

OFFICIAL STATEMENT

Dated: August 16, 2022

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.

The Certificates will NOT be designated as "qualified tax-exempt obligations" for financial institutions.

\$9,560,000

**TOWN OF LITTLE ELM, TEXAS
(Denton County)**

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

Dated Date: August 1, 2022

Due: February 1, as shown on page ii

The Town of Little Elm, Texas (the "Town" or the "Issuer") \$9,560,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (the "Certificates") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, an ordinance (the "Ordinance") adopted by the Town Council on August 16, 2022, and the Town's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

Interest on the Certificates will accrue from August 1, 2022 (the "Dated Date") as shown above and will be payable on February 1, 2023, 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 Certificates 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 Certificates will be made available for purchase in principal amounts of \$5,000 or any integral multiple thereof within a maturity. Holders 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 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 Certificates. (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) construction and equipment of public safety 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 and (iii) 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 Certificates are offered for delivery, when, as and if issued and received by the initial purchasers named below (the "Underwriters") 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). Certain matters will be passed upon for the Underwriters by their counsel, Locke Lord LLP, Dallas, Texas. It is expected that the Certificates will be available for delivery through DTC on or about September 15, 2022.

ESTRADA HINOJOSA & COMPANY, INC.

UMB BANK, N.A.

STATED MATURITY SCHEDULE

(Due February 1)

Base CUSIP – 537095**\$7,730,000 SERIAL CERTIFICATES**

Stated Maturity February 1	Principal Amount	Initial Rate (%)	Initial Yield (%)	CUSIP Suffix^(a)
2023	\$1,110,000	5.000	2.100	XU0
2024	285,000	5.000	2.040	XV8
2025	300,000	5.000	2.050	XW6
2026	310,000	4.000	2.060	XX4
2027	325,000	5.000	2.080	XY2
2028	345,000	5.000	2.250	XZ9
2029	360,000	5.000	2.380	YA3
2030	380,000	5.000	2.460	YB1
2031	400,000	5.000	2.580	YC9
2032	420,000	5.000	2.690 ^(b)	YD7
2033	440,000	4.000	3.200 ^(b)	YE5
2034	455,000	4.000	3.300 ^(b)	YF2
2035	475,000	5.000	3.040 ^(b)	YG0
2036	500,000	4.000	3.410 ^(b)	YH8
2037	520,000	4.000	3.490 ^(b)	YJ4
2038	540,000	4.000	3.600 ^(b)	YK1
2039	565,000	4.000	3.690 ^(b)	YL9

\$1,830,000 TERM CERTIFICATE

\$1,830,000 4.000% Term Certificates due February 1, 2042 and priced to yield 3.890%^(b) CUSIP Suffix^(a) YM7

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after February 1, 2032, on February 1, 2031, 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. Additionally, the Certificates maturing on February 1, 2042 (the "Term Certificates") are also subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions" herein.)

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^(b) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 1, 2031, the earliest date of redemption for the Certificates, at a price of par plus accrued interest to the date of redemption.

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>
Curtis Cornelious	Mayor	2012	2024	Senior Operation Engineer II
Lisa Norman	Mayor Pro Tem	2019	2025	Business Owner
Neil Blais	Council Member	2015	2024	Retired
Jamell T. Johnson	Council Member	2021	2025	Senior Compliance Officer
Tony Singh	Council Member	2019	2025	Sales Engineer
Jeremy Lukas	Council Member	2021	2023	Senior Manager
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	23 years
Doug Peach	Deputy Town Manager	36 years
Kelly Wilson	Chief Financial Officer	18 years
Dianne Lawson	Assistant Director of Finance	29 years
Caitlan Biggs	Town Secretary	8 years
Robert F. Brown	Town Attorney (Appointed)	35 years
Jason Shroyer	Public Works Director	11 years
Jennette Espinosa	EDC Executive Director	14 years
Rodney Harrison	Police Chief	29 years
Joe Florentino	Assistant Town Manager/Director of Public Safety	27 years
Paul Rust	Fire Chief	29 years
Chad Hyde	Parks and Recreation Director	23 years
Deidre Hale	Human Resource Director	23 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

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

NONE OF THE TOWN, ITS FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING EITHER THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM as such information is provided by DTC.

The Underwriters have provided the following statement for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and a part of, their respective responsibilities to investors under the federal securities laws applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the Issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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 THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

The agreements of the Town and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the Underwriters of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

TABLE OF CONTENTS

<p>INTRODUCTORY STATEMENT..... 1</p> <p style="padding-left: 20px;">Infectious Disease Outbreak – COVID -19..... 1</p> <p>THE CERTIFICATES 1</p> <p style="padding-left: 20px;">General Description 1</p> <p style="padding-left: 20px;">Authority for Issuance 2</p> <p style="padding-left: 20px;">Security for Payment..... 2</p> <p style="padding-left: 20px;">Use of Certificate Proceeds 2</p> <p style="padding-left: 20px;">Redemption Provisions 2</p> <p style="padding-left: 20px;">Payment Record 3</p> <p style="padding-left: 20px;">Legality 3</p> <p style="padding-left: 20px;">Defeasance..... 3</p> <p style="padding-left: 20px;">Amendments to the Ordinance..... 4</p> <p style="padding-left: 20px;">Default and Remedies..... 4</p> <p>REGISTRATION, TRANSFER AND EXCHANGE 5</p> <p style="padding-left: 20px;">Paying Agent/Registrar 5</p> <p style="padding-left: 20px;">Record Date..... 5</p> <p style="padding-left: 20px;">Future Registration 5</p> <p style="padding-left: 20px;">Limitation on Transferability 5</p> <p style="padding-left: 20px;">Replacement Certificates 6</p> <p>BOOK-ENTRY-ONLY SYSTEM..... 6</p> <p style="padding-left: 20px;">Use of Certain Terms in Other Sections of this Official Statement 7</p> <p>INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER 7</p> <p style="padding-left: 20px;">Current Investments..... 9</p> <p>EMPLOYEE RETIREMENT SYSTEM..... 9</p> <p style="padding-left: 20px;">Plan Description..... 9</p> <p>AD VALOREM PROPERTY TAXATION 10</p> <p>TOWN'S APPLICATION OF THE PROPERTY TAX CODE 13</p> <p>ECONOMIC DEVELOPMENT PROGRAMS..... 14</p>	<p style="padding-left: 20px;">General..... 14</p> <p style="padding-left: 20px;">Little Elm Tax Increment Reinvestment Zones and Public Improvement District..... 14</p> <p style="padding-left: 20px;">Tax Abatements 15</p> <p>ADDITIONAL TAX COLLECTIONS 16</p> <p style="padding-left: 20px;">Municipal Sales Tax Collections..... 16</p> <p style="padding-left: 20px;">Optional Sales Tax..... 16</p> <p style="padding-left: 20px;">Hotel Occupancy Tax..... 16</p> <p>TAX MATTERS..... 16</p> <p style="padding-left: 20px;">Tax Accounting Treatment of Discount and Premium on Certificates..... 17</p> <p>CONTINUING DISCLOSURE OF INFORMATION 18</p> <p style="padding-left: 20px;">Annual Reports 18</p> <p style="padding-left: 20px;">Notice of Certain Events 18</p> <p style="padding-left: 20px;">Availability of Information from MSRB 19</p> <p style="padding-left: 20px;">Limitations and Amendments..... 19</p> <p style="padding-left: 20px;">Compliance with Prior Agreements 19</p> <p>OTHER PERTINENT INFORMATION 19</p> <p style="padding-left: 20px;">Registration and Qualification of Certificates for Sale 19</p> <p style="padding-left: 20px;">Litigation 20</p> <p style="padding-left: 20px;">Future Debt Issuance..... 20</p> <p style="padding-left: 20px;">Legal Investments and Eligibility to Secure Public Funds in Texas..... 20</p> <p style="padding-left: 20px;">Ratings..... 20</p> <p style="padding-left: 20px;">Legal Opinions and No-Litigation Certificate 20</p> <p style="padding-left: 20px;">Winning Bidder..... 21</p> <p style="padding-left: 20px;">Financial Advisor..... 21</p> <p style="padding-left: 20px;">Forward-Looking Statements Disclaimer..... 21</p> <p style="padding-left: 20px;">Concluding Statement..... 22</p>
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Financial Information of the Issuer
 General Information Regarding the Town of Little Elm and Denton County, Texas
 Form of Legal Opinion of Bond Counsel
 The Issuer's General Purpose Audited Financial Statements for the Fiscal Year Ended September 30, 2021

Appendix A
 Appendix B
 Appendix C
 Appendix D

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 (the "State") 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 2020 U.S. Census, was 46,200. The Town's current population estimate is 53,053. (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, including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, an ordinance (the "Ordinance" or the "Certificate Ordinance") adopted by the Town Council on August 16, 2022, and the Town's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas.
Security	The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law, and further secured by and payable from a lien on and limited pledge (not to exceed \$1,000) of the net revenues derived from the operation of the Issuer's combined waterworks and sewer system (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)
Redemption Provisions	The Issuer reserves the right to redeem the Certificates maturing on and after February 1, 2032, on February 1, 2031, 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. Additionally, the Certificates maturing on February 1, 2042 (the "Term Certificates") are also subject to mandatory sinking fund redemption. (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) construction and equipment of public safety 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 and (iii) professional services rendered in connection with the construction and financing of the foregoing projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Ratings	S&P Global Ratings, a division of S&P Global Inc. ("S&P") has assigned an unenhanced rating of "AA+" to the Certificates. 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 2022.
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 15, 2022.
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 \$9,560,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (the "Certificates") identified on the cover page hereof.

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

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

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the Final Official Statement (defined below) pertaining to the Certificates will be filed by the Underwriters with the Municipal Securities Rulemaking Board 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

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency (the "Pandemic"). On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the United States, the State and the Town. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment in Texas. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

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 Certificates. 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, revenue from the sale of water and the collection of sewage, franchise fees based on private utility sales, 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 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 are dated August 1, 2022 (the "Dated Date"). The Certificates are stated to mature on February 1 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on February 1, 2023, 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. The Home Rule Charter of the Town adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 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 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) construction and equipment of public safety 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 and (iii) 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 February 1, 2032, on February 1, 2031, 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.

Mandatory Sinking Fund Redemption: The Certificates maturing on February 1, 2042 (the "Term Certificates") are also subject to mandatory redemption prior to their stated maturity in part and by lot, at the redemption prices equal to the principal amounts thereof, plus accrued interest thereon to the redemption dates, on February 1, in the years and principal amounts shown below:

Term Certificates to Mature on February 1, 2042

<u>Year</u>	<u>Principal Amount</u>
2040	\$585,000
2041	610,000
2042*	635,000

*Payable at Stated Maturity

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Certificate, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates to be redeemed on the next following February 1 from money set aside for that purpose in the Certificate Fund. Any Term Certificates not selected for prior redemption shall be paid on the date of their stated maturity. The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Certificates which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

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, 2023, 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 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, the Financial Advisor, and the Underwriter 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 S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as

defaults and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

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

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Town, the Financial Advisor, or the Underwriters 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, appoint the Town's Finance Director, Assistant Finance Director as the Investment Officers for the Town. Direct management responsibility for the investment program of the Town is delegated by the Town Council. 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 Share Insurance Fund or its successor, or are secured 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 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 365 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 March 31, 2022, (unaudited), all the Town’s investable funds in the amount of \$144,279,486.50 were invested the following.

<u>Fund and Investment Type</u>	<u>Amount As of 3/31/22 (Unaudited)</u>
Checking Accounts (Including Money Market Accounts)	\$ 81,236,270.39
TexPool Accounts	39,574,907.01
Other Investment Types:	
Certificates of Deposits	741,104.10
US Treasury Notes	9,960,925.00
Agency Bonds	<u>12,766,280.00</u>
Total Investments	<u>\$144,279,486.50</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 895 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 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. The TMRS Act places the general administration and management of TMRS 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. 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 (ACFR) that can be obtained at www.tmr.com.

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

For more information see the Town’s 2021 Annual Comprehensive Financial Report, Note 9 and Note 10.

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 Central 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. The Home Rule Charter of the Town adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State 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 Assessor/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 and does have one property in this category.

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

The Town has created six 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 \$33,542,713.

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 issued to refund the pro-rata portion of the 2014 Major Improvement Bonds related to Phases #2B, #3B, and #4.

In December 2021 the Town authorized \$5,405,000 to fund Improvement Area #3 to fund improvements related to Phase 3.

The Town Council created TIRZ #5 in December 2014 with a base value of Real Property of \$5,380,866. 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 PID Bonds are secured solely from assessment revenues generated within the Hillstone Pointe PID No. 2. The 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 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. These 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. On May 4, 2021 TIRZ #5 was amended to reduce the zone to 862.23 acres. The new base value in the TIRZ

became \$15,654,221. The Town will contribute 50% of its incremental real property tax revenue up to \$189,000,000 or until the December 31, 2060 termination date.

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 Council on December 20, 2016 created the fourth PID for the Town. This PID is located at the Town's northern border next to Highway 380 and is 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.

In May 2021, the Town closed on a \$43,200,000 Spiritas Ranch PID Bonds to fund public improvements within a 545 acre mixed use development consisting of approximately 2,135 single family homes, commercial and multi family developments. Simultaneously with the Town PID issue, the Wisconsin Public Finance Authority issued \$30,400,000 Certificates of Participation (Reinvestment Zone No. 5) Town of Little Elm to pay certain contractual obligations incurred by the Town in regards to the Spiritas Ranch Development.

In January 2022, the Town closed on a \$4,650,000 Spiritas Ranch East PID Bonds to fund public improvement within a 38 acre master planned residential community consisting of 146 single family homes.

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 2021, the Town rebated \$181,076 in sales taxes and \$997,977 of property taxes and made other incentive payments of \$1,091,874 under the agreements.

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 2020, the Town made \$1,204,204

in payments to the TIRZ funds. Denton County agreed to participate in TIRZ 3 until the date the TIRZ #3 terminates, which would be on or before December 31, 2043. Denton County contributed \$63,859 in fiscal year 2021.

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 Certificates 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, May 6, 2017 and again on May 1, 2021 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 on 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 Certificates.

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 Certificates.

TAX MATTERS

Tax Exemption

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

For Taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For the purpose of, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Certificates. Prospective purchasers that could be subject to minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

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 Certificates 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 purchase price of certain Certificates (the "Premium Certificates") paid by an owner may be greater than the amount payable on such Certificates at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Certificates over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Certificate in the hands of such 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 that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Certificate, the yield based on a call date that results in the lowest yield on the Certificate).

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 2022. The Issuer will additionally provide audited financial statements within 12 months after the end of each fiscal year ending in or after 2022. 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) above 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 acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Litigation

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

Future Debt Issuance

The Town currently has no plans to issue additional ad valorem tax supported debt in 2022.

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

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

Ratings

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

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Underwriters 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 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 statements and information contained in the Official Statement under the captions and subcaptions "THE CERTIFICATES" (except for the subcaptions "Use of Proceeds" and "Default and Remedies"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Agreements"), and the subcaptions "Registration and Qualification of Certificates for Sale," "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Legal Opinions and No-Litigation Certificate" (excluding the last two sentences of the first paragraph) under the caption "OTHER PERTINENT INFORMATION", and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an

accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. 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. Certain legal matters will be passed upon for the Underwriters by their counsel, Locke Lord LLP, Dallas, Texas. The legal fees of Underwriters counsel are contingent on the delivery 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.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the Town at a price of \$10,112,615.10 (representing the par amount of the Certificates of \$9,560,000, plus a reoffering premium of \$615,512.60, and less an Underwriters' discount of \$62,897.50), and accrued interest on the Certificates in the amount of \$52,115.56.

The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Certificates, if any of the Certificates are purchased. The Certificates may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the Town and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Town (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Town. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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.

Forward-Looking Statements Disclaimer

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

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers,

business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Town. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Concluding Statement

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

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

TOWN OF LITTLE ELM, TEXAS

/s/ Curtis Cornelious
Mayor
Town of Little Elm, Texas

ATTEST:

/s/ Caitlan Biggs
Town Secretary
Town of Little Elm, Texas

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

2021 Actual Market Value of Taxable Property (100% of Actual)	\$ 5,645,073,448
Less Exemptions/Losses:	
Local, Optional Over-65 and/or Disabled Homestead Exemptions	13,651,217
Veterans' Exemptions	50,789,329
Homestead 10% Cap Adjustment	17,880,439
Productivity Value Loss	89,081,053
Prorated Exempt Property	521
House Bill 366 Exempt Property	7,046
Freeport	9,826,823
Pollution Control / Other	5,436,943
Total Exempt Property	248,211,663
Freeze Taxable Value	329,265,581
Transfer Adjustment	-
	<u>764,150,615</u>
2021 Freeze Adjusted Net Taxable Assessed Valuation ("FANTAV")	<u>\$ 4,880,922,833</u> *
2022 Preliminary Net Taxable Assessed Valuation as of July 8, 2022	<u>\$ 6,248,376,568</u>

Source: Denton Central Appraisal District and the Issuer.

** Includes TIRZ captured values.*

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Principal Outstanding: (As of August 1, 2022)

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012	\$ 2,325,000
General Obligation Refunding Bonds, Series 2012	765,000
General Obligation Refunding Bonds, Series 2012A	1,020,080
General Obligation Refunding Bonds, Series 2013	1,245,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013	3,705,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013A	1,915,000
General Obligation Refunding Bonds, Series 2014	2,365,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015	7,260,000
General Obligation Refunding Bonds, Series 2016	3,175,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016	5,935,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017	9,375,000
General Obligation Refunding Bonds, Series 2017	10,960,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018	10,910,000
General Obligation Refunding Bonds, Series 2019	5,515,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019	5,895,000
General Obligation Refunding Bonds, Series 2020	4,470,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020	3,745,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021	<u>20,960,000</u>
Total Gross General Obligation Debt Principal Outstanding:	\$ 101,540,080

Current Issue General Obligation Debt Principal

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (the "Certificates")	<u>\$ 9,560,000</u>
Total Gross General Obligation Debt Principal Outstanding following the issuance of the Bonds:	<u>\$ 111,100,080</u>

Less: Self-Supporting General Obligation Debt Principal:

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012 (100% WS) ^(a)	\$ 2,325,000
General Obligation Refunding Bonds, Series 2012 (aprox. 77.78% WS) ^(a)	595,000
General Obligation Refunding Bonds, Series 2013 (100% WS) ^(a)	1,245,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013 (100% CDC)	3,705,000
General Obligation Refunding Bonds, Series 2014 (aprox. 55.60% WS) ^(a)	1,315,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 (100% WS)	5,935,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017 (100% WS)	9,375,000
General Obligation Refunding Bonds, Series 2017 (100% WS)	10,960,000
General Obligation Refunding Bonds, Series 2019 (19.85% CDC)	1,095,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (77.57% TIRZ #3)	2,905,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021 (37.50% WS, 16.67% CDC, 8.35% TIRZ #3)	13,105,000
	<u>\$ 52,560,000</u>

Total Net General Obligation Debt Principal Outstanding Following the Issuance of the Obligations	<u>\$ 58,540,080</u>
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General Obligation Interest and Sinking Fund Balance as of May 31, 2022	\$ 4,671,100
Ratio of Gross General Obligation/Special Obligation Debt Principal to 2021 FANTAV	2.28%
Ratio of Net General Obligation/Special Obligation Debt Principal to 2021 FANTAV	1.20%
2021 Freeze Adjusted Net Taxable Assessed Valuation ("FANTAV") ^(b)	\$ 4,880,922,833
Population: 1990 - 1,308; 2000 - 3,646; 2010 - 25,898; 2020 - 46,200; Current (Estimate) -	53,053
Per Capita 2021 Freeze Adjusted Net Taxable Assessed Valuation (Less TIRZ Captured Value) -	\$92,001
Per Capita Gross General Obligation/Special Obligation Debt Principal -	\$2,094
Per Capita Net General Obligation/Special Obligation Debt Principal -	\$1.103

^(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.

TABLE 3

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year	The Certificates			Total	Combined Debt Service ^(a)	Less: Self-Supporting Debt ^{(b)*}	Net General Obligation Debt Service ^(c)
	Currently Outstanding Debt Service ^(a)	Principal	Interest				
30-Sep							
2023	\$ 10,805,195	\$ 1,110,000	\$ 398,650	\$ 1,508,650	\$ 12,313,845	\$ 5,408,833	\$ 6,905,013
2024	10,613,463	285,000	363,775	648,775	11,262,238	5,396,308	5,865,930
2025	10,620,601	300,000	349,150	649,150	11,269,751	5,385,683	5,884,068
2026	10,099,215	310,000	335,450	645,450	10,744,665	4,860,946	5,883,719
2027	9,733,942	325,000	321,125	646,125	10,380,067	4,865,331	5,514,736
2028	8,644,505	345,000	304,375	649,375	9,293,880	4,358,725	4,935,155
2029	8,579,268	360,000	286,750	646,750	9,226,018	4,289,069	4,936,949
2030	7,338,020	380,000	268,250	648,250	7,986,270	3,954,806	4,031,464
2031	6,727,406	400,000	248,750	648,750	7,376,156	3,936,581	3,439,575
2032	6,743,606	420,000	228,250	648,250	7,391,856	3,944,906	3,446,950
2033	6,753,391	440,000	208,950	648,950	7,402,341	3,946,006	3,456,334
2034	6,124,613	455,000	191,050	646,050	6,770,663	3,538,669	3,231,994
2035	4,999,425	475,000	170,075	645,075	5,644,500	2,420,131	3,224,369
2036	5,007,538	500,000	148,200	648,200	5,655,738	2,422,719	3,233,019
2037	3,836,819	520,000	127,800	647,800	4,484,619	1,893,644	2,590,975
2038	3,043,813	540,000	106,600	646,600	3,690,413	1,098,819	2,591,594
2039	2,137,575	565,000	84,500	649,500	2,787,075	1,094,494	1,692,581
2040	1,697,450	585,000	61,500	646,500	2,343,950	1,094,694	1,249,256
2041	1,429,750	610,000	37,600	647,600	2,077,350	893,594	1,183,756
2042	-	635,000	12,700	647,700	647,700	-	647,700
	<u>\$ 124,935,593</u>	<u>\$ 9,560,000</u>	<u>\$ 4,253,500</u>	<u>\$ 13,813,500</u>	<u>\$ 138,749,093</u>	<u>\$ 64,803,957</u>	<u>\$ 73,945,136</u>

^(a) Includes self-supporting debt.

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

^(c) Excludes self-supporting debt.

TABLE 4

TAX ADEQUACY (Includes Self-Supporting Debt)

2021 Freeze Adjusted Net Taxable Assessed Valuation	\$ 4,880,922,833
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-23)	\$ 12,313,845
Indicated required I&S Fund Tax Rate at 99% Collections to produce Maximum Debt Service requirements	\$ 0.25483

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

TABLE 5

TAX ADEQUACY (Excludes Self-Supporting Debt)

2021 Freeze Adjusted Net Taxable Assessed Valuation	\$ 4,880,922,833
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-23)	\$ 6,905,013
Indicated required I&S Fund Tax Rate at 99% Collections to produce Maximum Debt Service requirements	\$ 0.14290

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

(Audited information per the Town's Audited Annual Financial Statements for Fiscal Year Ended September 30, 2021)

<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 Annual Comprehensive 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 2021 Annual Comprehensive Financial Report, Note 13.

<u>Fiscal Year Ended 9-30</u>	<u>Outstanding Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 390,000.00	\$ 15,900.00	\$ 405,900.00
2023	405,000.00	8,100.00	413,100.00
	<u>\$ 795,000.00</u>	<u>\$ 24,000.00</u>	<u>\$ 819,000.00</u>

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

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2021	\$ 877,551
2021-22 Interest and Sinking (I&S) Fund Revenue	<u>5,782,312</u>
Total Available for Debt Service	<u>\$ 6,659,863</u>
Less: Net General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-22	<u>5,586,308</u> ^(a)
Estimated Interest & Sinking Fund Balance at Fiscal Year Ending 9-30-22	<u>\$ 1,073,555</u> *

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

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

Net System Revenues Available, Fiscal Year End September 30, 2021	\$ 8,556,618
Less: 2022 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, 2022	\$ 3,732,264
Percentage of System General Obligation Debt Self-Supporting	100%

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**TABLE 9**

(As of August 1, 2022)

Fiscal Year Ending 9/30	Principal Repayment Schedule			Bonds Unpaid at End of Year	Percent of Principal Retired (%)
	Outstanding Principal ^(a)	The Certificates	Total		
2022	\$ 250,000	\$ -	\$ 250,000	\$ 110,850,000	0.23%
2023	7,635,000	1,110,000	8,745,000	102,105,000	8.10%
2024	7,710,000	285,000	7,995,000	94,110,000	15.29%
2025	7,965,000	300,000	8,265,000	85,845,000	22.73%
2026	7,710,000	310,000	8,020,000	77,825,000	29.95%
2027	7,580,000	325,000	7,905,000	69,920,000	37.07%
2028	6,745,000	345,000	7,090,000	62,830,000	43.45%
2029	6,920,000	360,000	7,280,000	55,550,000	50.00%
2030	5,910,000	380,000	6,290,000	49,260,000	55.66%
2031	5,490,000	400,000	5,890,000	43,370,000	60.96%
2032	5,695,000	420,000	6,115,000	37,255,000	66.47%
2033	5,890,000	440,000	6,330,000	30,925,000	72.16%
2034	5,445,000	455,000	5,900,000	25,025,000	77.48%
2035	4,480,000	475,000	4,955,000	20,070,000	81.94%
2036	4,615,000	500,000	5,115,000	14,955,000	86.54%
2037	3,565,000	520,000	4,085,000	10,870,000	90.22%
2038	2,870,000	540,000	3,410,000	7,460,000	93.29%
2039	2,030,000	565,000	2,595,000	4,865,000	95.62%
2040	1,635,000	585,000	2,220,000	2,645,000	97.62%
2041	1,400,000	610,000	2,010,000	635,000	99.43%
2042	<u>-</u>	<u>635,000</u>	<u>635,000</u>	-	100.00%
	<u>\$ 101,540,000</u>	<u>\$ 9,560,000</u>	<u>\$ 111,100,000</u>		

^(a) Includes self-supporting debt principal

CLASSIFICATION OF ASSESSED VALUATION

TABLE 10

Category	2021	% of Total	2020	% of Total	2019	% of Total	2018	% of Total	2017	% of Total
Real, Residential, Single-Family	\$ 3,943,894,302	69.86%	\$ 3,428,363,449	67.64%	\$ 3,166,052,037	67.12%	\$ 2,905,061,872	68.87%	\$ 2,569,833,909	68.90%
Real, Residential, Multi-Family	500,241,123	8.86%	481,020,818	9.49%	477,354,824	10.12%	349,707,686	8.29%	265,382,007	7.12%
Real, Vacant Lots/Tracts	114,539,699	2.03%	132,695,206	2.62%	129,649,542	2.75%	117,553,978	2.79%	86,570,495	2.32%
Real, Acreage (Land Only)	89,154,546	1.58%	80,844,939	1.60%	78,039,397	1.65%	74,546,469	1.77%	83,189,786	2.23%
Farm & Ranch Improvements	43,393,768	0.77%	41,556,223	0.82%	54,730,220	1.16%	29,844,730	0.71%	63,551,721	1.70%
Real, Commercial / Industrial	494,528,607	8.76%	479,295,614	9.46%	390,768,372	8.28%	369,574,754	8.76%	331,713,201	8.89%
Real & Tangible, Personal Utilities	35,481,042	0.63%	33,841,577	0.67%	29,041,243	0.62%	28,075,402	0.67%	24,300,794	0.65%
Personal, Commercial / Industrial	87,508,493	1.55%	80,040,032	1.58%	77,797,620	1.65%	70,180,699	1.66%	70,883,863	1.90%
Tangible Personal, Mobile Homes	10,878,240	0.19%	9,857,280	0.19%	7,985,132	0.17%	8,045,449	0.19%	7,904,368	0.21%
Residential Inventory/Vacant	70,383,994	1.25%	67,964,254	1.34%	78,429,528	1.66%	68,975,459	1.64%	40,858,113	1.10%
Special Inventory	1,547,957	0.03%	1,224,849	0.02%	1,610,328	0.03%	1,285,405	0.03%	1,623,613	0.04%
Totally Exempt Property	253,521,677	4.49%	231,869,196	4.57%	225,344,682	4.78%	195,352,747	4.63%	183,731,158	4.93%
Total Appraised Value	\$ 5,645,073,448	100.00%	\$ 5,068,573,437	100.00%	\$ 4,716,802,925	100.00%	\$ 4,218,204,650	100.00%	\$ 3,729,543,028	100.00%
Less Exemptions:										
Over-65 or Disabled Homestead	\$ 13,651,217		\$ 12,087,289		\$ 10,616,720		\$ 9,777,878		\$ 9,069,126	
Veteran's Exemptions	50,789,329		37,762,184		29,712,007		20,769,813		13,952,413	
Homestead Cap Adjustment	17,880,439		5,968,674		19,385,162		48,639,334		58,825,518	
Productivity Value Loss	89,081,053		80,806,717		77,921,302		74,430,571		83,019,565	
Prorated Exempt Property	521		397,043		858,208		1,019,658		1,210	
House Bill 366 Exempt Propoerty	7,046		6,129		4,976		8,683		6,511	
Freeport	9,826,823		-		-		-		69,053	
Community Housing Dev. Corp. Abatements	-		-		4,650,000		5,186,172		4,386,500	
Pollution Control / Other/Charitable	5,436,943		-		2,640,958		3,283,457		3,743,506	
Totally Exempt Property	248,211,663		4,814,150		209,216		153,263		166,239	
Total Exemptions	434,885,034		231,790,780		219,790,998		189,079,359		179,291,196	
Net Taxable Assessed Valuation	\$ 5,210,188,414		\$ 4,694,940,471		\$ 4,351,013,378		\$ 3,865,856,462		\$ 3,377,012,191	
Less:										
Freeze Taxable Value	\$ 329,265,581		\$ 271,637,476		\$ 242,601,223		\$ 209,253,959		\$ 181,751,600	
Transfer Adjustment	-		204,420		69,500		97,673		-	
Freeze Adjusted Net Taxable Assessed Valuation (After Deduction of TIRZ Captured Value)	\$ 4,880,922,833		\$ 4,423,098,575		\$ 4,108,342,655		\$ 3,656,504,830		\$ 3,195,260,591	

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
2012-13	\$ 1,615,536,605	43,823,122	2.79%
2013-14	1,780,379,223	164,842,618	10.20%
2014-15	2,060,061,476	279,682,253	15.71%
2015-16	2,421,160,195	361,098,719	17.53%
2016-17	2,810,731,709	389,571,514	16.09%
2017-18	3,377,012,191	566,280,482	20.15%
2018-19	3,865,856,462	488,844,271	14.48%
2019-20	4,351,013,378	485,156,916	12.55%
2020-21	4,694,940,471	343,927,093	7.90%
2021-22	5,210,188,414	515,247,943	10.97%

Sources: The Municipal Advisory Council of Texas Website, the Issuer's 2021 Annual Comprehensive 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 2021

TABLE 12

Name	Type of Business	2021 Net Taxable Assessed Valuation	% of Total 2021 Taxable Assessed Valuation
Western Rim Investors 2014-5 LP	Financial/Banking	\$ 72,484,240	1.49%
Orion Lakeside LLC	Real Estate Development	69,000,000	1.41%
Texas Property Borrower LLC	Real Estate Development	62,606,686	1.28%
4 Corners AL AP	Apartments	61,371,440	1.26%
Bell Fund VI Frisco LLC	Real Estate Development	56,416,358	1.16%
The Landing at Little Elm LLC	Real Estate Development	54,000,000	1.11%
Centennial Luxe LP	Real Estate Development	50,300,000	1.03%
Palladium USA	Real Estate Development	31,500,000	0.65%
GCRE/TX MAIN MARKETPLACE LLC & LCAR	Real Estate Development	31,361,264	0.64%
Crimson 1031 Portfolio LLC	Real Estate Development	27,408,600	0.56%
		\$ 516,448,588	10.58%

Based on a 2021 Freeze Adjusted Net Taxable Assessed Valuation \$ 4,880,922,833

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	
2012	\$ 1,615,536,605	0.664980	\$ 10,651,248	98.71%	99.98%	9/30/2013
2013	1,780,379,223	0.664971	11,780,687	98.88%	99.89%	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	3,377,012,191	0.657671	21,819,292	99.80%	99.90%	9/30/2018
2018	3,865,856,462	0.649900	24,976,789	99.71%	99.92%	9/30/2019
2019	4,351,013,378	0.649900	28,077,721	99.72%	100.00%	9/30/2020
2020	4,694,940,471	0.649700	29,718,306	99.58%	99.58%	9/30/2021
2021	5,210,188,414	0.643948	32,788,053	99.20% (d)	100.00% (d)	9/30/2022

(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 May 31, 2022.

Source: The Denton Central Appraisal District, The Town's 2021 Annual Comprehensive Financial Report and other information from the Issuer.

TAX RATE DISTRIBUTION

TABLE 14

	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018
Maintenance & Operations	\$0.524035	\$0.520000	\$0.495874	\$0.479431	\$0.485188
I & S Fund	0.119913	0.129700	0.154026	0.170469	0.172483
TOTAL	\$0.643948	\$0.649700	\$0.649900	\$0.649900	\$0.657671

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 9, 2009, May 16, 2017 and again on May 1, 2021 the Town held a successful election for the purpose of continuing the 1/4% sales tax for street maintenance. The voters of the Town approved a 1/4% sales tax for 4B community development purposes on May 12, 2007, with collections beginning October 1, 2007. The sales taxes for economic development and community development are collected solely for the benefit of the Little Elm Economic Development Corporation ("4A EDC") and the Little Elm Community Development Corporation ("4B CDC"), respectively, and may be pledged to secure payment of sales tax obligations issued or incurred by the Corporations and are not pledged to the payment of the Obligations.

Net collections on a fiscal year basis are shown below:

Fiscal Ended Sept 30	Total 2% Collected	1.25% Town	Ad Valorem Tax Levy	Ad Valorem Tax Rate	0.50% 4A EDC	0.25% 4B CDC
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	21.76%	0.14141	2,173,851	1,086,925
2020	10,105,335	6,315,835	24.59%	0.15980	2,526,334	1,263,167
2021	11,584,128	7,240,080	24.36%	0.15828	2,896,032	1,448,016
2022 *	7,849,611	4,906,007	14.96%	0.09635	1,962,403	981,201

* As of June 2022.

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

	Unaudited estimate for 5/31/2022
General Operating Fund (Unrestricted / Undesignated)	\$ 43,290,590
General Obligation Interest and Sinking Fund (Debt Service Fund)	4,671,100
Capital Projects Fund (Major governmental Funds)	30,013,752
Waterworks and Sewer System Operating fund (Excluding Impact Fees)	66,566,822
Water and Sewer Impact Fees Fund	5,546,523
Solid Waste Fund	1,078,846
Special Revenue Funds	8,449,659
Internal Replacement Funds	6,918,367
Street Impact Fees Fund	1,934,694
Component Units Funds (CDC)	2,085,967
Total	\$ 170,556,320

Sources: The Issuer.

OVERLAPPING DEBT DATA AND INFORMATION

TABLE 17

(As of July 31, 2022)

<u>Taxing Body</u>	<u>Gross Debt</u>		<u>%</u>	<u>Amount</u>
	<u>Principal</u>	<u>Overlapping</u>		
Denton County	\$ 550,825,000		3.87%	\$ 21,316,928
Frisco Independent School District	2,312,475,696		3.14%	72,611,737
Highway 380 MMD #1	62,015,000		71.05%	44,061,658
Little Elm Independent School District	<u>327,216,408</u>		38.57%	<u>126,207,369</u>
Total Gross Overlapping Debt	\$ 3,252,532,104			\$ 264,197,690
Town of Little Elm	111,100,080 ^(a)		100.00%	<u>111,100,080</u> ^(a)
Total Gross Direct and Overlapping Debt Principal				<u>\$ 375,297,770</u> ^(a)
Ratio of Gross Direct and Overlapping Debt to 2021 Freeze Adjusted Net Taxable Assessed Valuation				7.69% ^(a)
Ratio of Gross Direct and Overlapping Debt to 2021 Actual Value				6.65% ^(a)
Per Capita Gross Direct and Overlapping Debt				\$7,074 ^(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				\$ 58,540,080 ^(b)
Calculations on the basis of Net General Obligation Debt would change the above figures as follows:				
Total Net Direct and Overlapping Debt Principal				<u>\$ 322,737,770</u> ^(b)
Ratio of Net Direct and Overlapping Debt Principal to 2021 Freeze Adjusted Net Taxable Assessed Valuation				6.61% ^(b)
Ratio of Net Direct and Overlapping Debt Principal to 2021 Actual Value				5.72% ^(b)
Per Capita Net Direct and Overlapping Debt				\$6,083 ^(b)

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

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

Source: Municipal Advisory Council of Texas.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES

TABLE 18

<u>Governmental Entity</u>	<u>2021 Net Taxable</u>		<u>% of Actual</u>	<u>2021</u>
	<u>Assessed Valuation</u>			
Denton County	\$ 127,010,590,822		100%	0.23300
Frisco Independent School District	49,485,817,148		100%	1.26700
Highway 380 Municipal Management District #1	522,129,840		100%	0.51800
Little Elm Independent School District	6,156,459,973		100%	1.43000

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>Unissued</u>
			<u>Authorized</u>	<u>Issued To Date</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	\$ 749,000,000	\$ 26,000,000
	11/6/2018	Sch Bldg & Security	<u>691,000,000</u>	<u>420,250,000</u>	<u>270,750,000</u>
			\$ 1,466,000,000	\$ 1,169,250,000	\$ 296,750,000
Highway 380 Municipal Management District #1	5/9/2015	Road	\$ 99,000,000	\$ 29,480,000	\$ 69,520,000
	5/9/2015	Utility	62,000,000	35,755,000	26,245,000
	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	\$ 65,235,000	\$ 123,040,000
Little Elm Independent School District	11/7/2017	Sch Bldg/Athletic Imp	\$ 235,000,000	\$ 220,000,000	\$ 15,000,000
	11/7/2017	Refunding	<u>4,500,000</u>	<u>3,985,000</u>	<u>515,000</u>
			\$ 239,500,000	\$ 223,985,000	\$ 15,515,000

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				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues					
Property taxes, penalty, and interest	\$ 29,769,281	\$ 26,776,344	\$ 23,731,352	\$ 21,845,134	\$ 19,346,127
Licenses and Permits	6,738,298	3,807,739	3,494,513	4,105,031	4,501,472
Intergovernmental and Grant Revenues	6,226,278	5,005,745	1,158,889	518,461	806,708
Charges for Services	6,482,424	3,619,666	4,398,501	3,797,275	3,169,497
Fines	757,765	823,427	813,047	765,229	653,524
Interest	154,469	425,055	629,050	327,787	139,061
Contributions and Donations	-	-	-	-	-
Other Revenues	308,265	160,550	300,041	375,998	355,872
Total Revenues	<u>\$ 50,436,780</u>	<u>\$ 40,618,526</u>	<u>\$ 34,525,393</u>	<u>\$ 31,734,915</u>	<u>\$ 28,972,261</u>
Expenditures					
Current:					
General Government	\$ 5,172,884	\$ 4,610,819	\$ 4,171,885	\$ 4,052,008	\$ 3,941,541
Community Services	2,848,464	2,772,783	2,635,371	2,519,977	2,275,030
Public Safety	23,696,035	20,990,799	18,243,219	15,773,178	12,851,040
Public Works	2,534,943	2,474,534	3,678,222	3,232,957	2,546,491
Culture and Recreation	5,602,371	4,243,591	4,315,131	3,952,086	3,553,251
Capital Outlay	829,011	1,050,432	699,185	78,143	1,316,232
Total Expenditures	<u>\$ 40,683,708</u>	<u>\$ 36,142,958</u>	<u>\$ 33,743,013</u>	<u>\$ 29,608,349</u>	<u>\$ 26,483,585</u>
Excess (Deficit) of Revenues Over Expenditures	\$ 9,753,072	\$ 4,475,568	\$ 782,380	\$ 2,126,566	\$ 2,488,676
Other Financing Sources (Uses):					
Proceeds from Capital Leases/Sale of Assets	\$ 46,041	\$ -	\$ 142,943	\$ 103,668	\$ 31,663
Insurance proceeds	159,356	146,328	426,578	321,485	1,016,343
Operating Transfers In	2,712,336	2,225,794	1,969,135	2,786,598	2,109,670
Operating Transfers Out	(5,103,746)	(2,624,050)	(3,160,000)	(100,000)	(1,000,000)
Total Other Financing Sources (Uses)	<u>\$ (2,186,013)</u>	<u>\$ (251,928)</u>	<u>\$ (621,344)</u>	<u>\$ 3,111,751</u>	<u>\$ 2,157,676</u>
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 7,567,059	\$ 4,223,640	\$ 161,036	\$ 5,238,317	\$ 4,646,352
Fund Balance - October 1 (Beginning)	\$ 25,597,488	\$ 21,373,848	\$ 21,212,812	\$ 15,974,495	\$ 11,328,143
Restatement	-	-	-	-	-
Prior Period Adjustment	-	-	-	-	-
Reclassification of Funds	-	-	-	-	-
Fund Balance - September 30 (Ending)	<u>\$ 33,164,547</u>	<u>\$ 25,597,488</u>	<u>\$ 21,373,848</u>	<u>\$ 21,212,812</u>	<u>\$ 15,974,495</u>
Fund Balance:					
Non-spendable (Prepays and Inventory)	\$ -	\$ 60,914	\$ 60,914	\$ 64,554	\$ 313,699
Spendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	21,312,934	21,312,934	21,148,258	15,660,796
	<u>\$ 33,164,547</u>	<u>\$ 25,597,488</u>	<u>\$ 21,373,848</u>	<u>\$ 21,212,812</u>	<u>\$ 15,974,495</u>

Town Management estimates the Fiscal Year Ending September 30, 2022 Fund Balance to be \$32,390,635

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

	Fiscal Year Ended 9-30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues ^(a)	\$ 19,468,347	\$ 19,753,154	\$ 18,631,658	\$ 18,300,349	\$ 15,570,997
Expenses ^(b)	<u>(9,922,442)</u>	<u>(9,708,159)</u>	<u>(9,670,109)</u>	<u>(9,743,731)</u>	<u>(9,154,302)</u>
Net Revenue Available for Debt Service	<u>\$ 9,545,905</u>	<u>\$ 10,044,995</u>	<u>\$ 8,961,549</u>	<u>\$ 8,556,618</u>	<u>\$ 6,416,695</u>
Annual Revenue Bond Debt Service Requirements	\$0	\$0	\$0	\$0	\$0
Revenue Debt Service Coverage	N/A	N/A	N/A	N/A	N/A
Annual Debt Service Requirements for all Bonds Paid from System Revenues	\$ 3,865,946	\$ 4,021,596	\$ 4,027,587	\$ 4,029,817	\$ 3,540,906
Debt Service Coverage on All Bonds Paid from System Revenues	2.47X	2.50X	2.23X	2.12X	1.81X
Customer Count					
Water	12,390	11,763	11,408	11,153	10,680
Sewer	11,790	11,170	10,948	10,732	10,272
Impact Fee Revenues ^(c) (not included in Revenues above)	\$ 1,199,564	\$ 890,918	\$ 1,128,838	\$ 1,351,845	\$ 912,169

^(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 Annual Financial Comprehensive 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
10/1/2021 - 9/30/2022**

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

5/8 inch Meter	\$	24.56
1 inch Meter		40.15
1½ inch Meter		73.52
2 inch Meter		122.80

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

2,000 to 10,000 gallons	\$	6.52	/	1,000 gallons
10,001 to 20,000 gallons		6.82	/	1,000 gallons
20,001 & above gallons		7.12	/	1,000 gallons

2,001 gallons & greater (all meter sizes) \$ 7.21 Commercial/Schools/Multi-Family

PRINCIPAL WATER CUSTOMERS

TABLE 24

(As of September 30, 2021)

<u>Name of Customer</u>	<u>Customer Consumption (Gals.)</u>	<u>Total Annual Revenue</u>	<u>Average Monthly Bill</u>
Frisco West	108,789,000	\$ 438,420	\$ 36,535
YES Companies	21,264,000	192,240	16,020
Overlook	19,220,000	179,536	14,961
Bell Fund VI Frisco LLC	17,320,000	164,032	13,669
Orion Lakeside LLC	15,989,000	153,171	12,764
4 Corners LP	11,794,000	118,940	9,912
LEISD	6,584,000	47,237	3,936
Fast Lane Car Wash	5,122,000	37,488	3,124
Lakeside	4,408,000	54,695	4,558
Kroger	3,191,000	23,491	1,958
ESSL, LLC	3,055,000	27,073	\$ 2,256
Sub-Total Top Ten ^(a)	216,736,000	\$ 1,436,322	\$ 119,694
Remaining (All Customers)	71,293,000	\$ 652,529	\$ 54,377.40
Total Consumption / Revenue	288,029,000	\$ 2,088,851	\$ 174,071
Top Ten Percent of Total System	75.25%	68.76%	
Remaining Customers Percent of Total	24.75%	31.24%	

^(a) Excludes Governments

WASTEWATER RATES

TABLE 25

(Based on Monthly Billing)

**Existing Rates
Effective
10/1/2021 - 9/30/2022**

Minimum Charge Per Month

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 ^(a)

TABLE 26

(As of September 30, 2021)

<u>Name of Customer</u>	<u>Customer Consumption (Gals.)</u>	<u>Total Annual Revenue</u>	<u>Average Monthly Bill</u>
YES Companies	21,264,000	\$ 100,409	\$ 8,367
Bell Fund VI Frisco LLC	17,320,000	81,833	6,819
Orion Lakeside LLC	15,989,000	75,564	6,297
Overlook	19,220,000	90,782	7,565
4 Corners LP	11,794,000	55,805	4,650
Villages	2,265,000	10,860	905
Apple Texas restaurants	2,524,000	12,144	1,012
Fast Lane Car Wash	5,122,000	24,380	2,032
Lakeside	4,408,000	21,017	1,751
Five Dragonflies	1,995,000	9,652	804
Sub-Total Top Ten	101,901,000	\$ 482,447	\$ 40,204
Remaining (All Customers)	39,415,000	\$ 182,602	\$ 15,217
Total Consumption / Revenue	141,316,000	\$ 665,049	\$ 55,421
Top Ten Percent of Total System	72.11%	72.54%	
Remaining Customers Percent of Total	27.89%	27.46%	

^(a) 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**

The Town of Little Elm, Texas (the "Town") is located in North Central Texas, and covers approximately 22 square miles of the Dallas/Fort Worth Metroplex ("DFW"). The Town is situated in Denton County and located at the crossroads of US Highway 380, FM 423, and FM 720. The Town is primarily a bedroom community. The Town is all wet, in the sense that over 66 miles of the Town's corporate town limits are shoreline on Lewisville Lake (the "Lake") meaning that almost anywhere you travel in town, neighborhoods have a view of the lake, for which the Town is drawing more attention and bringing attractions within the DFW region.

The current estimated population is 53,053 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.

Denton County (the "County") is located in north central Texas and was created in 1846 from Fannin County. The current population estimate for the County is 950,660.

Major industrial investments in the past, which include Alliance Airport, Wal-Mart, Target, Aldi and Winco distribution centers, and the Texas Motor Speedway, continue to attract additional development in the County. There also have been major investments in the County by the healthcare profession with several major hospitals undergoing significant expansions. Denton County's two major universities, the University of North Texas and Texas Woman's University, and North Central Texas College continue to turn out a large number of skilled graduates each year, and enrollment at these schools continues to increase significantly each year. This labor supply, combined with air, rail and highway transportation centers, assists to the County's continued economic growth.

Source: Latest Texas Municipal Report published by the Municipal Advisory Council of Texas and other information from the Town, County and North Central Texas Council of Governments.

Population Trends:

<u>Census Report</u>	<u>Town of Little Elm</u>	<u>Denton County</u>
Current Estimate	53,053	950,660
2020	46,200	902,190
2010	25,898	662,614
2000	3,646	432,976
1990	1,308	273,525

Sources: North Central Texas Council of Governments and the Issuer.

Leading Employers in the Town of Little Elm:

<u>Employer</u>	<u>Product or Type of Business</u>	<u>Number of Employees</u>
Little Elm Independent School District	Education	1,300
Town of Little Elm	Municipal government	326
Kroger	Retail Grocery	200
Lowe's Home Center	Retail Sales	149
Retractable Technologies	Medical Production	146
Holt	Heavy Duty Equipment	80
Hula Hut	Restaurant	67

Source: The Issuer's 2021 ACFR

Labor Force Statistics:

	<u>Little Elm</u>		<u>Denton County</u>		<u>State of Texas</u>	
	<u>April 2022</u>	<u>April 2021</u>	<u>April 2022</u>	<u>April 2021</u>	<u>April 2022</u>	<u>April 2021</u>
Civilian Labor Force	30,767	29,334	548,750	523,219	14,462,593	14,150,421
Total Employed	29,879	27,965	533,726	499,539	13,932,379	13,313,648
Total Unemployed	888	1,369	15,024	23,680	530,214	836,773
% Unemployed	2.9%	4.7%	2.7%	4.5%	3.7%	5.9%
% Unemployed (United States)	3.3%	5.7%	3.3%	5.7%	3.3%	5.7%

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

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Fax +1 214 855 8200
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IN REGARD to the authorization and issuance of the “Town of Little Elm, Texas, Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022,” dated August 1, 2022, in the principal amount of \$9,560,000 (the “Certificates”), we have examined into their issuance by the Town of Little Elm, Texas (the “Town”), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the Town, the disclosure of any financial or statistical information or data pertaining to the Town and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on February 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.

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 who are individuals.

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, corporations subject to the alternative minimum tax on adjusted financial statement income, 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, 2021**

(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

Annual Comprehensive Financial Report



**Fiscal Year Ended
September 30, 2021**

PREPARED BY:

Kelly Wilson, CPM, CGFO—Chief Financial Officer

Dianne Lawson, CGFO—Asst. Director of Finance

Glenna Culverhouse—Controller

Crystal Williamson

Rebecca Hunter

Shane Urrutia

Sheryl Champlin

Cindy Alonzo

Shelly Newell



LITTLE ELM

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Town of Little Elm, Texas
Annual Comprehensive Financial Report
For the Fiscal Year Ended September 30, 2021
Table of Contents

	<u>Page</u>
Introductory Section	
Letter of Transmittal	v
GFOA Certificate of Achievement for Excellence in Financial Reporting	xiv
Organizational Chart	xv
Town Officials	xvii
Mayor and Town Council	xvii
Financial Section	
Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balance	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	25
Proprietary Funds Financial Statements	
Statement of Net Position	26
Statement of Revenues, Expenses, and Changes in Fund Net Position	27
Statement of Cash Flows	28
Fiduciary Fund	
Statement of Fiduciary Net Position	30
Statement of Changes in Fiduciary Net Position	31
Discretely Presented Component Units	
Statement of Net Position	33
Statement of Activities	34
Notes to the Financial Statements	37
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget (GAAP Basis) and Actual- General Fund	76
Notes to Budgetary Comparison Schedule	78
Schedule of Changes in Net Pension Liability and Related Ratios - TMRS	79
Schedule of Pension Contributions - TMRS	80
Schedule of Changes in Total OPEB Liability and Related Ratios - TMRS	81
Schedule of OPEB Contributions - TMRS	82

Town of Little Elm, Texas
Annual Comprehensive Financial Report
For the Fiscal Year Ended September 30, 2021
Table of Contents – Continued

	<u>Page</u>
Combining And Individual Fund Financial Statements And Schedules	
Major Governmental Funds	
General Obligation Debt Service Fund - Budgetary Comparison Schedule (GAAP Basis)	84
Nonmajor Governmental Funds	
Listing of Nonmajor Governmental Funds	85
Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	88
Discretely Presented Component Units	
Listing of Discretely Presented Component Units	91
Balance Sheet- Economic Development Corporation	92
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position- Economic Development Corporation	93
Statement of Revenues, Expenditures and Changes in Fund Balance- Economic Development Corporation	94
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities- Economic Development Corporation	95
Balance Sheet- Community Development Corporation	96
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position- Community Development Corporation	97
Statement of Revenues, Expenditures and Changes in Fund Balance- Community Development Corporation	98
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities- Community Development Corporation	99
 Statistical Section	
	TABLE
Net Position By Component	A-1 104
Changes in Net Position	A-2 106
Fund Balances, Governmental Funds	A-3 110
Changes in Fund Balances, Governmental Funds	A-4 112
Appraised Value of Property	B-1 114
Direct and Overlapping Property Tax Rates	B-2 115
Principal Property Tax Payers	B-3 116
Property Tax Levies and Collections	B-4 117
Municipal Sales Tax and Ratio to Ad Valorem Tax Levy	B-5 118
Ratio of Outstanding Bonded Debt by Type	C-1 119
Ratio of Net General Bonded Debt to Assessed Value	C-2 120
Direct and Overlapping Debt	C-3 121
Legal Debt Margin Information	C-4 122
Pledged-Revenue Coverage	C-5 123
Demographic and Economic Statistics	D-1 124
Principal Employers	D-2 125
Full-Time Equivalent Government Employees by Function/Program	E-1 126
Operating Indicators by Function/Program	E-2 128
Capital Asset Statistics by Function/Program	E-3 130

Introductory Section



LITTLE ELM

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LITTLE ELM

Town of Little Elm

March 9, 2022

To the Honorable Mayor, Members of Town Council, and
Citizens of Little Elm, Texas:

The Town's management staff is pleased to submit the Comprehensive Annual Financial Report of the Town of Little Elm ("Town") for the fiscal year ending September 30, 2021. Provided herein is a complete set of financial statements in conformity with generally accepted accounting principles GAAP and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The purpose of this report is to provide council, management, staff, the public and other interested parties with detailed information regarding the Town's financial condition. State Law requires that every general purpose local government publish, within six months of the close of fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2021.

This report consists of management's representations concerning the finances of the Town. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The Town is required to obtain an annual audit of the financial records and financial activities of the Town. Weaver and Tidwell, L.L.P., a firm of licensed certified public accountants, have audited the Town's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town for the fiscal year ended September 30, 2021, are free of any material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified ("clean") opinion that the Town's financial statements for the fiscal year ended September 30, 2021, and are fairly presented in conformity with Generally Accepted Accounting Principles ("GAAP"). The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and the two should be read in conjunction with each other.

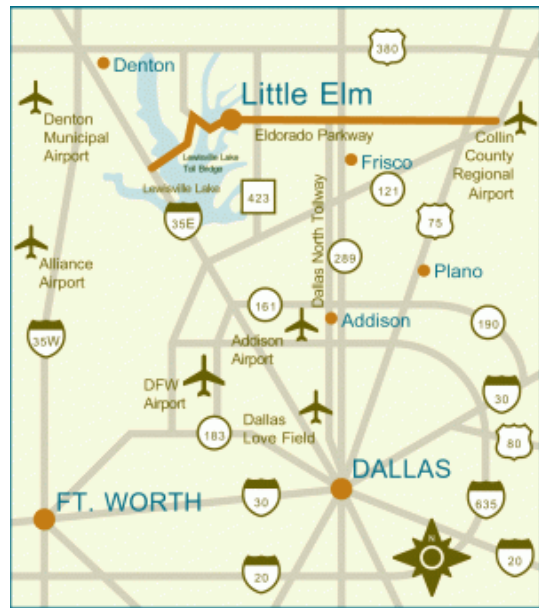
TOWN PROFILE

The Town of Little Elm was officially incorporated in 1966 encompassing 1,222 acres and in 2001 adopted the council-manager form of government and its Home Rule Charter. The Town operates as a Council-Manager form of government with the Town Council comprised of a mayor and six council members. The term of offices are elected on staggered, three-year terms on a non-partisan basis. The Mayor, Place 1, and Place 6 are elected at-large, whereas Place 2, 3, 4, and 5 are elected by district. Council Member elected in at-large place 1 shall serve for a term of two (2) years until the election in May 2022, after which time the Council Member elected in at-large place 1 shall serve a term of three (3) years from that election going forward. The Council Member elected in single member district Place 5 shall serve a term for two (2) years until the election in May 2023, after which time the Council Member elected in single member district Place 5 shall serve a term of three (3) years from that election going forward.

Under the provisions of the Town Charter, and subject only to the limitations imposed by the Texas Constitution, State Law, and the Town Charter, the Town Council enacts legislation, adopts the annual operating budget, and sets policy. The Town Manager, under the oversight of Town Council, serves as chief administrative officer by executing the laws and administering the government of the Town, as directed by the Town Council policies.

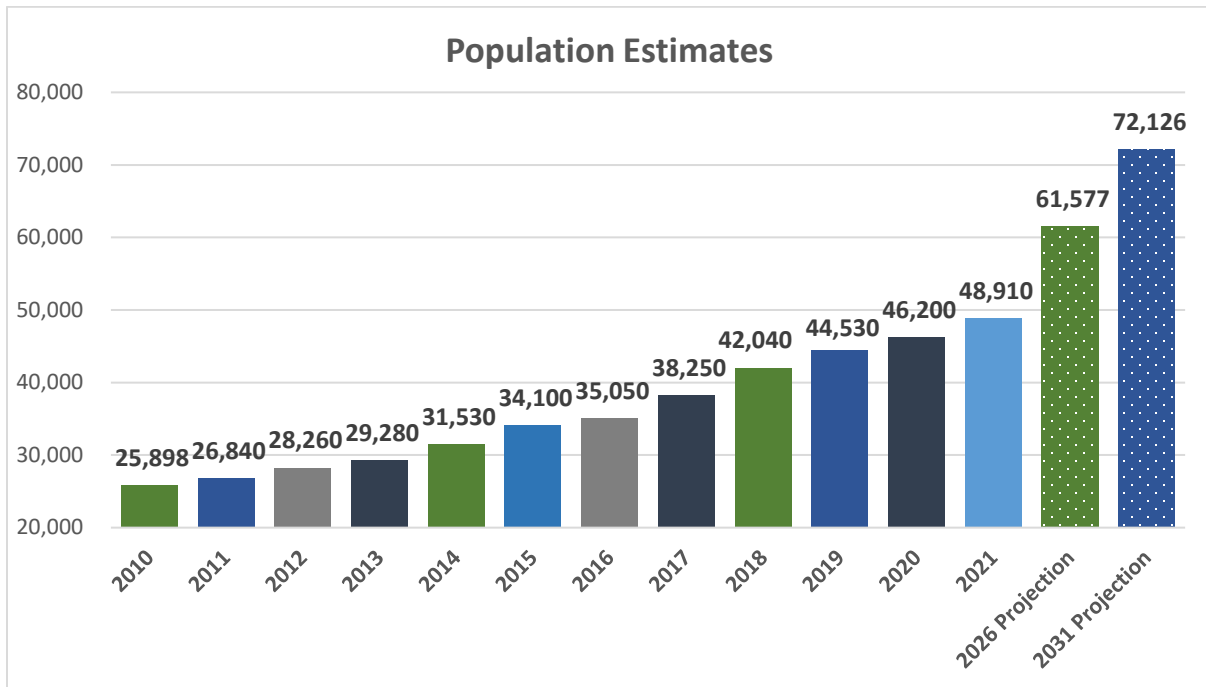
Little Elm is located in North Central Texas, and covers approximately 22 square miles of the Dallas/Fort Worth Metroplex (“DFW”). Little Elm is situated in Denton County and located at the crossroads of US Highway 380, FM 423, and FM 720. The Town is primarily a bedroom community. The Town is all wet, in the sense that over 66 miles of the Town’s corporate town limits are shoreline on Lewisville Lake meaning that almost anywhere you travel in town, neighborhoods have a view of the lake, for which the Town is drawing more attention and bringing attractions within the DFW region.

An inventory of the different school districts within the Little Elm’s corporate limits and ETJ is useful in attracting homebuyers. Little Elm has three school districts providing services to the community. The Little Elm Independent School District (“ISD”) serves the majority of the community. The Denton ISD covers the northern section of the community and serves development along Highway 380. The Frisco ISD serves the eastern section of Little Elm.



The mission of the Town of Little Elm is to build our unique lake opportunities and small-town charm, encourage diverse housing options and business opportunities, and provide an unmatched quality of life. The vision of the Town of Little Elm is a distinct and desirable lakeside destination for all people to live and play while enjoying a safe, vibrant, and welcoming community.

The 2010 Census population for the Town was 25,898, and the 2021 estimate is 48,910.



Source: Population estimates to date are from North Central Texas Council of Governments. Future estimates are from Town of Little Elm staff.

Services Provided

The Town provides a full range of public services. These services include police, fire protection, emergency medical services, construction and maintenance of streets and other infrastructure; recreation services, library services; parks maintenance and public utilities. The Town's utilities include water and wastewater, drainage and sanitation services. The Town operates its own wastewater treatment facility.

Community Waste Disposal ("CWD") provides solid waste collection; and, the North Texas Municipal Water District ("NTMWD") provides water for the Town on a "take-or-pay" basis. The Town's drainage utility operates to mitigate drainage and environmental hazards and is self-supporting with fees billed monthly to all residential and commercial customers. The Town provides on a contractual basis to areas in its extra-territorial jurisdictions ("ETJ") public safety and construction inspections.

Financial System and Budgetary Controls

Town management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft, or misuse. Management must also ensure that adequate accounting data is compiled to allow for the

preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The contract of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

The Town's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues recognized when measurable and available, and expenditures recorded when the services or goods are received and the liabilities are incurred. Accounting records for the Town's utilities and other proprietary activities are maintained on a full accrual basis.

Town Council is required to adopt an annual operating budget no later than the beginning of the fiscal year. The process begins with the staff of each department submitting their annual budget requests during budget workshop. It is during this collaborative workshop setting including the Town Manager, Department Directors, and involved staff, each fund's proposed budget is balanced to comprise the Town Manager's Proposed Budget to Town Council. The proposed budget receives additional scrutiny by Town Council by holding subsequent workshop sessions. Prior to official adoption of the budget and tax rate by Town Council, any required notices, publications, and public hearings on the proposed tax rate and budget are held to allow for public input.

The objective of budgetary controls is to ensure compliance with legal provision contained in the annual budget approved by the Town Council. The budget is developed on a departmental level and adopted at the fund level. The level of control at which expenditures may not exceed budget with our Town Council approval is at the fund level. The Town Manager has authority to approve individual departmental budget overages. This budgetary level serves as the foundation for the Town's financial planning and control. The Town Council approves any amendment or additional funding requests for appropriations when the budget is exceeded at the fund level or for any that were unforeseen during the regular budget process. These amendments shall be by ordinance, and shall become an attachment to the original budget.

The accompanying Annual Comprehensive Financial Report incorporates all funds of the Town and includes all government activities, organizations and functions for which the Town is financially accountable including its component units. The Town's component units are legally separate entities for which the Town is financially accountable but are not part of the Town's operations.

The Town's discretely presented component units are:

- Little Elm Economic Development Type 4A Sales Tax Corporation (EDC)
- Little Elm Community Development Type 4B Sales Tax Corporation (CDC)

Relevant Financial Policies

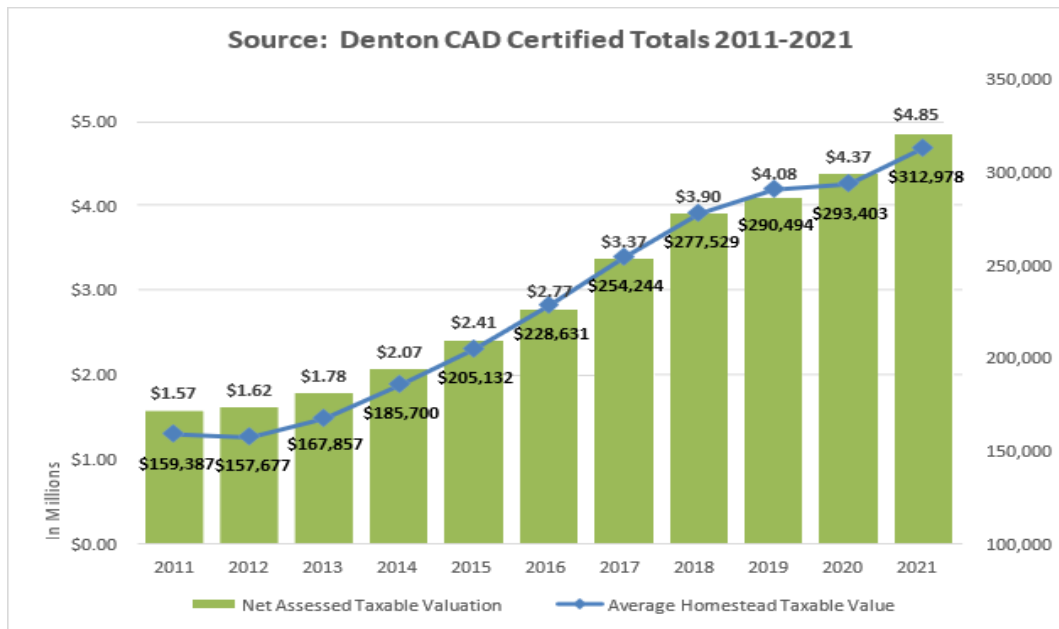
The Town has established reserve policies for its' operating funds. The Town will maintain an unassigned fund balance in its General Fund equal to three months or 25% of the regular General Fund operating expenditures. Additionally, The Town will maintain a reserve of cash and

investments in the Water Wastewater Fund equal to two months (60 days) of the total operating revenue. The reserve will be calculated based on total operating revenues from the last audited financial statements of the Water Wastewater Fund.

The Town has an established a comprehensive financial policy with subsections dedicated to investments, purchasing, budgeting, asset management, P-Cards, and debt. In 2019, a debt post issuance policy was added. The debt post issuance policy outlines the Town’s responsibility to comply with bond covenants including applicable code provisions or regulations. This policy also designates who is responsible for such actions.

ECONOMIC CONDITIONS AND OUTLOOK

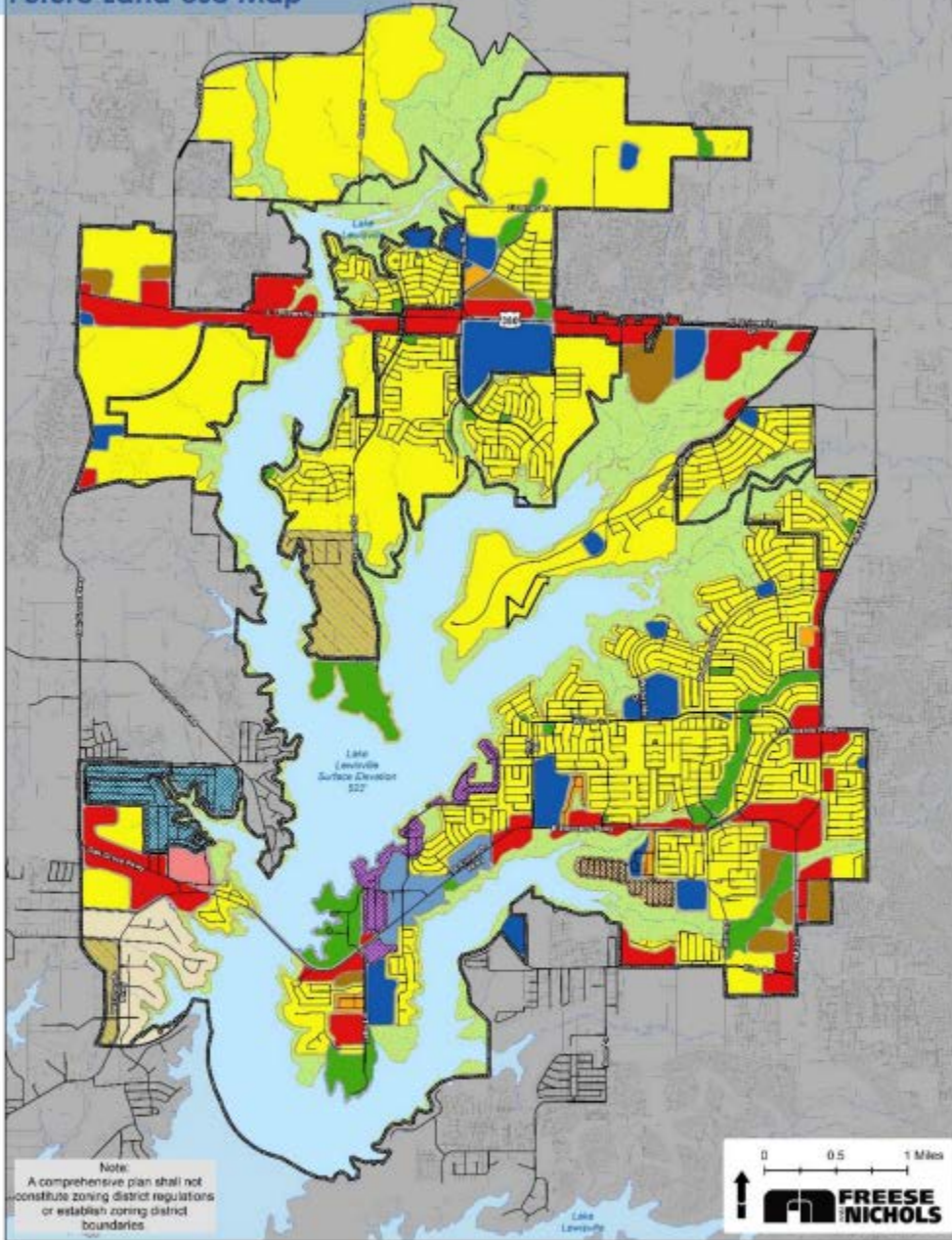
The Town continues to manage and plan for the continued growth as a result of the strong economy in the Dallas-Fort Worth area. New development is guided by design guidelines, a 2017 Comprehensive Plan, a Strategic Plan, and a Capital Improvements Plan. Unlike the cities of Dallas, Plano, and Frisco located to the south, the Town of Little Elm is characterized as a lake front community that is made up by a variety of single-family neighborhoods and master planned developments. While residential growth remains strong with 1,250 single family permits issued in 2021, the Town is a full service town of 50,000+ residents. The Town offers a variety of commercial retail and shopping opportunities as well as a regional destination area, the Lakefront District. In 2021, we welcomed 12 new businesses and new non-residential construction valued at \$56.8M. The Town also has over 895,000 square feet of shovel ready non-residential uses that are approved for construction in 2022. Lastly, we have 2,137,086 square feet of office/retail space available for lease with a current lease rate of 90.39%.



The Little Elm Economic Development Corporation continues its work in attracting high quality businesses to Little Elm in order to increase both the tax base and local employment. The Town continues to benefit from other favorable conditions associated with a desirable location for work, destination, and living.

The economy influences the timing of population increases and the types of development that occur will affect the build-out of the Town. The Town Council adopted a new Comprehensive Plan in 2017. Policy-makers and Town staff use this document as a guide while reviewing development projects, the Town budget, prioritizing capital improvement projects, and drafting ordinances to direct growth that leads to the established vision. The Future Land Use Plan (below) graphically sets an overall framework for the preferred pattern of development within Little Elm.

Future Land Use Map



Future Land Use									
	Estate Residential		High Density Residential		Retail Commercial		Special Planning Area 3		Town Limits
	Ranchette Residential		Public/Semi-Public		Lakeloft District		Mixed Use		ETJ
	Low Density Residential		Parks and Open Space		Special Planning Area 1		Lake Lewisville		Streams
	Medium Density Residential		Floodplain/CORP		Special Planning Area 2				

LONG-TERM FINANCIAL PLANING

Long-Term Financial Planning Process

- **Comprehensive Strategic Plan Update:** Council was recently updated on the Town's Comprehensive Strategic Plan the first of 2022 after Town staff provided an extensive plan update that outlined all of the goals and initiatives that had been accomplished from 2013-2020. This helped outline the objectives Town Council established to provide a community that is safe, diversified in housing opportunities, and inclusive. For more information about the Town's Strategic Plan that sets the vision for the Town and charts its course for the community, please visit:
https://issuu.com/townoflittleelm/docs/2021_strategic_report_final.
- **Operations and Maintenance:** Each year the Town prepares a balanced budget, with the involvement of the Town Council, Town Manager, Executive Management Team, finance staff and other employees. Discussions regarding the future of the Town's financial health are a high priority during budget preparation. Fiscal year 2021 was the eighth year for the Town to utilize a multi-year budgeting format. The multi-year budget process takes historical trends, changes in policy and economic conditions (now and projected) into consideration as applicable. The total number of budgeted full-time equivalents (FTE's) is 380 for the 2021-2022 budget.
- **Capital Improvement Program:** A major component of the budgeting process every year is the Capital Improvement Program (CIP). Extensive planning takes place throughout the year involving input from the Town Council, Town Boards (Parks Board, Planning and Zoning Board) and the Executive Management Team. The focus of this planning is ongoing funding of current CIP projects, and how the Town will fund currently unfunded CIP projects in the future. During this process, attention is given to the impact the projects will have on the future operations and maintenance costs along with debt service levels based on policies established.

Anticipated Long-Term Financial Impacts

Due to the Town's economic growth, Town Council created six Public Improvement Districts ("PID") and participates in four Tax Increment Reinvestment Zones ("TIRZ") (#3, #4, #5, and #6). These Special Districts are separate, special-purpose governmental units that exist separately from local governments. They are formed to perform a single function or a set of functions. Note 14 to the Financial Statements specifically addresses the creation for each zone and district.

A significant partnership has been established with the City of Denton through an interlocal cooperative agreement for the use of providing equipment and personnel to provide 9-1-1 call answering, processing and dispatching services through Public Safety Emergency Dispatch Center. This partnership accomplishes a long-term objective to find a long-term solution to dispatch services. The traditional contract with Denton County was at its capacity for servicing the rapid growth needs in Little Elm. This new partnership has provided a higher level of service to the residents and allow the Little Elm Fire and Police Departments to provide outstanding level of

service to the area. The Town also executed a new agreement for Fire and EMS services contract to serve the Town of Cross Roads.

The Town facilitated in the development of a master-planned community that created the framework of public streets, over 2,000 homes, a Little Elm ISD school, a fire/ems station, trail systems, open spaces, and amenity centers.

The Town completed the construction of the 42,000 square-foot indoor aquatic park called the Cove at the Lakefront™ in February 2021. The venue opened in March of 2021 and has attendance since opening of 118,600. The venue has been well received even in the midst of a pandemic.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2020. This was the eleventh year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a municipality must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The Town is also re-applying for the Popular Annual Financial Report (PAFR) award that was received for the second time last from GFOA. This report is designed to provide a user friendly and easily understood report to the public and other interested parties that lack a background in public finance. It is the Town's desire to achieve this award every year.

Acknowledgements

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. We would also like to thank the Mayor and Town Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Little Elm's finances.

Respectfully submitted,



Matt Mueller
Town Manager



Kelly Wilson, CPM, CGFO
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Little Elm
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morill

Executive Director/CEO

TOWN OF LITTLE ELM, TEXAS



Town of Little Elm Citizens

Mayor and Council

Town Manager

Deputy Town Manager

Assistant Town Manager/Director of Public Safety

Town Attorney

Boards and Commissions

Municipal Court Judge and Prosecutor

Economic Development Corporation (EDC)

Community Development Corporation (CDC)

Finance
Utility Customer Service
Purchasing
Municipal Court
Budget
Accounting

Human Resources
Personnel Admin
Risk Management

Director of Administrative Services/Town Secretary

Assistant to the Town Manager

Development Services
Engineering
Community Integrity
Planning/GIS
Building Inspection

Public Works
Fleet Services
Water & Wastewater
Stormwater
Solid Waste
Streets

Community Services
Library
Parks
Senior Center
Recreation
Marketing
Facilities
Animal Services
Special Events
Aquatics

Police Department
Patrol
Traffic
CID

Fire Department
Fire & Emergency
Medical Services

Information Technology

Emergency Management Services



TOWN OF LITTLE ELM, TEXAS

Town Officials

Council Members

Curtis J. Cornelious
Neil Blais
Jamell Johnson
Tony Singh
Lisa Norman
Jeremy Lukas
Michael McClellan

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

Executive Staff

Matt Mueller
Doug Peach
Kelly Wilson
Rodney Harrison
Caitlan Biggs
Paul Rust
Deidre Hale
Joe Florentino
Jason Shroyer
Chad Hyde
Fred Gibbs
Jennette Espinosa

Town Manager
Deputy Town Manager
Chief Financial Officer
Police Chief
Town Secretary
Fire Chief
Director of Human Resources
Assistant Town Manager/Director of Public Safety
Director of Public Works
Director of Parks and Recreation
Director of Development Services
EDC Executive Director

Town of Little Elm

MAYOR AND TOWN COUNCIL



Neil Blais
Mayor Pro Tem
District 3



Mayor Curtis J. Cornelious



Tony Singh
District 2



Lisa Norman
District 4



LITTLE ELM



Jeremy Lukas
District 5

2020-2021 Annual Comprehensive Financial Report



Jamell Johnson
At Large, Place 1



Michael McClellan
At Large, Place 6



LITTLE ELM

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Financial Section



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Independent Auditor's Report

To the Honorable Mayor,
Town Council, and Town Manager
Town of Little Elm, 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, 2021, 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.

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 / Dallas, Texas 75201
Main: 972.490.1970

The Honorable Mayor,
Town Council, and Town Manager
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, 2021, 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.

Emphasis of Matter

As discussed in Note 16 to the basic financial statements, during the year ended September 30, 2021, the Town implemented Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Beginning net position in the fiduciary funds has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5-15), budgetary comparison information (pages 76-78), and TMRS pension and OPEB schedules (pages 79-82) 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, as presented in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable Mayor,
Town Council, and Town Manager
Town of Little Elm, Texas

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2022, 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
March 9, 2022



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MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2021
(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, 2021. 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 \$338,216,035 (net position). Of this amount \$55,047,436 (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 \$74,014,436 during the fiscal year.
- The Town's total amount of long-term liabilities is \$125,875,934, which is a net increase of \$17,473,079 when compared to the prior year. During 2021, the Town issued \$21,765,000 of Certificates of Obligation.
- As of the close of the current fiscal year, the Town of Little Elm's governmental funds reported a combined ending fund balance of \$110,882,921, an increase of \$61,344,819 in comparison with the prior year. The increase is due largely to the issuance of debt in 2021 and to the expansion of PID capital projects within the Town. Within this total, \$77,720,015 (70%) is restricted by specific legal requirements, \$33,038,134 (30%) is unassigned fund balance, and \$124,772 (.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 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.).



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2021
(unaudited)

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, 2021

(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 Custodial 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 2021, the Town's net position (assets exceeding liabilities) totaled \$338,216,035. This analysis focuses on the net position (Table 1) and charges in net position (Table 2).

Net Position. The largest portion of the Town's net position, \$217,747,766 or 65% 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, 2021
 (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, \$65,420,833 or 19%, represents resources that are subject to external restrictions on how they may be used. The unrestricted portion of net position which is \$55,047,436 or 16% 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 123,754,834	\$ 63,465,299	\$ 40,760,621	\$ 28,004,184	\$ 164,515,455	\$ 91,469,483
Capital assets	223,994,296	208,300,946	81,935,027	81,078,661	305,929,323	289,379,607
Total assets	347,749,130	271,766,245	122,695,648	109,082,845	470,444,778	380,849,090
Deferred outflows of resources	3,342,326	2,993,678	892,110	888,391	4,234,436	3,882,069
Current liabilities	6,870,590	8,298,257	2,502,734	2,573,885	9,373,324	10,872,142
Noncurrent liabilities	80,029,897	68,789,103	45,846,037	39,613,752	125,875,934	108,402,855
Total liabilities	86,900,487	77,087,360	48,348,771	42,187,637	135,249,258	119,274,997
Deferred inflows of resources	1,112,117	1,143,216	101,804	111,347	1,213,921	1,254,563
Net position:						
Net investment in capital assets	171,316,394	157,699,639	46,431,372	44,190,975	217,747,766	201,890,614
Restricted	60,716,093	15,434,016	4,704,740	4,376,151	65,420,833	19,810,167
Unrestricted	31,046,365	23,395,692	24,001,071	19,105,126	55,047,436	42,500,818
Total net position	\$ 263,078,852	\$ 196,529,347	\$ 75,137,183	\$ 67,672,252	\$ 338,216,035	\$ 264,201,599

Changes in Net Position. The net position of the Town increased by \$74,014,436 from the prior year.

Governmental Activities. Governmental activities increased the Town's net position by \$66,549,505 from the prior year. This was due in large part to the increase in capital grants and contributions. These contributions are largely the result of increased operations of the public improvement districts within the Town. This, in turn, brings in more tax revenue to the Town that support services. Additionally, the Town experienced significant growth in charges for services. This growth can be attributed to development growth which has risen significantly now that the economy is recovering from COVID.

Business-type Activities. Net position from business-type activities increased \$7,464,931 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 solid waste rate increases as well as capital grants and contributions for the Water and Sewer Fund 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, 2021
 (unaudited)

Government-Wide Financial Analysis

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 18,415,911	\$ 11,098,392	\$ 22,353,831	\$ 21,871,215	\$ 40,769,742	\$ 32,969,607
Operating grants and contributions	3,830,214	4,403,463	-	288,654	3,830,214	4,692,117
Capital grants and contributions	61,971,547	8,561,351	3,520,701	3,695,752	65,492,248	12,257,103
General revenues:						
Property taxes	28,852,488	27,474,111	-	-	28,852,488	27,474,111
Sales taxes	7,258,930	6,201,247	-	-	7,258,930	6,201,247
Franchise taxes	2,279,437	2,265,747	187,207	173,375	2,466,644	2,439,122
Investment Income	373,282	999,944	228,569	426,620	601,851	1,426,564
Other	142,857	1,052,785	-	9,007	142,857	1,061,792
Gain on sale of capital assets	604,039	12,422	246,235	-	850,274	12,422
Total revenues	123,728,705	62,069,462	26,536,543	26,464,623	150,265,248	88,534,085
Expenses:						
General government	12,236,888	6,028,316	-	-	12,236,888	6,028,316
Community service	3,224,276	3,072,109	-	-	3,224,276	3,072,109
Public safety	25,324,342	21,585,797	-	-	25,324,342	21,585,797
Public works	9,051,190	7,500,282	-	-	9,051,190	7,500,282
Culture and recreation	8,034,076	6,223,043	-	-	8,034,076	6,223,043
Interest expense	1,684,428	1,961,911	-	-	1,684,428	1,961,911
Water and sewer services	-	-	14,115,471	13,570,792	14,115,471	13,570,792
Solid waste services	-	-	2,580,141	2,345,983	2,580,141	2,345,983
Total expenses:	59,555,200	46,371,458	16,695,612	15,916,775	76,250,812	62,288,233
Change in net position before transfers	64,173,505	15,698,004	9,840,931	10,547,848	74,014,436	26,245,852
Transfers	2,376,000	2,366,000	(2,376,000)	(2,366,000)	-	-
Change in net position	66,549,505	18,064,004	7,464,931	8,181,848	74,014,436	26,245,852
Net position - beginning	196,529,347	178,465,343	67,672,252	59,490,404	264,201,599	237,955,747
Net position - ending	\$ 263,078,852	\$ 196,529,347	\$ 75,137,183	\$ 67,672,252	\$ 338,216,035	\$ 264,201,599

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 \$110,882,921.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2021
 (unaudited)

Table 3
 Governmental Funds
 Condensed Balance Sheet

	General Fund	Debt Service	Capital Projects	PID Capital Projects	Nonmajor Governmental Funds	Total
Assets	\$ 35,734,791	\$ 970,554	\$ 35,427,393	\$ 38,136,391	\$ 8,967,948	\$ 119,237,077
Liabilities	\$ 2,213,076	\$ 56,730	\$ 1,917,644	\$ 61,004	\$ 2,558,813	\$ 6,807,267
Deferred Inflows of Resources	357,168	36,273	1,103,648	-	49,800	1,546,889
Fund Balances	33,164,547	877,551	32,406,101	38,075,387	6,359,335	110,882,921
Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 35,734,791	\$ 970,554	\$ 35,427,393	\$ 38,136,391	\$ 8,967,948	\$ 119,237,077

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, unassigned fund balance was \$33,039,775. The unassigned fund balance of the General Fund increased by \$7,523,978 primarily due to increases in revenues for property taxes, sales taxes, licenses and permits, intergovernmental revenues, and charges for services. All of these increases can be attributed to economic recoveries seen post-COVID, but they can also be attributed to the opening of The Cove at the Lakefront®, the Town's new 42,000 square foot indoor waterpark facility that provides a destination venue.

The Debt Service Fund had a decrease of \$201,146 in fund balance. This decrease can be attributed to excess debt service reserves being returned to nonmajor governmental funds. The Capital Projects Fund increased by \$16,927,953 primarily due to the net effect of capital outlay expenditures on various projects and the issuance of debt with a premium totaling \$15,181,340 this fiscal year. PID Capital Projects Fund increased by \$36,680,210 due to the expansion of PID projects within the Town. Other governmental funds' combined fund balances increased by \$370,743 with almost the entire ending fund balance of \$6,359,335 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 Enterprise Funds at the end of the year was \$24,001,071. This represents an increase of \$4,895,945. The increase is attributable to gains in water and sewer sales revenue and from maintaining operating expenses consistent to the prior year amount. This year's operating revenue was \$22,353,831. The slight increase of \$184,955 from last year's operating revenue is attributable to increases in water and sewer sales and solid waste charges for services revenue, due to increases in rates and charges with increased consumption.

General Fund Budgetary Highlights. In FY 2021, the General Fund expenditure budget was increased by \$4,559,526 over the FY 2020 budget. The Town implements a 5 year financial plan that allows the Town to look ahead in order to meet the growth and service needs of the Town. Amendments made during FY 2021 increased the original revenue budget by \$2,789,462 and increased the expenditure budget by \$873,401.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2021
 (unaudited)

The Town primarily amended the budget to allow excess revenue received from sales tax and permits to be moved to the CIP fund for future capital needs. Additional expenditures during the year, due to the pandemic, was offset by federal funds received to assist with relief. 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 \$7,872,295 more than budgeted. This positive variance is most noticeable in licenses and permits, taxes and intergovernmental revenue. This was due to growth in the community and Federal Aid for pandemic relief. General Fund expenditures had a final budget to actual variance of \$4,966,395 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 FY 2021 and were encumbered to the FY 2022 budget.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$305,929,323 (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 7%.

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

	Governmental activities		Business-type activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land	\$ 9,210,630	\$ 9,210,630	\$ 1,639,066	\$ 1,639,066	\$ 10,849,696	\$ 10,849,696
Construction in progress	35,197,589	34,688,527	1,546,369	3,100,307	36,743,958	37,788,834
Buildings	31,263,024	32,258,365	1,955,525	2,008,929	33,218,549	34,267,294
Infrastructure	121,438,429	104,221,928	75,729,622	73,760,940	197,168,051	177,982,868
Other improvements	18,867,431	19,677,420	-	-	18,867,431	19,677,420
Machinery and equipment	8,017,193	8,244,076	1,064,445	569,419	9,081,638	8,813,495
Total	\$ 223,994,296	\$ 208,300,946	\$ 81,935,027	\$ 81,078,661	\$ 305,929,323	\$ 289,379,607

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 \$125,875,934, 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.



MANAGEMENT'S DISCUSSION & ANALYSIS
 For the year ended September 30, 2021
 (unaudited)

Table 5
 Outstanding Debt
 Outstanding Debt and Long-Term Liabilities

	Governmental activities		Business-type activities		Total Primary Government		Component Units	
	2021	2020	2021	2020	2021	2020	2021	2020
Gross bonded debt:								
General obligation	\$ 17,850,000	\$ 20,365,000	\$ 15,260,000	\$ 16,745,000	\$ 33,110,000	\$ 37,110,000	\$ -	\$ -
Certificates of obligation	48,750,000	36,840,000	27,025,000	20,040,000	75,775,000	56,880,000	-	-
Total bonded debt	66,600,000	57,205,000	42,285,000	36,785,000	108,885,000	93,990,000	-	-
Other long-term debt:								
Tax notes	-	250,000	-	-	-	250,000	-	-
Notes Payable	-	-	400,000	500,000	400,000	500,000	18,166,788	11,268,329
Unamortized premiums	4,110,885	2,771,804	2,298,364	1,492,476	6,409,249	4,264,280	-	-
Compensated absences	3,101,764	2,882,182	275,646	270,789	3,377,410	3,152,971	36,884	9,659
Total OPEB liability	489,147	379,786	46,185	37,810	535,332	417,596	-	-
Net pension liability	5,728,101	5,300,331	540,842	527,677	6,268,943	5,828,008	-	-
Total other long-term debt	13,429,897	11,584,103	3,561,037	2,828,752	16,990,934	14,412,855	18,203,672	11,277,988
Total	\$ 80,029,897	\$ 68,789,103	\$ 45,846,037	\$ 39,613,752	\$ 125,875,934	\$ 108,402,855	\$ 18,203,672	\$ 11,277,988

The Town continues to maintain favorable ratings from the bond rating agencies. Standard & Poor's rating was upgraded to AA+ in FY 2021. 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 component units since they provide benefits to other entities aside from the Town. Separate audited financial statements are not issued for LEEDC or LECDC.

The Economic Development Corporation (LEEDC) is a legally separate governmental entity that promotes (a) existing business enterprise expansion and retention, and (b) new business enterprise development. The LEEDC's net position at fiscal year-end was \$9,213,098. This is an increase of \$4,067,097 from the prior year. The LEEDC's total revenues were \$5,459,221 of which \$2,799,628 was from sales taxes. For the year, the LEEDC had expenditures of \$1,392,124.

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

The Community Development Corporation (LECDC) is a legally separate governmental entity tasked with bringing recreational, facility development and tourism opportunities to the Town and is supported by a voter approved sales tax. The LECDC's net position at year-end was \$1,236,779. This is an increase of \$182,979 from the prior year. The LECDC's total revenues were \$1,420,152 of which \$1,411,234 was from sales taxes. For the year, the LECDC had expenditures of \$1,237,173.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2021
(unaudited)

2021 Highlights and Accomplishments

At the close of FY 2021 here are a few of the highlights and accomplishments for this year:

- Lowered tax rate from \$0.649900 to \$0.649702 while increasing services for Public Safety, Parks and Recreation, and Public Works.
- Increased bond ratings from both S&P and Moody's due to the Town's very strong economy, rapidly growing tax base, and strong financial position due to the significant ongoing development while maintaining conservative budgeting and formal policies, which will attract investors and lower rates for borrowing in the future.
- Conducted more than 10,000 development reviews and inspections.
- Completed 29,701 building inspections.
- Issued 1,146 certificates of occupancy for new homes and issued 2,752 commercial permits.
- Completed more than 10,000 development reviews and inspections.
- Ninety-nine percent of all submittals completed online through MyGov for work order requests.
- The Little Elm Chamber of Commerce came under the direction of the Little Elm Economic Development Corporation, adding 75 new members since August, 2020.
- Moved to the City of Denton for dispatch/communications services and implemented a new computer-aided dispatch software for the Little Elm fire and police departments.
- Completed the construction of the 42,000 square-foot aquatic park – The Cove at the Lakefront®, which opened in March 2021.
- Completed the parking lot expansion at The Cove at the Lakefront®.
- Completed the Cottonwood park design phase, and plans have been submitted to the U.S. Army Corps of Engineers for approval to construct.
- Completed the Lawn at the Lakefront™ park design phase. Construction is set to start in early 2022.
- Completed swim beach retaining wall project that helps preserve the sidewalk and stope erosion underneath it.
- Completed \$1.45M in street, sidewalk, and curb maintenance projects as part of the Annual Street Maintenance Program.
- Completed cybersecurity audit and penetration assessment to ensure the secureness of the Town's network infrastructure.
- Hosted bi-annual clean and green events removing 48,454 lbs. of HHW, 26,430 lbs. of electronics, 21,900 lbs. of tires and evacuated & recycled 76 appliances along with 28,000 lbs. of paper.
- Completed the APWA re-accreditation.
- Installed 377 new water meters bringing to a total of 12,696 water accounts.
- Completed \$75,000 of repairs on Tin Man elevated storage tank after damage from the winter storm.

All of these highlights, accomplishments and more are located in the Town's 2021 Strategic Report located at https://issuu.com/townoflittleelm/docs/2021_strategic_report_final.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2021
(unaudited)

Little Elm is still a rapidly growing community, and with that comes a tremendous number of challenges and outstanding opportunities. With this growth, new sources and higher amounts of revenue are allocated in the budget. Still, there is also a mounting list of needs for programs and services to accommodate the growth and meet the community's expectations.

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 in the northern part of the community and extend contractual services to various partners in our region.

For the last several years, it has been the goal to keep the tax rate competitive with other cities and towns while still providing adequate revenue to fund the needs of a rapidly growing community now and into the future. For FY 2022, the Town is able to propose a lower tax rate of \$0.643948 and still meet those objectives. The Town was able to maintain the voter-approval tax rate, prepare for its future obligations, and adhere to the Town's long and short-term operational plan. Of the total tax rate, \$0.524035 is dedicated to general operations and maintenance (O&M) in the General Fund, and \$.119913 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 2022 budget.) Projects include the ERP financial software system, phase I of II for more public safety take home vehicles for Police, Lakeside and Cottonwood Creek youth sports improvements, Little Elm park camping improvements, King Road reconstruction, Cottonwood Creek Park phase I improvements, The Lawn at the Lakefront™, and Lakefront parking to accommodate the event facility in the Lakefront™ district.

The FY 2022 operating budget increased by 4.61% or \$5,117,970, from FY 2021 budget. This increase can be attributed to an increase in issued debt payments, capital equipment for the phase I of public safety vehicles, and the new projects coming online. General revenues for property taxes were budgeted with a 0.93% increase from FY 2021. The flat increase is due to the tax rate being reduced to be in line with the voter-approval rate. The Town's new assessed properties added \$273 million more value to the tax role. Sales tax revenue is also expected to grow. The total amount of sales tax (\$.015) budgeted for FY 2022 reflects an increase of 18.48% increase over last year, which is another indicator of growth within the area. Major increases in operational costs are:

ERP Financial Software System	\$ 1,170,000
New Personnel	\$ 2,330,453
Public Safety take home vehicles – phase I	\$ 459,630
Fire Station #4 staffing and equipment (future planned budgets)	\$ 4,290,506

General Fund revenues and budgeted transfers are estimated at \$41,238,497 for FY 2022. This is an small decreased of 0.45% over FY 2021 amended budget. 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 \$5.772 million or 17% more



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended September 30, 2021
(unaudited)

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 2022 with a \$16.8 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 \$20.5 million, or 7.35% more than the prior year budget due to the moderate growth in residential, multi-family and commercial connections to the Town's utility system and a 2% water rate increase effective this budget cycle.

The total number of budgeted employees or FTE's (Full-time equivalents) is 387 for a salary with benefits cost of \$33.8 million (including new positions and automatic 2.5% COLA). New positions budgeted for FY 2022 are as follows: Municipal Court Clerk Public Safety Analyst; reclassifying party time purchasing technician to a full-time Buyer; Graduate Engineer; GIS Technician; 8 Fire Fighters; Utility System Tech1; City Manager Intern.

The FY 2022 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.



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Basic Financial Statements



LITTLE ELM

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Town of Little Elm, Texas
Statement of Net Position
September 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 39,085,292	\$ 26,811,743	\$ 65,897,035	\$ 14,310,367
Investments	16,380,957	763,814	17,144,771	27,387
Restricted cash and cash equivalents	7,312,559	269,052	7,581,611	-
Restricted investments	56,110,861	9,007,824	65,118,685	-
Receivables (net of allowance for uncollectibles)	3,423,749	3,608,012	7,031,761	778,887
Due from other governments	1,212,974	-	1,212,974	-
Due from component unit	103,670	-	103,670	-
Due from primary government	-	-	-	521,969
Lease receivable	-	-	-	2,808,013
Prepays	58,666	3,007	61,673	2,500
Inventories	66,106	297,169	363,275	-
Note receivable from primary government	-	-	-	400,000
Capital assets:				
Land	9,210,630	1,639,066	10,849,696	9,368,064
Depreciable assets, net	179,586,077	78,749,592	258,335,669	196,845
Construction in progress	35,197,589	1,546,369	36,743,958	1,996,930
Total assets	347,749,130	122,695,648	470,444,778	30,410,962
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	3,203,906	302,510	3,506,416	-
Deferred outflows - OPEB	138,420	13,069	151,489	-
Deferred loss on refunding	-	576,531	576,531	-
Total deferred outflows of resources	3,342,326	892,110	4,234,436	-
LIABILITIES				
Current liabilities:				
Accounts payable and other accrued liabilities	3,397,617	714,685	4,112,302	1,612,424
Due to component unit	521,969	-	521,969	-
Due to primary government	-	-	-	103,670
Accrued interest payable	341,791	217,152	558,943	41,319
Retainage payable	85,512	-	85,512	-
Customer deposits	458,077	1,570,897	2,028,974	-
Unearned revenue	2,065,624	-	2,065,624	-
Non-current liabilities:				
Due within one year	6,402,240	3,188,022	9,590,262	737,098
Due in more than one year	73,627,657	42,658,015	116,285,672	17,466,574
Total liabilities	86,900,487	48,348,771	135,249,258	19,961,085
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding	33,911	-	33,911	-
Deferred inflows - pension	1,025,551	96,832	1,122,383	-
Deferred inflows - OPEB	52,655	4,972	57,627	-
Total deferred inflows of resources	1,112,117	101,804	1,213,921	-
NET POSITION (DEFICIT)				
Net investment in capital assets	171,316,394	46,431,372	217,747,766	(1,008,129)
Restricted:				
Construction	53,624,594	4,704,740	58,329,334	-
Economic development	1,162,904	-	1,162,904	10,034,659
Stormwater drainage	1,168,121	-	1,168,121	-
Street maintenance	1,650,069	-	1,650,069	-
Streetscape	860,855	-	860,855	-
Debt service	680,723	-	680,723	186,568
Other	1,568,827	-	1,568,827	-
Unrestricted	31,046,365	24,001,071	55,047,436	1,236,779
Total net position (deficit)	\$ 263,078,852	\$ 75,137,183	\$ 338,216,035	\$ 10,449,877

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, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Functions/Programs:				
Governmental activities:				
General government	\$ 12,236,888	\$ 202,503	\$ 113,673	\$ 47,471,474
Community service	3,224,276	7,697,199	-	1,225,000
Public safety	25,324,342	3,562,529	3,335,256	2,100,233
Public works	9,051,190	2,690,593	301,012	8,965,469
Culture and recreation	8,034,076	4,263,087	80,273	2,209,371
Interest expense	1,684,428	-	-	-
Total governmental activities	<u>59,555,200</u>	<u>18,415,911</u>	<u>3,830,214</u>	<u>61,971,547</u>
Business-type activities:				
Water and sewer services	14,115,471	19,243,512	-	3,520,701
Solid waste services	2,580,141	3,110,319	-	-
Total business-type activities	<u>16,695,612</u>	<u>22,353,831</u>	<u>-</u>	<u>3,520,701</u>
Total primary government	<u>\$ 76,250,812</u>	<u>\$ 40,769,742</u>	<u>\$ 3,830,214</u>	<u>\$ 65,492,248</u>
Component Units:				
Economic Development Corporation	\$ 1,392,124	\$ -	\$ 1,981,337	\$ -
Community Development Corporation	1,237,173	-	-	-
Total component units	<u>\$ 2,629,297</u>	<u>\$ -</u>	<u>\$ 1,981,337</u>	<u>\$ -</u>

General revenues:
Property taxes, penalty, and interest
Sales taxes
Franchise taxes
Interest
Gain on disposal of capital assets
Miscellaneous
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
\$ 35,550,762	\$ -	\$ 35,550,762	\$ -
5,697,923	-	5,697,923	-
(16,326,324)	-	(16,326,324)	-
2,905,884	-	2,905,884	-
(1,481,345)	-	(1,481,345)	-
(1,684,428)	-	(1,684,428)	-
<u>24,662,472</u>	<u>-</u>	<u>24,662,472</u>	<u>-</u>
-	8,648,742	8,648,742	-
-	530,178	530,178	-
-	9,178,920	9,178,920	-
<u>\$ 24,662,472</u>	<u>\$ 9,178,920</u>	<u>\$ 33,841,392</u>	<u>\$ -</u>
			\$ 589,213
			(1,237,173)
			<u>\$ (647,960)</u>
\$ 28,852,488	\$ -	\$ 28,852,488	\$ -
7,258,930	-	7,258,930	4,210,862
2,279,437	187,207	2,466,644	-
373,282	228,569	601,851	67,162
604,039	246,235	850,274	450,000
142,857	-	142,857	170,012
2,376,000	(2,376,000)	-	-
<u>41,887,033</u>	<u>(1,713,989)</u>	<u>40,173,044</u>	<u>4,898,036</u>
66,549,505	7,464,931	74,014,436	4,250,076
<u>196,529,347</u>	<u>67,672,252</u>	<u>264,201,599</u>	<u>6,199,801</u>
<u>\$ 263,078,852</u>	<u>\$ 75,137,183</u>	<u>\$ 338,216,035</u>	<u>\$ 10,449,877</u>

Town of Little Elm, Texas
Balance Sheet
Governmental Funds
September 30, 2021

	General Fund	Debt Service	Capital Projects	PID Capital Projects	Nonmajor Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 17,038,948	\$ 807,697	\$ 12,941,618	\$ -	\$ 3,702,406	\$ 34,490,669
Investments	15,679,972	23,021	441,498	-	105,509	16,250,000
Restricted cash and cash equivalents	-	-	2,779,816	-	4,532,743	7,312,559
Restricted investments	-	-	17,916,014	38,136,391	58,456	56,110,861
Receivables, net of allowance for doubtful accounts						
Taxes	1,177,020	36,166	-	-	304,200	1,517,386
Franchise fees	1,013,935	-	-	-	-	1,013,935
Other	655,594	-	1,150	-	204,797	861,541
Due from other governments	25,644	-	1,129,458	-	57,872	1,212,974
Due from component unit	-	103,670	-	-	-	103,670
Due from other funds	18,906	-	217,839	-	1,965	238,710
Prepays	58,666	-	-	-	-	58,666
Inventories	66,106	-	-	-	-	66,106
Total assets	<u>\$ 35,734,791</u>	<u>\$ 970,554</u>	<u>\$ 35,427,393</u>	<u>\$ 38,136,391</u>	<u>\$ 8,967,948</u>	<u>\$ 119,237,077</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	\$ 1,948,791	\$ 2,385	\$ 928,734	\$ 61,004	\$ 442,116	\$ 3,383,030
Due to other funds	1,965	-	-	-	236,745	238,710
Due to component unit	649	-	521,320	-	-	521,969
Accrued interest payable	-	54,345	-	-	-	54,345
Retainage payable	-	-	34,615	-	50,897	85,512
Unearned Revenue	236,569	-	-	-	1,829,055	2,065,624
Deposits	25,102	-	432,975	-	-	458,077
Total liabilities	<u>2,213,076</u>	<u>56,730</u>	<u>1,917,644</u>	<u>61,004</u>	<u>2,558,813</u>	<u>6,807,267</u>
Deferred inflows of resources:						
Unavailable resources	357,168	36,273	1,103,648	-	49,800	1,546,889
Total deferred inflows of resources	<u>357,168</u>	<u>36,273</u>	<u>1,103,648</u>	<u>-</u>	<u>49,800</u>	<u>1,546,889</u>
FUND BALANCES						
Nonspendable	124,772	-	-	-	-	124,772
Restricted	-	877,551	32,406,101	38,075,387	6,360,976	77,720,015
Unassigned	33,039,775	-	-	-	(1,641)	33,038,134
Total fund balances	<u>33,164,547</u>	<u>877,551</u>	<u>32,406,101</u>	<u>38,075,387</u>	<u>6,359,335</u>	<u>110,882,921</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 35,734,791</u>	<u>\$ 970,554</u>	<u>\$ 35,427,393</u>	<u>\$ 38,136,391</u>	<u>\$ 8,967,948</u>	<u>\$ 119,237,077</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, 2021

Total governmental fund balances	\$ 110,882,921
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 \$4,691,412 in assets allocated to governmental activities from the internal service fund).	219,302,884
Accrued interest on governmental activities debt is not reported in the governmental funds financial statements until paid.	(287,446)
Revenues earned but not available within sixty days of fiscal year-end are not recognized as revenue in the governmental funds financial statements.	1,546,889
Unamortized gains 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 gains are reported as deferred inflows of resources.	(33,911)
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.	9,433,292
Net deferred outflows/inflows of resources related to the Town's net pension and total OPEB liability increases net position.	2,264,120
Net pension liability (\$5,728,101) and total OPEB liability (\$489,147) are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.	(6,217,248)
Premiums on bond issuance for governmental activities debt are included in other financing sources in the governmental funds financial statements.	(4,110,885)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.	(3,101,764)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.	<u>(66,600,000)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 263,078,852</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, 2021

	General Fund	Debt Service	Capital Projects	PID Capital Projects	Nonmajor Governmental Funds	Total
Revenues:						
Taxes:						
Property taxes, penalty, and interest	\$ 21,863,208	\$ 5,961,744	\$ -	\$ -	\$ 1,072,106	\$ 28,897,058
General sales and use taxes	5,682,175	-	-	-	1,576,755	7,258,930
Other taxes and franchise fees	2,223,898	-	-	-	55,539	2,279,437
Licenses and permits	6,738,298	-	1,879,893	-	-	8,618,191
Intergovernmental	6,226,278	103,670	1,696,822	-	282,657	8,309,427
Charges for services	6,482,424	-	-	-	689,999	7,172,423
Impact fees	-	-	1,611,378	-	-	1,611,378
Fines and forfeitures	757,765	-	-	-	966,618	1,724,383
Contributions	-	-	633,392	47,149,307	20,684	47,803,383
Interest	154,469	17,603	98,911	991	71,777	343,751
Other revenues	308,265	-	322,167	-	183,434	813,866
Total revenues	50,436,780	6,083,017	6,242,563	47,150,298	4,919,569	114,832,227
Expenditures:						
Current:						
General government	5,172,884	-	-	6,628,326	145,334	11,946,544
Community services	2,848,464	-	-	-	383,106	3,231,570
Public safety	23,696,035	-	-	-	368,525	24,064,560
Public works	2,534,943	-	-	-	1,908,026	4,442,969
Culture and recreation	5,602,371	-	-	-	62,249	5,664,620
Debt service:						
Principal retirement	-	4,460,000	-	-	-	4,460,000
Interest and fiscal agent fees	-	1,731,358	-	-	-	1,731,358
Other debt service costs	-	-	181,340	-	-	181,340
Capital outlay	829,011	-	9,446,356	3,841,762	1,410,055	15,527,184
Total expenditures	40,683,708	6,191,358	9,627,696	10,470,088	4,277,295	71,250,145
Excess (deficiency) of revenues over (under) expenditures	9,753,072	(108,341)	(3,385,133)	36,680,210	642,274	43,582,082
Other financing sources (uses):						
Issuance of certificates of obligation	-	-	13,605,000	-	-	13,605,000
Premium on debt issuances	-	-	1,576,340	-	-	1,576,340
Sale of capital assets	46,041	-	-	-	-	46,041
Insurance recoveries	159,356	-	-	-	-	159,356
Transfers in	2,712,336	198,674	5,131,746	-	682,479	8,725,235
Transfers out	(5,103,746)	(291,479)	-	-	(954,010)	(6,349,235)
Total other financing sources (uses)	(2,186,013)	(92,805)	20,313,086	-	(271,531)	17,762,737
Net change in fund balances	7,567,059	(201,146)	16,927,953	36,680,210	370,743	61,344,819
Fund balance at beginning of year	25,597,488	1,078,697	15,478,148	1,395,177	5,988,592	49,538,102
Fund balance, end of year	\$ 33,164,547	\$ 877,551	\$ 32,406,101	\$ 38,075,387	\$ 6,359,335	\$ 110,882,921

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, 2021

Net change in fund balances - total governmental funds	\$ 61,344,819
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.	(389,856)
This amount, \$14,353,142, is the amount of capital outlays that have been included in capital assets for the current period. Total capital asset additions reported in the governmental activities, \$24,359,436, include \$8,652,764 in developer contributions and \$1,353,530 of additions allocated from the internal service fund.	14,353,142
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 \$8,385,617 less the internal service fund depreciation expense of \$875,541.	(7,510,076)
Donation of property from developers is not reported in the governmental funds. However, in the statement of activities, the fair value of those assets is recognized as revenue.	8,652,764
The net effect of disposals of capital assets is to decrease net position. This amount represents total disposals of \$280,469 less internal service fund disposals of \$99,259.	(181,210)
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	(13,605,000)
Premiums from bond issuance	(1,576,340)
Repayments of bonds	4,460,000
Current year amortization of deferred gain on refunding	(9,129)
Current year amortization of premium on bonds	237,258
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.	(219,582)
The following is the net effect of a decrease in net position from net increase in the TMRS pension liability and OPEB liability, (\$537,131), and a increase in net position from the changes in deferred outflows/inflows for TMRS pension and OPEB, \$388,876.	(148,255)
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.	1,140,829
Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	141
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 66,549,505</u></u>

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

Town of Little Elm, Texas
Statement of Net Position
Proprietary Funds
September 30, 2021

	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	\$ 26,200,729	\$ 611,014	\$ 26,811,743	\$ 4,594,623
Investments	746,399	17,415	763,814	130,957
Restricted cash and cash equivalents	269,052	-	269,052	-
Restricted investments	9,007,824	-	9,007,824	-
Receivables (net of allowance for uncollectibles)	3,323,137	284,875	3,608,012	30,887
Prepays	3,007	-	3,007	-
Inventories	297,169	-	297,169	-
Total current assets	39,847,317	913,304	40,760,621	4,756,467
Capital assets:				
Land	1,639,066	-	1,639,066	-
Depreciable assets, net	78,511,126	238,466	78,749,592	4,691,412
Construction in progress	1,546,369	-	1,546,369	-
Total capital assets	81,696,561	238,466	81,935,027	4,691,412
Total assets	121,543,878	1,151,770	122,695,648	9,447,879
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	302,510	-	302,510	-
Deferred outflows - OPEB	13,069	-	13,069	-
Deferred loss on refunding	576,531	-	576,531	-
Total deferred outflows of resources	892,110	-	892,110	-
Total assets and deferred outflows of resources	\$ 122,435,988	\$ 1,151,770	\$ 123,587,758	\$ 9,447,879
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable and other accrued liabilities	\$ 481,417	\$ 233,268	\$ 714,685	\$ 14,587
Accrued interest payable	217,152	-	217,152	-
Customer deposits	1,570,897	-	1,570,897	-
Current portion of long-term debt	3,186,191	1,831	3,188,022	-
Total current liabilities	5,455,657	235,099	5,690,756	14,587
Long-term debt, net of current portion	42,652,474	5,541	42,658,015	-
Total liabilities	48,108,131	240,640	48,348,771	14,587
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	96,832	-	96,832	-
Deferred inflows - OPEB	4,972	-	4,972	-
Total deferred inflows of resources	101,804	-	101,804	-
Net position:				
Net investment in capital assets	46,192,906	238,466	46,431,372	4,691,412
Restricted for:				
Construction - impact fees	4,704,740	-	4,704,740	-
Unrestricted	23,328,407	672,664	24,001,071	4,741,880
Total net position	74,226,053	911,130	75,137,183	9,433,292
Total liabilities, deferred inflows of resources and net position	\$ 122,435,988	\$ 1,151,770	\$ 123,587,758	\$ 9,447,879

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, 2021

	Business-type Activities Enterprise funds			Governmental- Activities
	Water and Sewer	Solid Waste	Total	Internal Service Fund
Operating revenues:				
Water sales	\$ 11,076,355	\$ -	\$ 11,076,355	\$ -
Charges for sewer services	7,519,836	-	7,519,836	-
Tap, connections, and other fees	617,133	-	617,133	-
Charges for solid waste	-	3,110,283	3,110,283	-
Contributions	-	-	-	1,512,007
Other revenue	30,188	36	30,224	-
Total operating revenues	19,243,512	3,110,319	22,353,831	1,512,007
Operating expenses:				
Personnel services	2,440,596	66,651	2,507,247	-
Contractual services	390,684	2,383,776	2,774,460	-
Repairs and maintenance	355,492	63,173	418,665	-
Supplies	5,760,451	18,852	5,779,303	105,021
Depreciation	2,998,711	47,026	3,045,737	875,541
Other operating expenses	975,219	663	975,882	-
Total operating expenses	12,921,153	2,580,141	15,501,294	980,562
Operating income	6,322,359	530,178	6,852,537	531,445
Non-operating revenues (expenses):				
Taxes	-	187,207	187,207	-
Gain on disposal of assets	246,235	-	246,235	579,853
Interest income	224,835	3,734	228,569	29,531
Interest expense	(1,194,318)	-	(1,194,318)	-
Total non-operating revenue (expenses)	(723,248)	190,941	(532,307)	609,384
Income before capital contributions and transfers	5,599,111	721,119	6,320,230	1,140,829
Capital contributions and transfers				
Capital contributions	2,321,137	-	2,321,137	-
Impact fees	1,199,564	-	1,199,564	-
Transfers out	(1,810,000)	(566,000)	(2,376,000)	-
Total capital contributions and transfers	1,710,701	(566,000)	1,144,701	-
Change in net position	7,309,812	155,119	7,464,931	1,140,829
Net position at beginning of year	66,916,241	756,011	67,672,252	8,292,463
Net position, end of year	\$ 74,226,053	\$ 911,130	\$ 75,137,183	\$ 9,433,292

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, 2021

	Business-type Activities			Governmental
	Enterprise Funds			
	Water	Solid	Total	Internal Service
	and Sewer	Waste		Fund
Cash flow from operating activities:				
Receipts from customers and users	\$ 19,577,877	\$ 3,118,307	\$ 22,696,184	\$ -
Payments to suppliers	(7,873,437)	(2,508,613)	(10,382,050)	(94,849)
Payments to employees	(2,494,006)	(12,739)	(2,506,745)	-
Cash received (paid) from transactions with other funds	-	-	-	1,482,006
Net cash provided by operating activities	<u>9,210,434</u>	<u>596,955</u>	<u>9,807,389</u>	<u>1,387,157</u>
Cash flow from noncapital financing activities:				
Transfers out	(1,810,000)	(566,000)	(2,376,000)	-
Taxes	-	187,207	187,207	-
Net cash (used) by noncapital financing activities	<u>(1,810,000)</u>	<u>(378,793)</u>	<u>(2,188,793)</u>	<u>-</u>
Cash flow from capital financing activities:				
Proceeds from long-term debt	9,108,804	-	9,108,804	-
Acquisition of capital assets	(1,591,075)	-	(1,591,075)	(1,353,530)
Proceeds from disposal of capital assets	256,345	-	256,345	679,111
Impact fees	1,199,564	-	1,199,564	-
Principal paid on capital debt	(2,760,000)	-	(2,760,000)	-
Interest paid on capital debt	(1,282,083)	-	(1,282,083)	-
Net cash provided (used) by capital financing activities	<u>4,931,555</u>	<u>-</u>	<u>4,931,555</u>	<u>(674,419)</u>
Cash flow from investing activities:				
Net purchases of investments	(2,474,987)	32,278	(2,442,709)	355,750
Interest and dividends on investments	224,835	3,734	228,569	29,531
Net cash provided (used) by investing activities	<u>(2,250,152)</u>	<u>36,012</u>	<u>(2,214,140)</u>	<u>385,281</u>
Net increase in cash and cash equivalents	10,081,837	254,174	10,336,011	1,098,019
Cash and cash equivalents, beginning of the year	<u>16,387,944</u>	<u>356,840</u>	<u>16,744,784</u>	<u>3,496,604</u>
Cash and cash equivalent, ending of the year	<u>\$ 26,469,781</u>	<u>\$ 611,014</u>	<u>\$ 27,080,795</u>	<u>\$ 4,594,623</u>
Noncash transactions:				
Capital contributions	<u>\$ 2,321,137</u>	<u>\$ -</u>	<u>\$ 2,321,137</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, 2021

	<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	\$ 6,322,359	\$ 530,178	\$ 6,852,537	\$ 531,445
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,998,711	47,026	3,045,737	875,541
Pension and OPEB expense (net)	(58,213)	-	(58,213)	-
Effects of changes in assets and liabilities:				
Decrease (increase) in receivables	89,125	7,987	97,112	(30,001)
Decrease (increase) in inventories	(71,863)	-	(71,863)	-
Decrease (increase) in prepaids	(2,967)	-	(2,967)	-
Increase (decrease) in payables	(316,761)	11,710	(305,051)	10,172
Increase (decrease) in deposits	245,240	-	245,240	-
Increase (decrease) in compensated absences	4,803	54	4,857	-
Net cash provided by operating activities	<u>\$ 9,210,434</u>	<u>\$ 596,955</u>	<u>\$ 9,807,389</u>	<u>\$ 1,387,157</u>

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

Town of Little Elm, Texas
Statement Fiduciary Net Position
Fiduciary Fund
September 30, 2021

	<u>PID Custodial Fund</u>
ASSETS	
Investments	<u>\$ 11,394,634</u>
Total assets	<u>11,394,634</u>
LIABILITIES	
	<u>-</u>
NET POSITION	
Restricted for Debt service	<u>11,394,634</u>
Total net position	<u><u>\$ 11,394,634</u></u>

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

Town of Little Elm, Texas
Statement Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended September 30, 2021

	<u>PID Custodial Fund</u>
ADDITIONS	
Property taxes collected in district	<u>\$ 11,549,378</u>
Total additions	11,549,378
DEDUCTIONS	
Payments to bond holders	<u>5,139,742</u>
Total deductions	<u>5,139,742</u>
Change in net position	6,409,636
Net position - beginning of year	-
Cumulative effect of adoption of GASB 84	<u>4,984,998</u>
Net position - beginning of year, as restated	<u>4,984,998</u>
Net position - ending	<u>\$ 11,394,634</u>

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



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Town of Little Elm, Texas
Statement of Net Position
Discretely Presented Component Units
September 30, 2021

	Economic Development Corporation	Community Development Corporation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 13,349,506	\$ 960,861	\$ 14,310,367
Investments	-	27,387	27,387
Receivables (net of allowance for uncollectibles)	519,211	259,676	778,887
Due from primary government	521,969	-	521,969
Leases receivable	2,808,013	-	2,808,013
Note receivable from primary government-current	100,000	-	100,000
Prepaid	2,500	-	2,500
Non-current assets:			
Note receivable from primary government	300,000	-	300,000
Land	9,368,064	-	9,368,064
Depreciable assets, net	196,845	-	196,845
Construction in process	1,996,930	-	1,996,930
	<u>29,163,038</u>	<u>1,247,924</u>	<u>30,410,962</u>
Total Assets			
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	1,601,279	11,145	1,612,424
Due to primary government	103,670	-	103,670
Accrued interest payable	41,319	-	41,319
Non-current liabilities:			
Due within one year	737,098	-	737,098
Due in more than one year	17,466,574	-	17,466,574
	<u>19,949,940</u>	<u>11,145</u>	<u>19,961,085</u>
Total Liabilities			
NET POSITION			
Net investment in capital assets	(1,008,129)	-	(1,008,129)
Restricted for economic development	10,034,659	-	10,034,659
Restricted for debt service	186,568	-	186,568
Unrestricted	-	1,236,779	1,236,779
	<u>\$ 9,213,098</u>	<u>\$ 1,236,779</u>	<u>\$ 10,449,877</u>
Total Net Position			

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, 2021

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:			
Economic Development Corporation	\$ 1,392,124	\$ 1,981,337	\$ -
Community Development Corporation	1,237,173	-	-
Total component units	<u>\$ 2,629,297</u>	<u>\$ 1,981,337</u>	<u>\$ -</u>

General revenues:
 Sales taxes
 Investment income
 Gain on disposal of capital assets
 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
\$ 589,213	\$ -	\$ 589,213
-	(1,237,173)	(1,237,173)
<u>\$ 589,213</u>	<u>\$ (1,237,173)</u>	<u>\$ (647,960)</u>
2,799,628	1,411,234	\$ 4,210,862
58,244	8,918	67,162
450,000	-	450,000
170,012	-	170,012
<u>3,477,884</u>	<u>1,420,152</u>	<u>4,898,036</u>
4,067,097	182,979	4,250,076
5,146,001	1,053,800	6,199,801
<u>\$ 9,213,098</u>	<u>\$ 1,236,779</u>	<u>\$ 10,449,877</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 and fiduciary 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 is 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 was amended in FY 2021 and will terminate on December 31, 2060, 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, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 PID 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.

Town of Little Elm, Texas

Notes to the Financial Statements

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 and fiduciary 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.

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.

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 Public Improvement Districts (PIDs) within the Town.

Town of Little Elm, Texas

Notes to the Financial Statements

The Town reports the following non-major governmental funds.

Dedicated 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 was reauthorized by voters on May 1, 2021.

Hotel Occupancy Tax Fund accounts for all hotel occupancy tax collected within the Town. Council amended the Town's Code of Ordinance May 5, 2020, to include short-term rentals to pay a hotel occupancy tax (7%). The Town's five year financial plan includes a hotel to come online in spring of 2023.

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.

Grant Fund accounts for the grant expenditures for emergency activity due to the COVID 19 pandemic.

Landscape Fund The fund was established by resolution from Council whereby all funds from lease/rental payments received from broadband and cellular providers is set aside for Streetscape improvements throughout the Town. In particular to manage the medians and screening walls along all street thoroughfares.

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).

Governmental funds with legally adopted annual budgets include the General Fund and the Debt Service Fund.

Town of Little Elm, Texas

Notes to the Financial Statements

2. Proprietary Funds:

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

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

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

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

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

3. Fiduciary Funds:

The Town reports the following fiduciary fund:

Public Improvement District (PID) Custodial Fund accounts for bond proceeds, assessments, and related debt associated with the issuance of bonds issued by the Town as the custodian for the Public Improvement Districts within 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

Town of Little Elm, Texas
Notes to the Financial Statements

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, 2021, and the non-spendable fund balance has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. The cost of prepaid services is recorded based on when prepaids are consumed rather than when purchased.

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, franchise taxes and amounts due from other governments. Management evaluates the adequacy of the allowance for doubtful accounts based on a review of the aging of accounts and other specific information known by management.

H. Restricted Assets

Certain proceeds of enterprise fund 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 \$10,000. 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. 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.

Town of Little Elm, Texas

Notes to the Financial Statements

K. Compensated Absences

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

L. Long-term Obligations

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

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

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 and Inflows of Resources

In addition to assets, the statement of net 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. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Town has the following items that qualify for reporting in this category:

Deferred Loss or Gain on Refunding – these deferred outflows and inflows 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.

Town of Little Elm, Texas

Notes to the Financial Statements

Pension / OPEB – some deferred outflows result from pension/ OPEB contributions after the measurement date (deferred and recognized as a reduction of the liability in the following fiscal year). Deferred outflows/inflows result from pension/OPEB differences in projected and actual earnings on pension / OPEB assets (deferred and amortized over a closed five year period). Deferred outflows/inflows may also occur from the changes in pension/OPEB actuarial assumptions and/or from the difference in expected and actual experiences which are deferred and amortized over the average remaining service lives of the members.

O. Fund Equity

Governmental Funds:

The Town has adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions.

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

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

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

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.

Town of Little Elm, Texas

Notes to the Financial Statements

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. Current reserve levels are in excess of 70% of budgeted expenditures.

Proprietary Funds:

Net position represents the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent debt proceeds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

P. Stewardship, Compliance and Accountability

At September 30, 2021, the Grant Fund, a nonmajor governmental fund, has a deficit fund balance of \$1,641. This deficit balance is related to the allocation of Grant Fund expenditures and is expected to be eliminated as resources are transferred in from the General Fund in the subsequent period.

Q. Subsequent Events

The Town has evaluated all events or transactions that occurred after September 30, 2021 through March 9, 2022, 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 \$87,786,203 and the bank balance was \$88,268,808. The bank balance was completely covered by federal deposit insurance and collateral held by the pledging financial institution in the Town's name.

Town of Little Elm, Texas
Notes to the Financial Statements

Cash and investments as of September 30, 2021 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Primary Government:	
Cash and cash equivalents	\$ 65,897,035
Investments	17,144,771
Restricted cash and cash equivalents	7,581,611
Restricted investments	65,118,685
Fiduciary Fund:	
Investments	11,394,634
Component Units:	
Cash and cash equivalents	14,310,367
Investments	<u>27,387</u>
Total cash and investments	<u>\$ 181,474,490</u>
Cash on hand	\$ 2,810
Deposits with financial institutions	87,786,203
Investments	<u>93,685,477</u>
Total cash and investments	<u>\$ 181,474,490</u>

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

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

Disclosures relating to 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, 2021.

Town of Little Elm, Texas

Notes to the Financial Statements

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, 2021 the Town deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

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

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

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

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.

Town of Little Elm, Texas
Notes to the Financial Statements

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:

Certificates of deposit that are non-negotiable are measured at cost and may be withdrawn at cost with forfeit of the interest that accrues based on agreement with the financial institution. 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. Negotiable certificates of deposit are held with a financial investment institution and are bought and sold as part of the Town's investment portfolio. Negotiable certificates of deposit are measured at fair value with level 2 inputs.

	Value at September 30, 2021	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>Investments not subject to Fair Value:</i>						
Investment pools:						
TexPool Prime	\$ 17,683,561	\$ -	\$ -	\$ -	18.88%	34
LOGIC	24,000,413	-	-	-	25.62%	55
Money market funds	43,438,411	-	-	-	46.37%	29
<i>Subject to fair value level:</i>						
Marketable equity securities						
Mutual funds - short term investments	6,092,614	6,092,614	-	-	6.50%	19
Negotiable certificate of deposits	2,470,478	-	2,470,478	-	2.64%	184
<i>Total value</i>	<u>\$ 93,685,477</u>	<u>\$ 6,092,614</u>	<u>\$ 2,470,478</u>	<u>\$ -</u>		

It is noted that investment pools are not subject to the fair value hierarchy.

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 year 2021 (2020 tax) levy was based was approximately \$4,694,940,471. 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, 2021 was \$0.6497 per \$100 of assessed valuation. Current tax collections for the year ended September 30, 2021 were approximately 99.58% 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, 2021 are as follows:

	Governmental Funds				Total
	General	Debt Service	Capital Projects	Nonmajor Funds	
Ad valorem taxes	\$ 173,818	\$ 46,533	\$ -	\$ -	\$ 220,351
Sales taxes	1,038,423	-	-	304,200	1,342,623
Court	1,404,870	-	-	-	1,404,870
Ambulance	1,245,927	-	-	-	1,245,927
Storm drainage	-	-	-	151,543	151,543
Franchise fees	1,013,935	-	-	-	1,013,935
Due from other governments	25,644	-	1,129,458	57,872	1,212,974
Other	169,047	-	1,150	68,408	238,605
Gross receivables	5,071,664	46,533	1,130,608	582,023	6,830,828
Less: allowances	(2,199,471)	(10,367)	-	(15,154)	(2,224,992)
Net total receivables	\$ 2,872,193	\$ 36,166	\$ 1,130,608	\$ 566,869	\$ 4,605,836

Town of Little Elm, Texas
Notes to the Financial Statements

	Proprietary Funds (Enterprise Funds)		
	Water and Sewer	Solid Waste	Total
Customer accounts	\$ 2,864,075	\$ 261,663	\$ 3,125,738
Note receivable	400,000	-	400,000
Other	344,717	49,378	394,095
Gross receivables	<u>3,608,792</u>	<u>311,041</u>	<u>3,919,833</u>
Less: allowances	<u>(285,655)</u>	<u>(26,166)</u>	<u>(311,821)</u>
Net total receivables	<u>\$ 3,323,137</u>	<u>\$ 284,875</u>	<u>\$ 3,608,012</u>

	Component Units		
	EDC	CDC	Total
Sales taxes	\$ 519,211	\$ 259,606	\$ 778,817
Other	-	70	70
Total receivables	<u>\$ 519,211</u>	<u>\$ 259,676</u>	<u>\$ 778,887</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, 2021:

Total minimum lease payments to be received	\$ 4,368,136
less: unearned interest income	(1,560,123)
Net investment in direct financing lease	<u>\$ 2,808,013</u>

As of September 30, 2021, minimum lease payments are as follows:

Fiscal Year	Amount
2022	\$ 205,559
2023	205,559
2024	205,559
2025	205,559
2026	205,559
2027-2031	1,027,797
2032-2036	1,027,797
2037-2041	1,027,797
2042-2043	256,950
	<u>\$ 4,368,136</u>

Town of Little Elm, Texas
Notes to the Financial Statements

Note 5. Capital Assets

Capital asset activity for the year ended September 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 9,210,630	\$ -	\$ -	\$ -	\$ 9,210,630
Construction in progress	34,688,527	13,581,428	(6,035)	(13,066,331)	35,197,589
Total capital assets, not being depreciated	43,899,157	13,581,428	(6,035)	(13,066,331)	44,408,219
Capital assets being depreciated:					
Infrastructure	154,595,136	8,652,764	-	12,389,839	175,637,739
Buildings	39,846,763	-	-	-	39,846,763
Improvements other than buildings	26,569,556	276,463	-	570,245	27,416,264
Machinery and Equipment	19,420,094	1,848,781	(2,608,575)	106,247	18,766,547
Total capital assets being depreciated	240,431,549	10,778,008	(2,608,575)	13,066,331	261,667,313
Less accumulated depreciation for:					
Infrastructure	50,373,208	3,826,102	-	-	54,199,310
Buildings	7,588,398	995,341	-	-	8,583,739
Improvements other than buildings	6,892,136	1,656,697	-	-	8,548,833
Machinery and Equipment	11,176,018	1,907,477	(2,334,141)	-	10,749,354
Total accumulated depreciation	76,029,760	8,385,617	(2,334,141)	-	82,081,236
Total capital assets being depreciated, net	164,401,789	2,392,391	(274,434)	13,066,331	179,586,077
Governmental activities capital assets, net	\$ 208,300,946	\$ 15,973,819	\$ (280,469)	\$ -	\$ 223,994,296
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,639,066	\$ -	\$ -	\$ -	\$ 1,639,066
Construction in progress	3,100,307	804,669	-	(2,358,607)	1,546,369
Total capital assets, not being depreciated	4,739,373	804,669	-	(2,358,607)	3,185,435
Capital assets being depreciated:					
Buildings	2,229,206	-	-	-	2,229,206
Water system improvements	49,570,767	1,208,665	-	2,358,607	53,138,039
Sewer system improvements	47,500,463	1,112,473	-	-	48,612,936
Machinery and equipment	3,634,862	786,405	(481,090)	-	3,940,177
Total capital assets being depreciated	102,935,298	3,107,543	(481,090)	2,358,607	107,920,358
Less accumulated depreciation for:					
Buildings	220,277	53,404	-	-	273,681
Water system improvements	11,522,843	1,532,191	-	-	13,055,034
Sewer system improvements	11,787,447	1,178,872	-	-	12,966,319
Machinery and equipment	3,065,443	281,270	(470,981)	-	2,875,732
Total accumulated depreciation	26,596,010	3,045,737	(470,981)	-	29,170,766
Total capital assets being depreciated, net	76,339,288	61,806	(10,109)	2,358,607	78,749,592
Business-type activities capital assets, net	\$ 81,078,661	\$ 866,475	\$ (10,109)	\$ -	\$ 81,935,027

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	\$ 215,984
Public safety	1,403,533
Public works	3,881,225
Culture and recreation	2,009,334
Internal service fund	875,541
	<u>\$ 8,385,617</u>
Business-type activities:	
Solid Waste	\$ 47,026
Water and Sewer	2,998,711
	<u>\$ 3,045,737</u>

Capital asset activities of the discretely presented component units are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component units:				
Capital assets not being depreciated:				
Land	\$ 10,309,703	\$ 58,361	\$ (1,000,000)	\$ 9,368,064
Construction in progress	-	1,996,930	-	1,996,930
Total capital assets, not being depreciated	<u>10,309,703</u>	<u>2,055,291</u>	<u>(1,000,000)</u>	<u>11,364,994</u>
Capital assets being depreciated:				
Buildings	-	223,900	-	223,900
Total capital assets being depreciated	<u>-</u>	<u>223,900</u>	<u>-</u>	<u>223,900</u>
Less accumulated depreciation for:				
Buildings	-	27,055	-	27,055
Total accumulated depreciation	<u>-</u>	<u>27,055</u>	<u>-</u>	<u>27,055</u>
Total capital assets being depreciated, net	<u>-</u>	<u>196,845</u>	<u>-</u>	<u>196,845</u>
Component unit capital assets, net	<u>\$ 10,309,703</u>	<u>\$ 2,252,136</u>	<u>\$ (1,000,000)</u>	<u>\$ 11,561,839</u>

Town of Little Elm, Texas
Notes to the Financial Statements

Note 6. Interfund Activity

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:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Non-major Governmental Fund	\$ 131,803	Transfer for operating services
General Fund	Non-major Governmental Fund	483,474	To close out TIRZ #5
General Fund	Non-major Governmental Fund	112,059	Transfer for operating services
General Fund	Solid Waste Fund	175,000	Transfer for operating services
General Fund	Water and Sewer Fund	1,810,000	Transfer for operating services
Debt Service Fund	Non-major Governmental Fund	198,674	To close out TIRZ #5
Capital Projects Fund	General Fund	5,103,746	Funding for infrastructure CIP projects
Capital Projects Fund	Non-major Governmental Fund	28,000	Funding for capital projects that are restricted by revenue funding source
Non-major Governmental Fund	Solid Waste Fund	391,000	Solid waste portion of landscaping projects
Non-major Governmental Fund	Debt Service Fund	291,479	To correct allocation of funds from TIRZ
		<u>\$ 8,725,235</u>	

During a fiscal year, interfund receivables and payables arise. Interfund payables are expected to be paid within the following year. The following were receivable and outstanding as of September 30, 2021:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Non-major Governmental	\$ 18,906	Short term funding for operational cash
Capital Projects Fund	Non-major Governmental	217,839	Funding owed for capital projects
Non-major Governmental	General Fund	1,965	Funds owed for allocation of restricted purposes
		<u>\$ 238,710</u>	

Town of Little Elm, Texas
Notes to the Financial Statements

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. At the end of the current fiscal year, the various components of these deferred inflows of resources reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total
Property taxes	\$ 121,687	\$ 36,273	\$ -	\$ -	\$ 157,960
Grants	-	-	1,103,648	49,800	1,153,448
Court fines	136,645	-	-	-	136,645
Ambulance	92,018	-	-	-	92,018
Other	6,818	-	-	-	6,818
Total	\$ 357,168	\$ 36,273	\$ 1,103,648	\$ 49,800	\$ 1,546,889

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

On August 1, 2021, the Town issued \$21,765,000 of Combination Tax and Revenue Certificates of Obligation, Series 2021 at a premium of \$2,525,143. \$13,605,000 of the certificates and \$1,576,340 of premium were recorded in the governmental activities and \$8,160,000 of the certificates and \$948,803 of premium were recorded in the business-type activities. Proceeds from the sale of the certificates will be used for acquiring, constructing, improving and equipping park and recreation facilities, constructing improvements and extensions to the Town’s waterworks and sewer system, constructing street improvements, including drainage, landscaping, curbs, gutters, sidewalks, signage, traffic signalization and street noise abatement, and professional services rendered in connection with the construction and financing of the foregoing projects.

Town of Little Elm, Texas
Notes to the Financial Statements

The following is a summary of changes in long-term debt for the year ended September 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Governmental activities:					
General obligation bonds	\$ 20,365,000	\$ -	\$ (2,515,000)	\$ 17,850,000	\$ 2,450,000
Certificates of obligation	36,840,000	13,605,000	(1,695,000)	48,750,000	2,220,000
Unamortized bond premium	2,771,804	1,576,339	(237,258)	4,110,885	-
Tax Notes	250,000	-	(250,000)	-	-
Compensated absences	2,882,182	1,621,540	(1,401,958)	3,101,764	1,732,240
Net pension liability	5,300,331	3,007,213	(2,579,443)	5,728,101	-
OPEB	379,786	111,276	(1,915)	489,147	-
	<u>68,789,103</u>	<u>19,921,368</u>	<u>(8,680,574)</u>	<u>80,029,897</u>	<u>6,402,240</u>
Business-type activities:					
General obligation bonds	16,745,000	-	(1,485,000)	15,260,000	1,395,000
Certificates of obligation	20,040,000	8,160,000	(1,175,000)	27,025,000	1,535,000
Unamortized bond premium	1,492,476	948,804	(142,916)	2,298,364	-
Compensated absences	270,789	190,503	(185,646)	275,646	158,022
Note payable to EDC	500,000	-	(100,000)	400,000	100,000
Net pension liability	527,677	256,714	(243,549)	540,842	-
OPEB	37,810	8,556	(181)	46,185	-
	<u>39,613,752</u>	<u>9,564,577</u>	<u>(3,332,292)</u>	<u>45,846,037</u>	<u>3,188,022</u>
Total Primary Government	<u>\$ 108,402,855</u>	<u>\$ 29,485,945</u>	<u>\$ (12,012,866)</u>	<u>\$ 125,875,934</u>	<u>\$ 9,590,262</u>
Component Units:					
Notes payable - EDC	\$ 11,268,329	\$ 7,593,750	\$ (695,291)	\$ 18,166,788	\$ 734,201
Compensated absences	9,659	30,122	(2,897)	36,884	2,897
	<u>\$ 11,277,988</u>	<u>\$ 7,623,872</u>	<u>\$ (698,188)</u>	<u>\$ 18,203,672</u>	<u>\$ 737,098</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, 2021:

Certificates of Obligation	Outstanding		Outstanding	
	Governmental	Due in one year	Business-Type	Due in one year
\$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%			\$ 2,750,000	\$ 425,000
\$6,000,000 Series 2013 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$150,000 to \$335,000 through August 2028, plus interest at 1.50% to 3.00%	\$ 3,990,000	\$ 285,000		
\$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%	2,060,000	145,000		
\$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%	7,685,000	425,000		
\$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%			6,265,000	330,000
\$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%			9,850,000	475,000
\$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%	11,370,000	460,000		
\$6,640,000 Series 2019 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$235,000 to \$440,000 through February 2039, plus interest at 1.18% to 2.75%	6,135,000	240,000		
\$4,085,000 Series 2020 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$160,000 to \$250,000 through February 2040, plus interest at 2.00% to 2.37%	3,905,000	160,000		
\$21,765,000 Series 2021 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$805,000 to \$1,400,000 through August 2041, plus interest at 2.00% to 5.00%	13,605,000	505,000	8,160,000	305,000
	<u>\$ 48,750,000</u>	<u>\$ 2,220,000</u>	<u>\$ 27,025,000</u>	<u>\$ 1,535,000</u>

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
\$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%	\$ 1,210,000	\$ 190,000		
\$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%	480,000	310,000	\$ 875,000	\$ 280,000
\$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%			1,245,000	250,000
\$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%	1,180,000	130,000	1,485,000	170,000
\$6,725,000 Series 2016 General Obligation Refunding Bonds due in annual installments of \$375,000 to \$735,000 through August 2027, plus interest at 2.00% to 5.00%	3,805,000	630,000		
\$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 3.00% to 5.00%			11,655,000	695,000
\$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%	6,170,000	655,000	-	-
\$5,725,000 Series 2020 General Obligation Refunding Bonds due in annual installments of \$720,000 to \$535,000 through September 2030, plus interest at 2.00% to 1.77%	5,005,000	535,000	-	-
	<u>\$ 17,850,000</u>	<u>\$ 2,450,000</u>	<u>\$ 15,260,000</u>	<u>\$ 1,395,000</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
2022	\$ 2,450,000	\$ 456,312	\$ 2,906,312	\$ 1,395,000	\$ 527,856	\$ 1,922,856
2023	2,390,000	375,663	2,765,663	1,440,000	473,356	1,913,356
2024	2,300,000	296,105	2,596,105	1,490,000	417,806	1,907,806
2025	2,375,000	238,994	2,613,994	1,515,000	367,757	1,882,757
2026	2,435,000	186,594	2,621,594	1,030,000	317,950	1,347,950
2027-2031	5,900,000	268,004	6,168,004	5,230,000	986,425	6,216,425
2032-2034	-	-	-	3,160,000	198,413	3,358,413
Total	<u>\$ 17,850,000</u>	<u>\$ 1,821,672</u>	<u>\$ 19,671,672</u>	<u>\$ 15,260,000</u>	<u>\$ 3,289,563</u>	<u>\$ 18,549,563</u>

Certificates of Obligation

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 2,220,000	\$ 1,602,113	\$ 3,822,113	\$ 1,535,000	\$ 852,265	\$ 2,387,265
2023	2,250,000	1,523,162	3,773,162	1,555,000	798,014	2,353,014
2024	2,310,000	1,442,988	3,752,988	1,610,000	746,565	2,356,565
2025	2,405,000	1,356,038	3,761,038	1,670,000	692,814	2,362,814
2026	2,500,000	1,258,588	3,758,588	1,740,000	626,085	2,366,085
2027-2031	14,070,000	4,744,914	18,814,914	7,445,000	2,378,804	9,823,804
2032-2036	14,795,000	2,165,005	16,960,005	8,170,000	1,140,158	9,310,158
2037-2041	8,200,000	450,676	8,650,676	3,300,000	194,731	3,494,731
Total	<u>\$ 48,750,000</u>	<u>\$ 14,543,484</u>	<u>\$ 63,293,484</u>	<u>\$ 27,025,000</u>	<u>\$ 7,429,436</u>	<u>\$ 34,454,436</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, 2021 was \$400,000.

Town of Little Elm, Texas
Notes to the Financial Statements

Compensated Absences

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

Discretely presented component units – Economic Development Corporation

Notes payable of the Little Elm Economic Development Corporation as of September 30, 2021 are as follows:

Payee	Description	Balance 09/30/21
Government Capital Corporation	\$7,593,750, payable to bank, made April 15, 2021, payable in semi-annual installments of \$48,828 starting November 15, 2021 through May 15, 2023, then \$132,092 through May 15, 2041, including interest at 2.57%.	\$ 7,593,750
Government Capital Corporation	\$6,659,559, payable to bank, made June 23, 2020, payable in semi-annual installments of \$337,252 starting September 15, 2020 through September 15, 2031, including interest at 2.75%.	5,862,140
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%	1,883,166
Southside Bank	\$3,048,000 payable to bank, originally made July 13, 2017 and refinanced on July 13, 2021, payable in quarterly installments of \$44,507, through to final payment January 13, 2043, including interest at 2.947%	<u>2,827,732</u>
		<u>\$ 18,166,788</u>

During 2017, EDC entered into a \$3,048,000 note payable, and the 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
2022	\$ 734,201	\$ 475,089	\$ 1,209,290
2023	837,255	448,329	1,285,584
2024	1,112,768	428,217	1,540,985
2025	1,142,440	398,516	1,540,956
2026	1,172,906	366,565	1,539,471
2027-2031	6,350,942	1,337,780	7,688,722
2032-2036	3,411,288	683,375	4,094,663
2037-2041	3,144,699	255,193	3,399,892
2042-2043	260,289	6,752	267,041
Total	<u>\$ 18,166,788</u>	<u>\$ 4,399,816</u>	<u>\$ 22,566,604</u>

Town of Little Elm, Texas
Notes to the Financial Statements

Note 9. Pension Plan

Plan Description

The Town participates as one of 895 cities 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 annual comprehensive financial report (ACFR) 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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefits	170
Active employees	280
	<hr/>
	509
	<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 13.47% and 13.42% in calendar years 2020 and 2021, respectively. The Town's contributions to TMRS for the year ended September 30, 2021 were \$2,901,400, and were equal to the required contributions.

The Town's Net Pension Liability (NPL) was measured as of December 31, 2020 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.5% to 11.5% per year including inflation
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 post-retirement were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Mortality rates for pre-retirement were based on PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Actuarial assumptions used in the December 31, 2020 valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were first adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

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>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

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 12/31/2019	\$ 44,215,421	\$ 38,387,413	\$ 5,828,008
Changes for the year:			
Service Cost	3,772,041	-	3,772,041
Interest	3,087,959	-	3,087,959
Change of benefit terms	-	-	-
Difference between expected and actual experience	775,209	-	775,209
Changes of assumptions	-	-	-
Contributions - employer	-	2,822,744	(2,822,744)
Contributions - employee	-	1,466,905	(1,466,905)
Net investment income	-	2,924,215	(2,924,215)
Benefit payments, including refunds of employee contributions	(707,805)	(707,805)	-
Administrative expense	-	(18,855)	18,855
Other changes	-	(735)	735
Net Changes	<u>6,927,404</u>	<u>6,486,469</u>	<u>440,935</u>
Balance at 12/31/2020	<u>\$ 51,142,825</u>	<u>\$ 44,873,882</u>	<u>\$ 6,268,943</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	\$ 15,512,106	\$ 6,268,943	\$ (1,129,867)

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, 2021, the Town recognized pension expense of \$2,936,801. At September 30, 2021, 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	\$ 1,287,841	\$ 30,183
Changes in actuarial assumptions	118,614	-
Difference between projected and actual investment earnings	-	1,092,200
Contributions subsequent to the measurement date	2,099,961	-
Total	\$ 3,506,416	\$ 1,122,383

The \$2,099,961 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, 2022. 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
2022	\$ 49,901
2023	316,446
2024	(260,145)
2025	121,781
2026	56,089
	<u>\$ 284,072</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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	28
Active employees	<u>280</u>
	<u>350</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% and 0.03% for calendar years 2020 and 2021 respectively. The Town's contributions to the SDBF for the year ended September 30, 2021 were \$5,289, and were equal to the required contributions. Covered employee payroll was \$20,955,784.

D. Total OPEB Liability

The Town's Total OPEB Liability (TOL) was measured as of December 31, 2020 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 11.5% including inflation
Discount rate	2.00%
Retiree's share of benefit-related costs	\$0
Actuarial cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll; closed

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Mortality rates for disabled retirees were based on 2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis with scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions used in the December 31, 2020 valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were first adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

The discount rate used to measure the Total OPEB Liability was 2.00% and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

F. Changes in Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2019	\$417,596
Changes for the year:	
Service Cost	41,912
Interest on Total OPEB Liability	12,031
Change of benefit terms	-
Difference between expected and actual experience	(16,377)
Changes of assumptions or other inputs	82,266
Benefit payments	(2,096)
Administrative expense	-
Other changes	-
Net changes	<u>117,736</u>
Balance at 12/31/20	<u><u>\$535,332</u></u>

Total OPEB liability was 2.55% of covered employee payroll during the measurement period.

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 2.00%, 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 (1.00%) or 1 percentage-point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB Liability	<u>\$ 677,146</u>	<u>\$ 535,332</u>	<u>\$ 429,217</u>

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

For the year ended September 30, 2021, the Town recognized OPEB expense of \$68,564. At September 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 40,078
Changes in assumptions and other inputs	146,795	17,549
Contributions subsequent to the measurement date	<u>4,694</u>	<u>-</u>
Total	<u>\$ 151,489</u>	<u>\$ 57,627</u>

The \$4,694 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, 2022. 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 deferrred outflows (inflows) of resources
2022	\$ 14,621
2023	14,621
2024	14,621
2025	14,050
2026	11,419
Thereafter	<u>19,836</u>
Total	<u>\$ 89,168</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 2,800 individual governments and political subdivision units located within Texas. The Town pays an annual premium to the funds for its workers' compensation, property and liability, and cyber security 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. The cyber security provides various tiers of coverage to limit the Town's exposure to this new risk.

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, 2021:

	Governmental Activities	Business-type Activities	Total Primary Government	Discretely Presented Component Units
Restricted for construction	\$ 53,624,594	\$ 4,704,740	\$ 58,329,334	\$ -
Restricted for economic development	1,162,904	-	1,162,904	10,034,659
Restricted for stormwater drainage	1,168,121	-	1,168,121	-
Restricted for street maintenance	1,650,069	-	1,650,069	-
Restricted for streetscape	860,855	-	860,855	-
Restricted for debt service	680,723	-	680,723	186,568
Restricted for other:				
Grant requirements	418,404	-	418,404	-
Donor stipulations	51,239	-	51,239	-
Pubic, education, gov't access	68,945	-	68,945	-
Parks	977,520	-	977,520	-
Tourism	21,841	-	21,841	-
Public safety	30,878	-	30,878	-
Total restricted for other	1,568,827	-	1,568,827	-
	<u>\$ 60,716,093</u>	<u>\$ 4,704,740</u>	<u>\$ 65,420,833</u>	<u>\$ 10,221,227</u>

Town of Little Elm, Texas
Notes to the Financial Statements

B. Fund Balance

The composition of the governmental fund balances at September 30, 2021 is as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	PID Capital Projects Project	Non major Governmental Funds	Total Governmental Funds
Non-spendable:						
Inventories	\$ 66,106	\$ -	\$ -	\$ -	\$ -	\$ 66,106
Prepays	58,666	-	-	-	-	58,666
Total nonspendable	124,772	-	-	-	-	124,772
Restricted for:						
Debt service	-	877,551	-	-	-	877,551
Street maintenance	-	-	-	-	1,650,069	1,650,069
Police	-	-	-	-	99,927	99,927
Fire	-	-	-	-	21,070	21,070
Parks and Rec	-	-	-	-	989,750	989,750
Stormwater drainage	-	-	-	-	1,168,121	1,168,121
Court	-	-	-	-	136,842	136,842
Library	-	-	-	-	12,558	12,558
Animal Control	-	-	-	-	5,026	5,026
Public, Education, Govt. Access	-	-	-	-	68,945	68,945
Streetscape	-	-	-	-	811,055	811,055
Tourism	-	-	-	-	21,841	21,841
Economic Development	-	-	-	-	1,162,904	1,162,904
Child Safety	-	-	-	-	212,868	212,868
Capital projects	-	-	32,406,101	38,075,387	-	70,481,488
Total restricted	-	877,551	32,406,101	38,075,387	6,360,976	77,720,015
Unassigned	33,039,775	-	-	-	(1,641)	33,038,134
	<u>\$ 33,164,547</u>	<u>\$ 877,551</u>	<u>\$ 32,406,101</u>	<u>\$ 38,075,387</u>	<u>\$ 6,359,335</u>	<u>\$ 110,882,921</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, 2021, the cost of water purchased under this contract was \$4,589,199.

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, 2021, the payments made under this contract were \$553,321.

At September 30, 2021 and subsequent to year end, the Town is committed to numerous contracts for capital improvements totaling \$3,014,042.

Town of Little Elm, Texas

Notes to the Financial Statements

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 \$33,542,713.

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 FY 2018 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.

Town of Little Elm, Texas

Notes to the Financial Statements

The Town Council created a TIRZ #5 in December 2014 with a base value of real property of \$5,380,866. Over time, the TIRZ #5 zone had modified property parcels by adding into or removing from the zone to establish the area to reflect 943.5 acres. The zone is located near the intersections of US-380 and FM-2931. The majority of the land within the TIRZ zone is vacant and undeveloped. The zone was established to facilitate the development of retail and single-family homes. At the time the original zone was established, the TIRZ project costs were financed by incremental real property tax generated and sales tax within the zone. Such incremental property tax was 46% from the Town of Little Elm and 50% of one cent of sales tax rate collected in the zone.

Since then, Town Council amended previous Ordinances and approved Ordinance No. 1607 Final Project and Financing Plan on May 4, 2021, which established the zone encompassing 862.23 acres. The goal of the TIRZ is still 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 standard established within the Town. In order to fund the public improvements within the zone, the Town will contribute 50% of its incremental real property tax revenue to the TIRZ fund beginning with incremental real property taxes due by January 31, 2022 and ending with incremental real property taxes due by January 31, 2060. The new base value of the taxable real property in the Zone is \$15,654,221. Such public improvement costs that financed the incremental real property tax generated within the TIRZ include roadway, water system, sanitary sewer, storm water improvements, parks, trails, landscaping and hardscaping, public utilities purchase, and economic development grants for the total amount of \$184,000,000. The Town will contribute 50% of its incremental real property tax revenue to the TIRZ fund until the earlier of the maximum TIRZ increments paid for the TIRZ obligations reach \$184 million or December 31, 2060.

The Town of Little Elm entered into agreements related to the Zone, including an Amended and Restated Tax Increment Payment (TIP) Agreement dated April 6, 2021. The Town agreed to make payments from the pledge revenues, which consist of 50% of the property taxes levied and finally collected by the Town for that year on the captured appraised value of real property taxable in the Zone to CADG Lincoln Park, LLC. The Public Finance Authority issued Certificates of Participation, Series 2021 for \$30,400,000 to provide funds to finance the project through paying the TIP payments. CADG has entered into an assignment agreement dated May 28, 2021 to which CADG sold, transferred, delivered, assigned, and conveyed the pledged revenues scheduled to be paid by the Town under the TIP agreement to PFA for the issuance of bonds.

The Town is not anticipated to issue bonds directly secured by the TIRZ increments. However, the TIRZ increments may be used as part of the repayment of bonds issued through other financial structures like a Public Improvement District (PID).

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 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.

Town of Little Elm, Texas

Notes to the Financial Statements

Council also approved a new PID within the TIRZ 5 zone February 22, 2021, identified as Spiritas Ranch Public Improvement District and on May 4, 2021, annexed in approximately 7.21 acres of land located in the Town's ETJ for such PID. This PID is generally located south of US-380, east of FM-720, and west of Lewisville Lake and estimated costs of the authorized improvements is \$65,000,000. Such costs shall be paid by assessment of the property owners within the District. The developer will be obligated for the costs of authorized improvements and the Town will not be obligated to provide any funds to finance the authorized improvements other than from assessments levied on real property within the District. On May 11th, 2021, Council approved Ordinance No. 1606 for the issuance and sale of special assessment revenue bonds (PID Bonds), Series 2021 in the amount of \$43,200,000 for the Spiritas Ranch PID Area #1 and Major Improvement Area projects. The Bonds are secured solely from assessment revenues generated within the Spiritas Ranch PID for area #1 and major improvement area projects.

The Town's third PID was created by the Town in 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. The Town's economic development agreements are authorized under the Texas Local Government Code Chapter 311 (Tax Increment Financing Act), Chapter 312 (Property Redevelopment and Tax Abatements), 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.

Town of Little Elm, Texas

Notes to the Financial Statements

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 2021, the Town rebated \$181,076 in sales taxes and \$997,977 of property taxes and made other incentive payments of \$1,091,874 under the agreements.

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 respective areas to bring in 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 2021, the Town made \$987,889 in payments to the TIRZ funds. Denton County agreed to participate in TIRZ 3 until the date the TIRZ #3 terminates, which would be on or before December 31, 2043. Denton County contributed \$63,859 in fiscal year 2021.

Note 16. GASB Pronouncements Implemented by the Town

GASB Statement No. 84, *Fiduciary Activities*. This Statement was issued in January 2017 and provides guidance to enhance the consistency and comparability of fiduciary activity reporting by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Beginning net position of the PID Custodial Fund was restated by \$4,984,998 as a result of the implementation of this pronouncement.

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, 2021

	Original Budget	Final Budget	Actual	Variance with Budget
Revenues:				
Taxes:				
Property taxes, penalty, and interest	\$ 20,631,503	\$ 20,631,503	\$ 21,863,208	\$ 1,231,705
General sales and use taxes	4,484,472	4,484,472	5,682,175	1,197,703
Other taxes and franchise fees	2,210,000	2,210,000	2,223,898	13,898
Licenses and permits	2,926,076	2,926,076	6,738,298	3,812,222
Intergovernmental revenue	2,675,220	4,967,802	6,226,278	1,258,476
Charges for services	5,634,752	6,124,646	6,482,424	357,778
Fines	650,000	650,000	757,765	107,765
Interest	425,000	425,000	154,469	(270,531)
Miscellaneous	138,000	144,986	308,265	163,279
Total revenues	39,775,023	42,564,485	50,436,780	7,872,295
Expenditures:				
General government:				
Town council	151,991	69,529	42,808	26,721
Town manager	1,442,097	1,440,097	1,318,876	121,221
Town secretary	192,606	238,556	238,387	169
Finance	2,194,886	2,294,386	1,854,461	439,925
Information technology	1,308,019	1,384,874	1,235,887	148,987
Town attorney	340,000	340,000	167,525	172,475
Marketing	390,619	390,619	314,744	75,875
Non-departmental	-	500	196	304
Total general government	6,020,218	6,158,561	5,172,884	985,677
Community services:				
Inspections	3,195,274	3,195,274	2,848,464	346,810
Total community services	3,195,274	3,195,274	2,848,464	346,810
Public safety:				
Police	13,701,343	13,750,678	12,848,184	902,494
Fire	10,386,611	10,386,611	10,068,379	318,232
Municipal court	591,665	591,665	459,619	132,046
Animal control	348,504	348,504	319,853	28,651
Total public safety	25,028,123	25,077,458	23,696,035	1,381,423
Public works:				
Streets	1,569,975	1,616,559	1,266,345	350,214
Fleet maintenance	498,978	498,978	409,823	89,155
Facility maintenance	844,617	871,717	858,775	12,942
Total public works	2,913,570	2,987,254	2,534,943	452,311

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, 2021

	Original Budget	Final Budget	Actual	Variance with Budget
Culture and recreation:				
Library	\$ 606,617	\$ 623,797	\$ 549,010	\$ 74,787
Parks and recreation	6,035,445	6,579,110	5,053,361	1,525,749
Total culture and recreation	6,642,062	7,202,907	5,602,371	1,600,536
Capital outlay	977,455	1,028,649	829,011	199,638
Total expenditures	44,776,702	45,650,103	40,683,708	4,966,395
Excess (deficiency) of revenues over (under) expenditures	(5,001,679)	(3,085,618)	9,753,072	12,838,690
Other financing sources (uses):				
Transfers in	2,125,000	2,125,000	2,712,336	587,336
Proceeds from sale of assets	-	-	46,041	46,041
Insurance recovery	-	75,000	159,356	84,356
Transfers out	(965,000)	(5,103,746)	(5,103,746)	-
Total other financing sources (uses)	1,160,000	(2,903,746)	(2,186,013)	717,733
Revenues and other financing sources over (under) expenditures and other financing uses	(3,841,679)	(5,989,364)	7,567,059	13,556,423
Fund balance at beginning of year	25,597,488	25,597,488	25,597,488	-
Fund balance, end of year	\$ 21,755,809	\$ 19,608,124	\$ 33,164,547	\$ 13,556,423

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 Seven Measurement Periods

	2014	2015	2016	2017	2018	2019	2020
Total Pension Liability:							
Service cost	\$ 1,781,572	\$ 2,120,510	\$ 2,355,108	\$ 2,626,348	\$ 3,014,390	\$ 3,282,649	\$ 3,772,041
Interest	1,306,279	1,544,900	1,739,588	2,023,022	2,313,659	2,691,346	3,087,959
Change in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	511,427	187,346	298,105	(90,555)	859,152	279,168	775,209
Change in assumptions	-	90,206	-	-	-	178,056	-
Benefit payments	(326,527)	(393,218)	(323,979)	(334,803)	(559,416)	(892,522)	(707,805)
Net change in total pension liability	3,272,751	3,549,744	4,068,822	4,224,012	5,627,785	5,538,697	6,927,404
Total Pension Liability-beginning	17,933,610	21,206,361	24,756,105	28,824,927	28,824,927	38,676,724	44,215,421
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>\$ 34,452,712</u>	<u>\$ 44,215,421</u>	<u>\$ 51,142,825</u>
Plan Fiduciary Net Position							
Contributions - employer	\$ 1,185,583	\$ 1,535,872	\$ 1,676,473	\$ 1,968,224	\$ 2,266,748	\$ 2,386,394	\$ 2,822,744
Contributions - nonemployer	774,891	838,620	908,306	1,021,378	1,197,238	1,267,432	1,466,905
Net investment income	857,339	25,774	1,316,544	3,194,579	(866,209)	4,788,117	2,924,215
Benefit payments	(326,527)	(393,218)	(323,979)	(334,803)	(559,416)	(892,522)	(707,805)
Administrative income	(8,946)	(15,693)	(14,848)	(16,529)	(16,699)	(26,963)	(18,855)
Other	(736)	(776)	(798)	(838)	(871)	(810)	(735)
Net change in plan fiduciary net position	2,481,604	1,990,579	3,561,698	5,832,011	2,020,791	7,521,648	6,486,469
Plan fiduciary net position -beginning	14,979,082	17,460,686	19,451,265	23,012,963	28,844,974	30,865,765	38,387,413
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>	<u>38,387,413</u>	<u>44,873,882</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>\$ 3,586,947</u>	<u>\$ 5,828,008</u>	<u>\$ 6,268,943</u>
Plan fiduciary net position as a % of total pension liability	82.34%	78.57%	79.84%	87.28%	89.59%	86.82%	87.74%
Covered payroll	\$ 11,065,942	\$ 11,980,280	\$ 12,975,800	\$ 14,574,627	\$ 16,783,907	\$ 18,106,173	\$ 20,955,784
Town's net pension liability as a % of covered payroll	33.85%	44.28%	44.79%	28.84%	21.37%	32.19%	29.92%

Note: Only seven 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 not 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 Seven Fiscal Years

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Actuarially determined contribution	\$ 1,450,482	\$ 1,721,094	\$ 1,901,949	\$ 2,201,774	\$ 2,459,086	\$ 2,640,722	\$ 2,901,400
Contribution in relation of the actuarially determined contribution	1,450,482	1,721,094	1,901,949	2,201,774	2,459,086	2,640,722	2,901,400
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,244,425	\$ 13,214,555	\$ 14,104,876	\$ 16,242,464	\$ 18,403,629	\$ 19,524,411	\$ 21,597,802
Contributions as a percentage of covered payroll	11.85%	13.02%	13.48%	13.56%	13.36%	13.53%	13.43%

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 seven 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 not 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 Four Measurement Periods

	Measurement Year			
	2017	2018	2019	2020
Total OPEB Liability:				
Service cost	\$ 24,777	\$ 33,568	\$ 27,159	\$ 41,912
Interest	10,108	11,094	12,691	12,031
Change in benefit terms	-	-	-	-
Difference between expected and actual experience	-	(4,395)	(31,013)	(16,377)
Change in assumptions	30,053	(28,403)	81,166	82,266
Benefit payments	(1,457)	(1,678)	(1,811)	(2,096)
Net change in total OPEB liability	63,481	10,186	88,192	117,736
Total OPEB Liability-beginning	255,737	319,218	329,404	417,596
Total OPEB Liability-ending	<u>\$ 319,218</u>	<u>\$ 329,404</u>	<u>\$ 417,596</u>	<u>\$ 535,332</u>
Covered employee payroll	\$ 14,574,627	\$ 16,783,907	\$ 18,106,173	\$ 20,955,784
Town's total OPEB liability as a % of covered employee payroll	2.19%	1.96%	2.31%	2.55%

Only four 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 Four Fiscal years

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Actuarially determined contribution	\$ 2,885	\$ 2,258	\$ 1,952	\$ 5,289
Contribution in relation of the actuarially determined contribution	<u>2,885</u>	<u>2,258</u>	<u>1,952</u>	<u>5,289</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 16,242,464	\$ 18,403,629	\$ 19,524,411	\$ 21,597,802
Contributions as a percentage of covered employee payroll	0.02%	0.01%	0.01%	0.02%

Only four 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:

