270,396	\$ 870,095	\$ 3,140,491	\$ 1,489,605	\$ 639,994	\$ 2,129,599
2021	2,441,217	712,798	3,154,015	1,478,783	584,658	2,063,441
2022	2,385,000	620,408	3,005,408	1,395,000	527,856	1,922,856
2023	2,340,000	526,737	2,866,737	1,440,000	473,356	1,913,356
2024	2,265,000	433,412	2,698,412	1,490,000	417,806	1,907,806
2025-2029	10,185,000	1,136,662	11,321,662	5,815,000	1,388,681	7,203,681
2030-2034	655,000	32,750	687,750	5,120,000	481,863	5,601,863
Total	\$ 22,541,613	\$ 4,332,862	\$ 26,874,475	\$ 18,228,388	\$ 4,514,214	\$ 22,742,602

Certificates of Obligation

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 3,105,000	\$ 1,197,360	\$ 4,302,360	\$ 1,230,000	\$ 664,758	\$ 1,894,758
2021	1,515,000	1,101,419	2,616,419	1,175,000	625,858	1,800,858
2022	1,555,000	1,054,594	2,609,594	1,230,000	579,408	1,809,408
2023	1,610,000	1,005,694	2,615,694	1,270,000	540,158	1,810,158
2024	1,650,000	954,219	2,604,219	1,315,000	502,958	1,817,958
2025-2029	9,270,000	3,773,520	13,043,520	6,250,000	1,876,783	8,126,783
2030-2034	10,480,000	1,946,649	12,426,649	5,550,000	1,056,040	6,606,040
2035-2039	6,675,000	435,657	7,110,657	3,250,000	192,838	3,442,838
Total	\$ 35,860,000	\$ 11,469,112	\$ 47,329,112	\$ 21,270,000	\$ 6,038,801	\$ 27,308,801

Tax Notes

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 245,000	\$ 8,762	\$ 253,762
2021	250,000	4,425	254,425
Total	\$ 495,000	\$ 13,187	\$ 508,187

Compensated Absences

Substantially all vacation and sick leave are 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, 2019 are as follows:

Payee	Description	Balance 09/30/19
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%.	\$ 5,299,135
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%	1,439,159
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%	2,103,581
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%	<u>2,977,823</u>
		<u>\$ 11,819,698</u>

During 2017, EDC entered into a \$3,048,000 note payable with the Government Capital Corporation. Proceeds from the note were 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
2020	\$ 631,007	\$ 478,901	\$ 1,109,908
2021	655,081	455,467	1,110,548
2022	680,371	431,123	1,111,494
2023	706,644	405,833	1,112,477
2024	733,937	379,560	1,113,497
2025-2029	4,117,704	1,466,551	5,584,255
2030-2034	2,759,936	679,117	3,439,053
2035-2039	872,550	286,795	1,159,345
2040-2043	662,468	91,485	753,953
Total	<u>\$ 11,819,698</u>	<u>\$ 4,674,832</u>	<u>\$ 16,494,530</u>

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, 2019 was \$600,000.

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.

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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	149
Active employees	245
	<hr/>
	441
	<hr/> <hr/>

Town of Little Elm, Texas

Notes to the Financial Statements

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 13.54% and 13.31% in calendar years 2018 and 2019, respectively. The Town's contributions to TMRS for the year ended September 30, 2019 were \$2,459,086, and were equal to the required contributions.

The Town's Net Pension Liability (NPL) was measured as of December 31, 2018 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, 2018 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, 2018, 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.

Town of Little Elm, Texas

Notes to the Financial Statements

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).

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%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
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 12/31/2017	\$ 33,048,939	\$ 28,844,974	\$ 4,203,965
Changes for the year:			
Service Cost	3,014,390	-	3,014,390
Interest	2,313,659	-	2,313,659
Change of benefit terms	-	-	-
Difference between expected and actual experience	859,152	-	859,152
Changes of assumptions	-	-	-
Contributions - employer	-	2,266,748	(2,266,748)
Contributions - employee	-	1,197,238	(1,197,238)
Net investment income	-	(866,209)	866,209
Benefit payments, including refunds of employee contributions	(559,416)	(559,416)	-
Administrative expense	-	(16,699)	16,699
Other changes	-	(871)	871
Net Changes	<u>5,627,785</u>	<u>2,020,791</u>	<u>3,606,994</u>
Balance at 12/31/2018	<u>\$ 38,676,724</u>	<u>\$ 30,865,765</u>	<u>\$ 7,810,959</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	\$ 14,833,230	\$ 7,810,959	\$ 2,193,126

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 and OPEB 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, 2019, the Town recognized pension expense of \$3,017,193. At September 30, 2019, 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	\$ 1,047,190	\$ 60,370
Changes in actuarial assumptions	33,294	-
Difference between projected and actual investment earnings	1,503,733	-
Contributions subsequent to the measurement date	1,893,461	-
Total	<u>\$ 4,477,678</u>	<u>\$ 60,370</u>

The \$1,893,461 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, 2020. 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
2020	\$ 777,606
2021	496,461
2022	431,097
2023	697,636
2024	121,047
Thereafter	-
	<u>\$ 2,523,847</u>

Note 10. Other Postemployment Benefits Plan (OPEB)

A. Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The Town has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for Town reporting.

Town of Little Elm, Texas
Notes to the Financial Statements

B. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	31
Active employees	<u>245</u>
	<u><u>311</u></u>

C. Contributions

The member town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

Contributions are made monthly based on the covered payroll of employee members of the participating member town. The contractually required contribution rate is determined annually for each town. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the town. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The retiree portion of contribution rates to the SDBF for the Town was 0.01% in both calendar years 2018 and 2019. The Town's contributions to the SDBF for the year ended September 30, 2019 were \$2,258, and were equal to the required contributions.

D. Total OPEB Liability

The Town's Total OPEB Liability (TOL) was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Town of Little Elm, Texas
Notes to the Financial Statements

E. Actuarial Assumptions

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 10.5% including inflation
Discount rate	3.71%
Retiree's share of benefit-related costs	\$0

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the 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. Mortality rates for disabled retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2018, valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal Actuarial Cost Method.

The discount rate used to measure the Total OPEB Liability was 3.71% and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

F. Changes in Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2017	\$ 319,218
Changes for the year:	
Service Cost	33,568
Interest on Total OPEB Liability	11,094
Change of benefit terms	-
Difference between expected and actual experienc	(4,395)
Changes of assumptions or other inputs	(28,403)
Benefit payments	(1,678)
Administrative expense	-
Other changes	-
Net changes	<u>10,186</u>
Balance at 12/31/18	<u>\$ 329,404</u>

Town of Little Elm, Texas
Notes to the Financial Statements

G. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, calculated using the discount rate of 3.71%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.71%) or 1 percentage-point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
Total OPEB Liability	<u>\$ 406,706</u>	<u>\$ 329,404</u>	<u>\$ 271,186</u>

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the Town recognized pension expense of \$44,312. At September 30, 2019, 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 experience	\$ -	\$ 3,835
Changes in assumptions and other inputs	22,397	24,785
Contributions subsequent to the measurement date	1,423	-
Total	<u>\$ 23,820</u>	<u>\$ 28,620</u>

The \$1,423 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will reduce the Total OPEB liability during the year ending September 30, 2020. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended Sept. 30:	Net deferred outflows (inflows) of resources
2020	\$ (350)
2021	(350)
2022	(350)
2023	(350)
2024	(350)
Thereafter	<u>(4,473)</u>
Total	<u>\$ (6,223)</u>

Town of Little Elm, Texas
Notes to the Financial Statements

Note 11. 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 12. 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, 2019:

	Governmental Activities	Business-type Activities	Total Primary Government	Discretely Presented Component Units
Restricted for construction	\$ 7,450,693	\$ 3,895,353	\$ 11,346,046	\$ -
Restricted for economic development	1,254,449	-	1,254,449	4,941,212
Restricted for stormwater drainage	1,112,918	-	1,112,918	-
Restricted for street maintenance	995,781	-	995,781	-
Restricted for streetscape	834,081	-	834,081	-
Restricted for debt service	754,243	-	754,243	181,034
Restricted for other:				
Grant requirements	137,278	-	137,278	-
Donor stipulations	270,064	-	270,064	-
Pubic, education, gov't access	121,181	-	121,181	-
Redlight access	95,845	-	95,845	-
Parks	51,257	-	51,257	-
Forfeitures	94,328	-	94,328	-
Total restricted for other	769,953	-	769,953	-
	<u>\$ 13,172,118</u>	<u>\$ 3,895,353</u>	<u>\$ 17,067,471</u>	<u>\$ 5,122,246</u>

Town of Little Elm, Texas
Notes to the Financial Statements

B. Fund Balance

The composition of the governmental fund balances at September 30, 2019 is as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	PID Capital Projects Project	Non major Governmental Funds	Total Governmental Funds
Non-spendable:						
Inventory	\$ 56,987	\$ -	\$ -	\$ -	\$ -	\$ 56,987
Prepays	3,927	-	-	-	-	3,927
Total nonspendable	60,914	-	-	-	-	60,914
Restricted for:						
Debt service	-	1,080,534	-	-	-	1,080,534
Street maintenance	-	-	-	-	995,781	995,781
Police	-	-	-	-	95,890	95,890
Fire	-	-	-	-	19,670	19,670
Parks and Rec	-	-	-	-	51,257	51,257
Stormwater drainage	-	-	-	-	1,112,918	1,112,918
Court	-	-	-	-	126,719	126,719
Red Light camera	-	-	-	-	95,845	95,845
Library	-	-	-	-	12,766	12,766
Animal Control	-	-	-	-	5,384	5,384
Forfeiture	-	-	-	-	94,328	94,328
Public, Education, Govt. Access	-	-	-	-	121,181	121,181
Streetscape	-	-	834,081	-	-	834,081
Economic Development	-	-	-	-	1,254,449	1,254,449
Child Safety	-	-	-	-	146,913	146,913
Capital projects	-	-	24,064,033	2,370,610	-	26,434,643
Total restricted	-	1,080,534	24,898,114	2,370,610	4,133,101	32,482,359
Committed to:						
Street development	-	-	1,674,909	-	-	1,674,909
Total committed	-	-	1,674,909	-	-	1,674,909
Unassigned	21,312,934	-	-	-	-	21,312,934
	<u>\$ 21,373,848</u>	<u>\$ 1,080,534</u>	<u>\$ 26,573,023</u>	<u>\$ 2,370,610</u>	<u>\$ 4,133,101</u>	<u>\$ 55,531,116</u>

Note 13. 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, 2019, the cost of water purchased under this contract was \$4,456,580.

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, 2019, the payments made under this contract were \$390,650.

At September 30, 2019 and subsequent to year end, the Town is committed to numerous contracts for capital improvements totaling approximately \$21,978,000. Of this amount, approximately \$18,273,000 is attributable to the aquatic center the Town is currently constructing.

Note 14. 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. On November 6, 2018 the Town issued three series of bonds for the Valencia on the Lake PID. The first series of revenue bonds refunded the 2014 Phase #1 Bonds, refinanced the Phase #1 reimbursement agreement portion of the 2014 bonds and restructured the debt service requirements by passage of Ordinance No. 1445. The second series of revenue bonds were identified as the Improvement Area #2 Refunding and Improvement Bonds and were issued to refund a portion of the 2014 bonds used to finance improvements related to Improvement Area #2, refinance the pro rata portion of the Phase #2 local improvements and financed additional improvements relating in Improvement Area #2 thru Ordinance No. 1446. The Major Improvement Area Refunding Bonds were the third series of bonds issued in FY2018 thru Ordinance No. 1447. They were to refund the pro-rata portion of the 2014 Major Improvement Bonds related to Phases #2B, #3B, and #4.

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 #1-1a 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 issued the next

Town of Little Elm, Texas

Notes to the Financial Statements

set of Bonds (\$4,688,000 Special Assessment Revenue Bonds, Series 2018) for the Hillstone Pointe PID No. 2 Phases 2 and 3 thru Ordinance No. 1471 in December 2018. The Bonds are secured solely from assessment revenues generated from Phases 2 and 3 of the PID and the proceeds are being used to fund a portion of the actual costs of the Phase 2 and 3 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.

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 15. 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 2019, the Town rebated \$403,206 in sales taxes and \$494,518 of property taxes.

Town of Little Elm, Texas

Notes to the Financial Statements

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. Specific project costs may include but is not limited to roads, water, sewer and storm water management. In fiscal year 2019, the Town made \$1,066,475 in payments to the TIRZ funds. Denton County agreed to participate in TIRZ 3 for a period of five years and contributed \$53,350 in fiscal year 2019.

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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
Revenues:				
Taxes:				
Property taxes, penalty, and interest	\$ 17,094,877	\$ 17,094,877	\$ 17,419,782	\$ 324,905
General sales and use taxes	3,490,263	3,490,263	4,085,873	595,610
Other taxes and franchise fees	2,033,700	2,033,700	2,225,697	191,997
Licenses and permits	3,093,480	3,093,480	3,494,513	401,033
Intergovernmental revenue	935,266	1,078,806	1,158,889	80,083
Charges for services	3,618,040	3,803,240	4,398,501	595,261
Fines	552,320	552,320	813,047	260,727
Interest	153,500	153,500	629,050	475,550
Miscellaneous	124,100	127,240	300,041	172,801
	<u>31,095,546</u>	<u>31,427,426</u>	<u>34,525,393</u>	<u>3,097,967</u>
Total revenues				
Expenditures:				
General government:				
Town council	170,697	202,057	119,966	82,091
Town manager	1,303,807	1,312,289	1,281,669	30,620
Town secretary	176,941	176,941	160,284	16,657
Finance	1,548,246	1,570,386	1,329,392	240,994
Information technology	1,197,361	1,224,621	1,085,920	138,701
Town attorney	486,135	340,000	194,654	145,346
	<u>4,883,187</u>	<u>4,826,294</u>	<u>4,171,885</u>	<u>654,409</u>
Total general government				
Community services:				
Inspections	2,862,899	3,079,080	2,635,371	443,709
	<u>2,862,899</u>	<u>3,079,080</u>	<u>2,635,371</u>	<u>443,709</u>
Total community services				
Public safety:				
Police	8,360,958	8,473,529	7,784,233	689,296
Fire	9,494,812	9,666,907	9,624,223	42,684
Municipal court	486,732	522,732	487,777	34,955
Animal control	349,415	349,415	346,986	2,429
	<u>18,691,917</u>	<u>19,012,583</u>	<u>18,243,219</u>	<u>769,364</u>
Total public safety				
Public works:				
Streets	1,528,219	2,085,219	1,722,534	362,685
Fleet maintenance	412,171	424,171	406,391	17,780
Facility maintenance	905,114	1,701,682	1,549,297	152,385
	<u>2,845,504</u>	<u>4,211,072</u>	<u>3,678,222</u>	<u>532,850</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
Culture and recreation:				
Library	\$ 581,810	\$ 581,810	\$ 531,943	\$ 49,867
Parks and recreation	3,845,375	4,137,565	3,783,188	354,377
Total culture and recreation	<u>4,427,185</u>	<u>4,719,375</u>	<u>4,315,131</u>	<u>404,244</u>
Capital outlay	<u>1,260,101</u>	<u>894,461</u>	<u>699,185</u>	<u>195,276</u>
Total expenditures	<u>34,970,793</u>	<u>36,742,865</u>	<u>33,743,013</u>	<u>2,999,852</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,875,247)</u>	<u>(5,315,439)</u>	<u>782,380</u>	<u>6,097,819</u>
Other financing sources (uses):				
Transfers in	1,946,150	1,946,150	1,969,135	22,985
Proceeds from sale of assets	11,560	11,560	142,943	131,383
Insurance recovery	-	96,075	426,578	330,503
Transfers out	<u>(600,000)</u>	<u>(3,160,000)</u>	<u>(3,160,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,357,710</u>	<u>(1,106,215)</u>	<u>(621,344)</u>	<u>484,871</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(2,517,537)</u>	<u>(6,421,654)</u>	<u>161,036</u>	<u>6,582,690</u>
Fund balance at beginning of year	<u>21,212,812</u>	<u>21,212,812</u>	<u>21,212,812</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 18,695,275</u></u>	<u><u>\$ 14,791,158</u></u>	<u><u>\$ 21,373,848</u></u>	<u><u>\$ 6,582,690</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 Five Measurement Periods

	2014	2015	2016	2017	2018
Total Pension Liability:					
Service cost	\$ 1,781,572	\$ 2,120,510	\$ 2,355,108	\$ 2,626,348	\$ 3,014,390
Interest	1,306,279	1,544,900	1,739,588	2,023,022	2,313,659
Change in benefit terms	-	-	-	-	-
Difference between expected and actual experience	511,427	187,346	298,105	(90,555)	859,152
Change in assumptions	-	90,206	-	-	-
Benefit payments	(326,527)	(393,218)	(323,979)	(334,803)	(559,416)
Net change in total pension liability	3,272,751	3,549,744	4,068,822	4,224,012	5,627,785
Total Pension Liability-beginning	17,933,610	21,206,361	24,756,105	28,824,927	33,048,939
Total Pension Liability-ending	<u>\$ 21,206,361</u>	<u>\$ 24,756,105</u>	<u>\$ 28,824,927</u>	<u>\$ 33,048,939</u>	<u>\$ 38,676,724</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 1,185,583	\$ 1,535,872	\$ 1,676,473	\$ 1,968,224	\$ 2,266,748
Contributions - nonemployer	774,891	838,620	908,306	1,021,378	1,197,238
Net investment income	857,339	25,774	1,316,544	3,194,579	(866,209)
Benefit payments	(326,527)	(393,218)	(323,979)	(334,803)	(559,416)
Administrative income	(8,946)	(15,693)	(14,848)	(16,529)	(16,699)
Other	(736)	(776)	(798)	(838)	(871)
Net change in plan fiduciary net position	2,481,604	1,990,579	3,561,698	5,832,011	2,020,791
Plan fiduciary net position -beginning	14,979,082	17,460,686	19,451,265	23,012,963	28,844,974
Plan fiduciary net position - ending	<u>17,460,686</u>	<u>19,451,265</u>	<u>23,012,963</u>	<u>28,844,974</u>	<u>30,865,765</u>
Town's net pension liability -ending	<u>\$ 3,745,675</u>	<u>\$ 5,304,840</u>	<u>\$ 5,811,964</u>	<u>\$ 4,203,965</u>	<u>\$ 7,810,959</u>
Plan fiduciary net position as a % of total pension liability	82.34%	78.57%	79.84%	87.28%	79.80%
Covered payroll	\$ 11,065,942	\$ 11,980,280	\$ 12,975,800	\$ 14,574,627	\$ 16,783,907
Town's net pension liability as a % of covered payroll	33.85%	44.28%	44.79%	28.84%	46.54%

Note: Only five 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 Pension Contributions –
 Texas Municipal Retirement System
 Last Five Fiscal Years

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Actuarially determined contribution	\$ 1,450,482	\$ 1,721,094	\$ 1,901,949	\$ 2,201,774	\$ 2,459,086
Contribution in relation of the actuarially determined contribution	1,450,482	1,721,094	1,901,949	2,201,774	2,459,086
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,244,425	\$ 13,214,555	\$ 14,104,876	\$ 16,242,464	\$ 18,403,629
Contributions as a percentage of covered payroll	11.85%	13.02%	13.48%	13.56%	13.36%

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 five 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 Changes in the Total OPEB Liability and Related Ratios

Texas Municipal Retirement System

Last Two Measurement Periods

	Measurement Year	
	2017	2018
Total OPEB Liability:		
Service cost	\$ 24,777	\$ 33,568
Interest	10,108	11,094
Change in benefit terms	-	-
Difference between expected and actual experience	-	(4,395)
Change in assumptions	30,053	(28,403)
Benefit payments	(1,457)	(1,678)
	<u>63,481</u>	<u>10,186</u>
Net change in total OPEB liability		
Total OPEB Liability-beginning	<u>255,737</u>	<u>319,218</u>
Total OPEB Liability-ending	<u>\$ 319,218</u>	<u>\$ 329,404</u>
Covered payroll	\$ 14,574,627	\$ 16,783,907
Town's total OPEB liability as a % of covered payroll	2.19%	1.96%

Only two years of data is presented in accordance with GASB Statement No. #75. Additional years' information will be displayed as it becomes available.

The TMRS Supplementary Death Benefit Fund (SDBF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

Town of Little Elm, Texas
 Schedule of OPEB Contributions
 Texas Municipal Retirement System
 Last Two Fiscal years

	Fiscal Year 2018	Fiscal Year 2019
	<u> </u>	<u> </u>
Actuarially determined contribution	\$ 2,885	\$ 2,258
Contribution in relation of the actuarially determined contribution	<u>2,885</u>	<u>2,258</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 16,242,464	\$ 18,403,629
Contributions as a percentage of covered payroll	0.02%	0.01%

Only two years of data is presented in accordance with GASB Statement No. #75. Additional years' information will be displayed as it becomes available.

Note: GASB Statement No. 75 paragraph 57 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.

Financial Advisory Services
Provided By:

