

## **CITY OF LEANDER, TEXAS**

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ANNUAL FINANCIAL REPORT

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YEAR ENDED SEPTEMBER 30, 2011

# CITY OF LEANDER, TEXAS

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**FINANCIAL SECTION**

## Independent Auditor's Report

The Honorable Mayor  
and Members of the City Council  
City of Leander, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Leander, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Leander, Texas, management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund and the aggregate remaining fund information of the City of Leander, Texas, as of September 30, 2011, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2012, on our consideration of the City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Dennis Kinard & Co., PC*

Certified Public Accountants

Abilene, Texas  
February 1, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the City of Leander, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011. It should be read in conjunction with the accompanying basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2011, by \$82,505,277 (net assets). Of this amount, \$15,420,651 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$6,054,085 for the year ended September 30, 2011. Most of this increase is due to increased property tax revenue, capital assets, including contributions, and utility services operations.
- As of September 30, 2011, the City's governmental funds reported combined ending fund balances of \$13,218,217, a decrease of \$2,753,660 in comparison with the prior fiscal year. Most of the decrease is attributable to capital outlay expenditures of \$5,377,654 from bond proceeds recognized as revenue in prior years, as well as a reduction in the amount of the Utility Fund transfer to the General Fund.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,493,151 or 30.26% of total General Fund expenditures.
- As of the close of the current fiscal year, the City's proprietary funds reported combined ending net assets of \$52,449,092, an increase of \$3,331,320 in comparison with the prior year. Most of the increase is attributable to the combination of an increase in water and wastewater rates and customer usage.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All of the current year's revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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 the government-wide financial statements distinguish functions of the City of Leander that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Leander include general government, public safety, public works and streets, and parks and recreation. The business-type activities of the City of Leander include water and wastewater services and the City's public golf course.

The government wide financial statements can be found on pages 13 – 14 of this report.

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- **Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental 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 on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Leander has three major governmental funds – General Fund, Debt Service Fund and Capital Projects Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for each of these major funds. The City also has several nonmajor Special Revenue Funds.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget on page 19.

- **Proprietary funds** – The City maintains two Enterprise Funds, which are proprietary fund types. Enterprise Funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Leander uses Enterprise Funds to account for its water and wastewater services and the City's public golf course.

The City's fund financial statements can be found on pages 15 – 23 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements on pages 24 – 45 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Leander, assets exceeded liabilities by \$82,505,277 at the close of the most recent fiscal year.

The largest portion of the City's net assets (75.40%) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure and system improvements) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## CITY OF LEANDER'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 16,779,909	\$ 19,206,396	\$ 14,761,528	\$ 13,239,397	\$ 31,541,437	\$ 32,445,793
Capital assets	<u>71,746,080</u>	<u>67,333,707</u>	<u>161,272,889</u>	<u>159,309,201</u>	<u>233,018,969</u>	<u>226,642,908</u>
Total assets	<u>88,525,989</u>	<u>86,540,103</u>	<u>176,034,417</u>	<u>172,548,598</u>	<u>264,560,406</u>	<u>259,088,701</u>
Long-term liabilities	56,060,935	57,330,908	120,795,397	120,898,039	176,856,332	178,228,947
Other liabilities	<u>2,408,869</u>	<u>1,875,775</u>	<u>2,789,928</u>	<u>2,532,787</u>	<u>5,198,797</u>	<u>4,408,562</u>
Total liabilities	<u>58,469,804</u>	<u>59,206,683</u>	<u>123,585,325</u>	<u>123,430,826</u>	<u>182,055,129</u>	<u>182,637,509</u>
Net assets:						
Invested in capital assets, net of related debt	20,847,312	19,250,441	41,364,946	37,470,373	62,212,258	56,720,814
Restricted	2,669,844	1,363,164	2,202,524	7,305,173	4,872,368	8,668,337
Unrestricted	<u>6,539,029</u>	<u>6,719,815</u>	<u>8,881,622</u>	<u>4,342,226</u>	<u>15,420,651</u>	<u>11,062,041</u>
Total net assets	<u>\$ 30,056,185</u>	<u>\$ 27,333,420</u>	<u>\$ 52,449,092</u>	<u>\$ 49,117,772</u>	<u>\$ 82,505,277</u>	<u>\$ 76,451,192</u>

An additional portion of the City of Leander's net assets (5.91%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$15,420,651) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Leander is able to report positive balances in all three categories of net assets for the government as a whole.

The City's net assets increased by \$6,054,085 during the current fiscal year. Almost all of this increase is due to increased property tax revenue, capital assets, including contributions, and utility services operations.

## CITY OF LEANDER'S CHANGES IN NET ASSETS

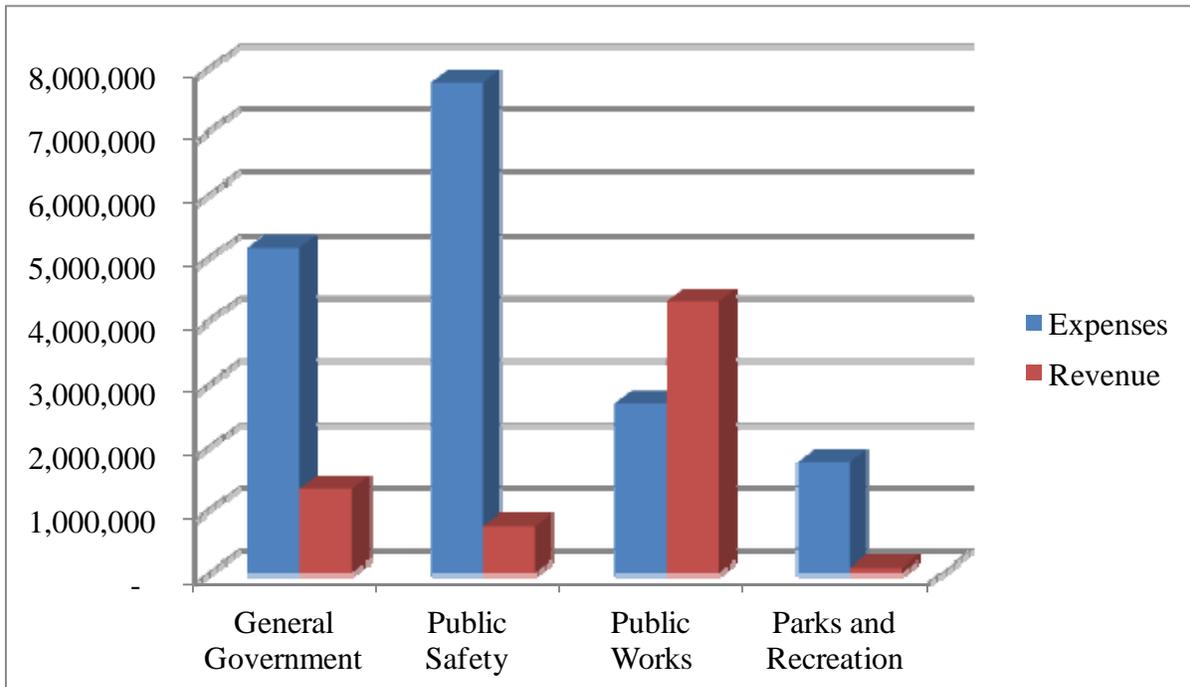
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Program revenues</b>						
Charges for services	\$ 3,465,115	\$ 3,205,954	\$ 16,405,136	\$ 13,150,870	\$ 19,870,251	\$ 16,356,824
Operating grants and contributions	421,487	793,783	-	-	421,487	793,783
Capital grants and contributions	2,592,580	257,840	2,120,431	1,952,480	4,713,011	2,210,320
<b>General revenues</b>						
Property taxes	11,315,759	10,190,609	-	-	11,315,759	10,190,609
Other taxes	3,197,644	3,124,543	-	-	3,197,644	3,124,543
Interest income	25,314	69,903	18,362	41,555	43,676	111,458
Other income	140,132	393,349	-	-	140,132	393,349
<b>Total revenues</b>	<b>21,158,031</b>	<b>18,035,981</b>	<b>18,543,929</b>	<b>15,144,905</b>	<b>39,701,960</b>	<b>33,180,886</b>
<b>Expenses</b>						
General government	5,154,356	4,879,082	-	-	5,154,356	4,879,082
Public safety	7,753,066	7,356,304	-	-	7,753,066	7,356,304
Public works	2,680,585	2,178,798	-	-	2,680,585	2,178,798
Parks and recreation	1,746,304	1,663,351	-	-	1,746,304	1,663,351
Interest on long-term debt	2,430,955	2,506,380	-	-	2,430,955	2,506,380
Utility services	-	-	12,539,735	12,378,191	12,539,735	12,378,191
Golf course	-	-	1,342,874	1,238,375	1,342,874	1,238,375
<b>Total expenses</b>	<b>19,765,266</b>	<b>18,583,915</b>	<b>13,882,609</b>	<b>13,616,566</b>	<b>33,647,875</b>	<b>32,200,481</b>
<b>Increase in net assets before transfers</b>	1,392,765	(547,934)	4,661,320	1,528,339	6,054,085	980,405
<b>Transfers</b>	1,330,000	3,315,601	(1,330,000)	(3,315,601)	-	-
<b>Change in net assets</b>	2,722,765	2,767,667	3,331,320	(1,787,262)	6,054,085	980,405
<b>Net assets, beginning</b>	27,333,420	24,565,753	49,117,772	50,905,034	76,451,192	75,470,787
<b>Net assets, ending</b>	\$ 30,056,185	\$ 27,333,420	\$ 52,449,092	\$ 49,117,772	\$ 82,505,277	\$ 76,451,192

### Governmental Activities

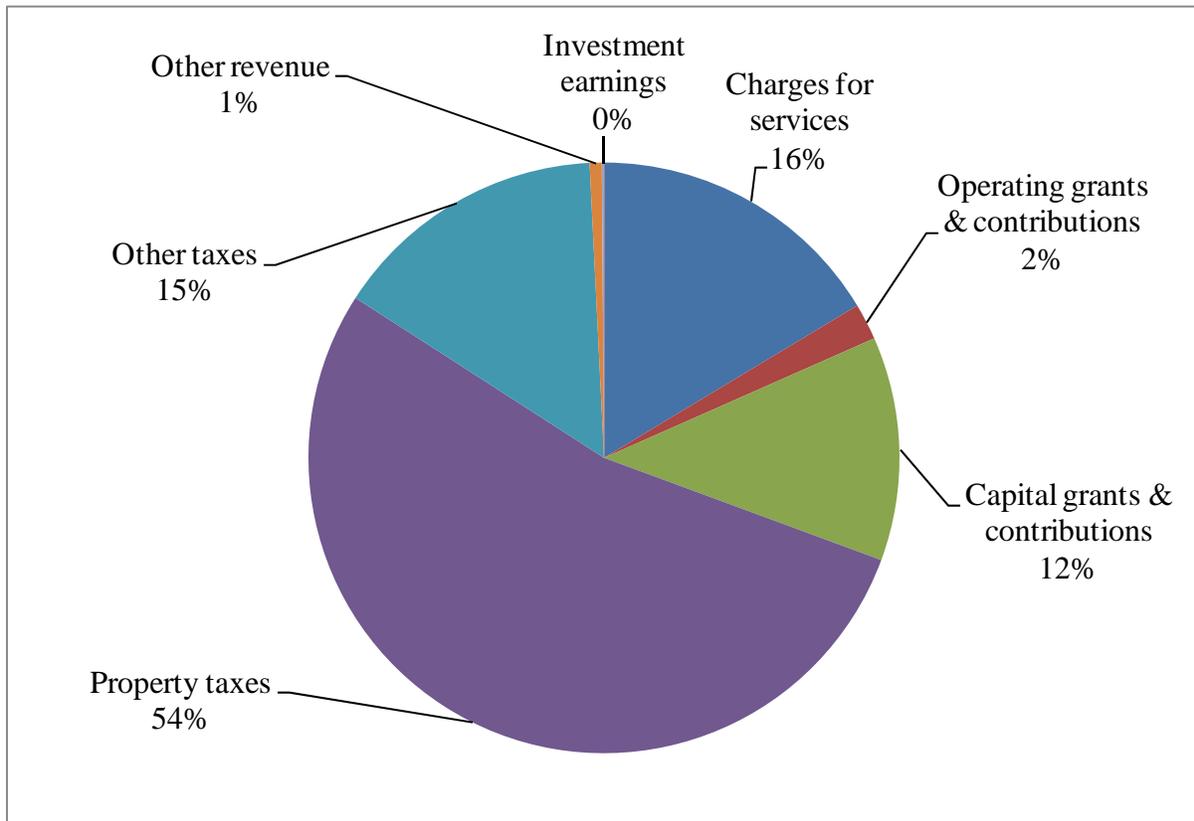
Governmental activities increased the City of Leander's net assets by \$2,722,765. Key elements of this increase are as follows:

- Capital grants and contributions provided 12.25% of the City's governmental revenues. These include streets and drainage infrastructure contributed by developers and capital grants.
- Tax revenues (property, sales, and franchise fees) provided 68.60% of the City's governmental revenues. Tax revenues increased by \$1,198,251 or 9.00% over 2010.

### Expenses and Program Revenues – Governmental Activities



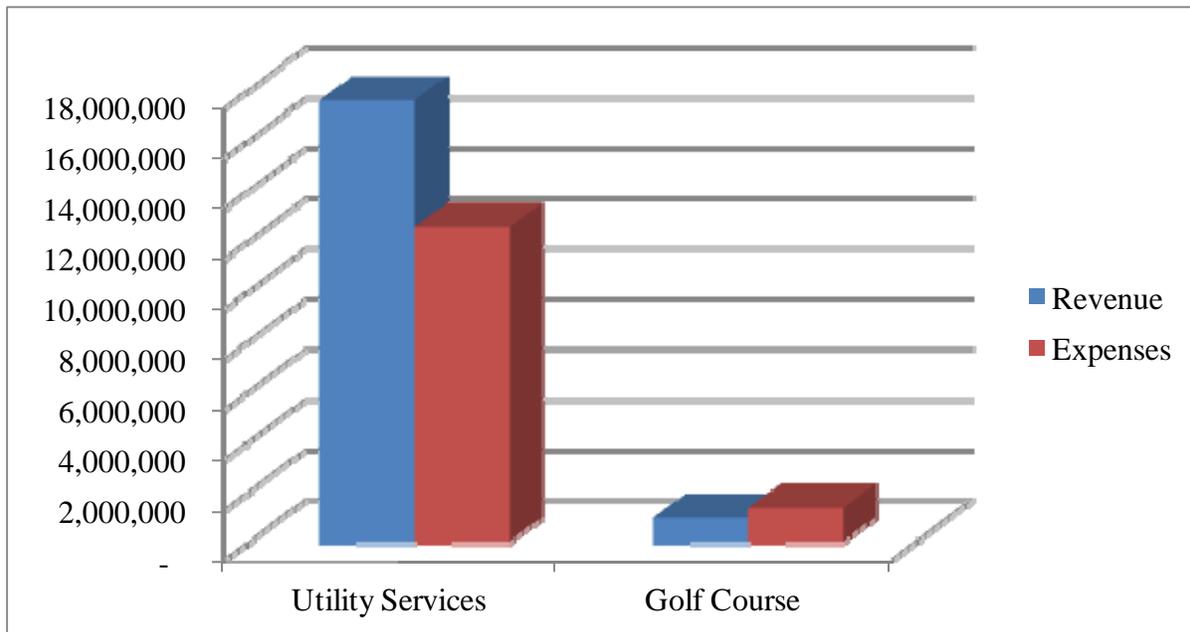
### Revenues by Source – Governmental Activities



## Business-type Activities

Business-type activities increased the City of Leander's net assets by \$3,331,320. Key elements of this increase are as follows.

- Capital grants and contributions provided 11.43% of the City's business-type revenues. This includes water and wastewater infrastructure contributed by developers as well as water and wastewater impact fees.
- Water rates for fiscal year 2011 increased 14% from 2010 rates. Wastewater rates increased from between 9% and 23% depending upon customer class from 2010 to 2011. These increases were the result of an annual cost-of-service rate study and part of a planned commitment to accumulate sufficient reserves in the Utility Fund to help absorb the initial years' debt service attributable to the BCRUA Regional Water Plant.



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Leander uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus on the City of Leander's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined fund balance of \$13,218,217, a decrease of \$2,753,660 in comparison to the prior year. Most of the decrease is attributable to capital outlay expenditures of \$5,377,654 from bond proceeds recognized as revenue in prior years, as well as a reduction in the amount of the Utility Fund transfer to the General Fund.

The General Fund is the chief operating fund of the City of Leander. At the end of the current fiscal year, unassigned fund balance was \$4,493,151. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represent 30.26% and 39.06%, respectively, of General Fund expenditures.

The fund balance of the City of Leander's General Fund increased \$934,174 during the current fiscal year. The key factors in this increase were increased property and sales tax revenues, and increased development fees.

The Debt Service Fund experienced an increase in fund balance of \$190,153 during 2011, representing an increase in fund balance of 32.57% from 2010. The Capital Projects Fund experienced a decrease in fund balance of \$4,098,460 during 2011 due to ongoing construction activities.

### **Proprietary Funds**

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

Unrestricted net assets of the Utility Fund at the end of the year amounted to \$10,226,467. Unrestricted net assets of the Golf Course Fund at the end of the year amounted to a deficit of \$1,344,845. The Utility Fund experienced an increase in net assets of \$3,367,361 during 2011, representing an increase in net assets of 7.01% from 2010. The Golf Course Fund experienced a decrease in net assets of \$36,041 during 2011, representing a decrease in net assets of 3.27% from 2010.

### **General Fund Budgetary Highlights**

Actual revenues were greater than budgeted revenues by \$456,423. This is mostly attributable to the increase in property and sale tax revenues as well as development fees over projections. Actual expenditures were below final budgeted expenditures by \$552,751, mainly due to better than budget performance across the board for expenditures in most departments, but primarily in public safety.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City of Leander's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$233,018,969 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure and system improvements (including streets and drainage infrastructure) and machinery and equipment.

## CITY OF LEANDER'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,734,940	\$ 1,734,940	\$ 2,331,833	\$ 2,331,833	\$ 4,066,773	\$ 4,066,773
Construction in progress	21,201,420	16,573,020	7,742,193	5,130,544	28,943,613	21,703,564
Intangible	-	-	91,180,000	91,180,000	91,180,000	91,180,000
Buildings and improvements	14,120,128	13,977,567	666,844	666,844	14,786,972	14,644,411
Machinery and equipment	7,304,775	7,172,065	1,526,929	1,429,359	8,831,704	8,601,424
Infrastructure and system	41,905,054	40,024,831	72,657,546	71,893,449	114,562,600	111,918,280
Less: accumulated depreciation	(14,520,237)	(12,148,716)	(14,832,456)	(13,322,828)	(29,352,693)	(25,471,544)
<b>Total capital assets</b>	<b>\$ 71,746,080</b>	<b>\$ 67,333,707</b>	<b>\$ 161,272,889</b>	<b>\$ 159,309,201</b>	<b>\$ 233,018,969</b>	<b>\$ 226,642,908</b>

Additional information regarding the City's capital assets can be found in Note 5 on pages 32 – 33 of this report.

### Long-term Debt

At the end of the current fiscal year, the City of Leander has total general obligation debt outstanding of \$55,615,000, which the City expects to retire through the Debt Service Fund. The City has long-term bonded debt outstanding of \$109,590,000 and a note payable of \$10,800,000 at September 30, 2011, in the Utility Fund.

Additional information on the City of Leander's long-term debt can be found in Note 7 on pages 34 – 40 of this report.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City adopted a tax rate of \$0.67042 (\$0.448180 for maintenance and operations and \$0.222240 for interest and sinking) for fiscal year 2011.
- The number of water accounts increased to 9,464 from 2010 to 2011, an increase of 2.79%. This trend in growth is expected to continue.
- In 2007, the Cities of Leander, Round Rock and Cedar Park created the Brushy Creek Regional Utility Authority (BCRUA) for purposes of providing for the long-term water supply needs of each of the communities. The BRCUA issued debt to fund Phase I of the construction of the regional water treatment plant in the summer of 2009. Construction is underway and the plant should be in operation in 2012.
- In 2010, the City joined the Brushy Creek Regional Wastewater System which the original member Cities of Austin, Cedar Park and Round Rock purchased from Lower Colorado River Authority (LCRA) in 2009 in order to discharge wastewater from their individual wastewater collection systems into the Regional Wastewater System, serve the wastewater needs of the Cities, achieve efficiencies of cost and operation, and protect and preserve the environment of the Brushy Creek watershed.

- In January 2012, the City purchased the Sandy Creek Water Treatment Plant from the Lower Colorado River Authority for \$36,620,318. The City estimates its savings to be over \$13,600,000 over the next 25 years.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert Powers, Finance Director, City of Leander, P.O. Box 319, Leander, Texas 78646-0319.

**BASIC FINANCIAL STATEMENTS**

**CITY OF LEANDER, TEXAS**

Statement of Net Assets  
As of September 30, 2011

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,766,003	\$ 8,686,396	\$ 21,452,399
Receivables (net of allowance)			
Taxes	852,868	-	852,868
Accounts	382,755	2,378,563	2,761,318
Due from other governments	440,169	524,611	964,780
Internal balances	1,305,018	(1,305,018)	-
Inventory		48,311	48,311
Prepaid items	920		920
Restricted cash and investments	-	4,069,371	4,069,371
Deferred charges	1,032,176	359,294	1,391,470
Capital assets, net:			
Nondepreciable	22,936,360	101,254,026	124,190,386
Depreciable	48,809,720	60,018,863	108,828,583
Total assets	<u>88,525,989</u>	<u>176,034,417</u>	<u>264,560,406</u>
<b>LIABILITIES</b>			
Accounts payable	759,423	427,150	1,186,573
Accrued liabilities	268,039	32,529	300,568
Accrued interest payable	295,249	800,717	1,095,966
Deposits and escrow	1,000,797	1,055,232	2,056,029
Unearned revenue	85,361	474,300	559,661
Noncurrent liabilities:			
Due within one year	1,688,333	217,112	1,905,445
Due in more than one year	54,372,602	120,578,285	174,950,887
Total liabilities	<u>58,469,804</u>	<u>123,585,325</u>	<u>182,055,129</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	20,847,312	41,364,946	62,212,258
Restricted for capital projects	1,895,865	2,051,141	3,947,006
Restricted for debt service	773,979	151,383	925,362
Unrestricted	6,539,029	8,881,622	15,420,651
Total net assets	<u>\$ 30,056,185</u>	<u>\$ 52,449,092</u>	<u>\$ 82,505,277</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEANDER, TEXAS**  
Statement of Activities  
For the Year Ended September 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 5,154,356	\$ 1,332,385	\$ 4,036	\$ -
Public safety	7,753,066	539,120	208,988	-
Public works- streets/engineering	2,680,585	1,510,457	199,890	2,592,580
Parks and recreation	1,746,304	83,153	8,573	-
Interest on long term debt	2,430,955	-	-	-
Total governmental activities	<u>19,765,266</u>	<u>3,465,115</u>	<u>421,487</u>	<u>2,592,580</u>
Business-type activities:				
Utility services	12,539,735	15,448,303	-	2,120,431
Golf course	1,342,874	956,833	-	-
Total business-type activities	<u>13,882,609</u>	<u>16,405,136</u>	<u>-</u>	<u>2,120,431</u>
Total primary government	<u>\$ 33,647,875</u>	<u>\$ 19,870,251</u>	<u>\$ 421,487</u>	<u>\$ 4,713,011</u>

General revenues:

Taxes

    Property

    Sales

    Franchise

    Mixed beverage

Interest income

Other income

Transfers

    Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (3,817,935)	\$ -	\$ (3,817,935)
(7,004,958)	-	(7,004,958)
1,622,342	-	1,622,342
(1,654,578)	-	(1,654,578)
(2,430,955)	-	(2,430,955)
<u>(13,286,084)</u>	<u>-</u>	<u>(13,286,084)</u>
-	5,028,999	5,028,999
-	<u>(386,041)</u>	<u>(386,041)</u>
-	<u>4,642,958</u>	<u>4,642,958</u>
<u>(13,286,084)</u>	<u>4,642,958</u>	<u>(8,643,126)</u>
11,315,759	-	11,315,759
2,039,486	-	2,039,486
1,152,282	-	1,152,282
5,876	-	5,876
25,314	18,362	43,676
140,132	-	140,132
<u>1,330,000</u>	<u>(1,330,000)</u>	<u>-</u>
<u>16,008,849</u>	<u>(1,311,638)</u>	<u>14,697,211</u>
2,722,765	3,331,320	6,054,085
<u>27,333,420</u>	<u>49,117,772</u>	<u>76,451,192</u>
<u>\$ 30,056,185</u>	<u>\$ 52,449,092</u>	<u>\$ 82,505,277</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEANDER, TEXAS**

Balance Sheet

Governmental Funds

As of September 30, 2011

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 5,466,329	\$ 773,979	\$ 5,298,998	\$ 1,226,697	\$ 12,766,003
Taxes receivable, net	771,574	81,294	-	-	852,868
Other receivables, net	382,755	-	-	-	382,755
Due from other governments	69,183	-	370,986	-	440,169
Prepaid items	920	-	-	-	920
Due from other funds	1,305,018	-	-	-	1,305,018
<b>Total assets</b>	<b>\$ 7,995,779</b>	<b>\$ 855,273</b>	<b>\$ 5,669,984</b>	<b>\$ 1,226,697</b>	<b>\$ 15,747,733</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 507,891	\$ -	\$ 235,092	\$ 16,440	\$ 759,423
Accrued wages	157,721	-	-	-	157,721
Other accrued expenses	110,318	-	-	-	110,318
Deposits in escrow	1,000,797	-	-	-	1,000,797
Deferred revenue	419,963	81,294	-	-	501,257
<b>Total liabilities</b>	<b>2,196,690</b>	<b>81,294</b>	<b>235,092</b>	<b>16,440</b>	<b>2,529,516</b>
<b>Fund Balances:</b>					
Nonspendable	1,305,938	-	-	-	1,305,938
Restricted	-	773,979	5,434,892	378,953	6,587,824
Committed	-	-	-	831,304	831,304
Unassigned	4,493,151	-	-	-	4,493,151
<b>Total fund balances</b>	<b>5,799,089</b>	<b>773,979</b>	<b>5,434,892</b>	<b>1,210,257</b>	<b>13,218,217</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,995,779</b>	<b>\$ 855,273</b>	<b>\$ 5,669,984</b>	<b>\$ 1,226,697</b>	<b>\$ 15,747,733</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEANDER, TEXAS**  
 Reconciliation of the Balance Sheet of Governmental Funds  
 To the Statement of Net Assets  
 As of September 30, 2011

Fund balances of governmental funds	\$ 13,218,217
 Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	71,746,080
Bonds payable and capital leases payable are not due and payable in the current period and therefore have not been included in the fund financial statements.	(55,493,343)
Accrued liabilities for compensated absences and net pension obligation are not due and payable in the current period and therefore have not been included in the fund financial statements.	(567,592)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due.	(295,249)
Bond issuance costs are recorded as expenditures when paid in the fund financial statements but are capitalized and amortized in the government-wide financial statements.	1,032,176
Revenues from property taxes and fines are deferred in the fund financial statements until they are considered available to fund current expenditures, but such revenues are recognized in the government-wide financial statements.	415,896
	<hr style="border: 0.5px solid black;"/>
Net assets of governmental activities	<u><u>\$ 30,056,185</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEANDER, TEXAS**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2011

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property tax	\$7,391,340	\$3,665,687	\$ -	\$ 179,852	\$ 11,236,879
Franchise tax	1,152,282	-	-	-	1,152,282
Sales tax	2,039,486	-	-	-	2,039,486
Mixed beverage tax	5,876	-	-	-	5,876
Licenses and permits	1,420,565	-	-	48,384	1,468,949
Grant/intergovernmental	608,300	-	217,426	423,180	1,248,906
Fines and forfeitures	403,158	-	-	19,915	423,073
Interest income	10,431	2,576	10,543	1,764	25,314
Charges for services	1,304,681	-	-	36,815	1,341,496
Donations/contributions	234,998	-	460,988	100,207	796,193
Other income	112,285	11,022	15,780	-	139,087
<b>Total revenues</b>	<b>14,683,402</b>	<b>3,679,285</b>	<b>704,737</b>	<b>810,117</b>	<b>19,877,541</b>
<b>EXPENDITURES</b>					
Current					
General government	4,893,174	-	-	147,953	5,041,127
Public safety	6,929,020	-	-	53,098	6,982,118
Public works- streets/engineering	1,487,400	-	99,877	-	1,587,277
Parks and recreation	1,268,356	-	-	6,164	1,274,520
Debt service					
Principal retirement	185,914	1,195,000	-	-	1,380,914
Interest	23,459	2,278,595	-	-	2,302,054
Bond issuance costs/agent fees	-	15,537	-	-	15,537
Capital outlay	60,040	-	4,934,320	383,294	5,377,654
<b>Total expenditures</b>	<b>14,847,363</b>	<b>3,489,132</b>	<b>5,034,197</b>	<b>590,509</b>	<b>23,961,201</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(163,961)</b>	<b>190,153</b>	<b>(4,329,460)</b>	<b>219,608</b>	<b>(4,083,660)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	1,098,135	-	231,000	865	1,330,000
<b>Total other financing sources and uses</b>	<b>1,098,135</b>	<b>-</b>	<b>231,000</b>	<b>865</b>	<b>1,330,000</b>
<b>Net change in fund balances</b>	<b>934,174</b>	<b>190,153</b>	<b>(4,098,460)</b>	<b>220,473</b>	<b>(2,753,660)</b>
Fund balances - beginning	4,864,915	583,826	9,533,352	989,784	15,971,877
<b>Fund balances - ending</b>	<b>\$5,799,089</b>	<b>\$ 773,979</b>	<b>\$5,434,892</b>	<b>\$1,210,257</b>	<b>\$ 13,218,217</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEANDER, TEXAS**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2011**

Net change in fund balances --total governmental funds (\$ 2,753,660)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$5,393,376) exceeds depreciation expense (\$2,371,521). 3,021,855

The City received street and drainage infrastructure contributed by developers. 1,390,518

Bond issue costs are expended in the fund financial statements when paid, but are capitalized and amortized in the government-wide financial statements. (81,506)

Deferred losses on refunding and premiums are amortized over the life of the bonds in the government-wide financial statements. (17,471)

Principal payments on bonds payable of \$1,195,000 and capital leases payable of \$185,914 are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. 1,380,914

Additions to liabilities for compensated absences and net pension obligation are not shown in the fund financial statements. The net effect of the current year's increase is to decrease net assets. (93,470)

Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The increase in interest accrual from 2010 to 2011 decreases net assets. (14,387)

Revenues from property taxes and fines are deferred in the fund financial statements until they are considered available to fund current expenditures, but such revenues are recognized in the government-wide statements. The effect of recognizing deferred tax and fines revenue of \$415,896 and removing prior year's deferred tax and fines recognized of \$525,924 is to decrease net assets. (110,028)

Change in net assets of governmental activities \$ 2,722,765

The accompanying notes are an integral part of these financial statements.

**CITY OF LEANDER, TEXAS**

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund

For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property tax	\$ 7,255,000	\$ 7,255,000	\$ 7,391,340	\$ 136,340
Franchise tax	1,077,500	1,077,500	1,152,282	74,782
Sales tax	1,875,000	1,971,990	2,039,486	67,496
Mixed beverage tax	7,813	7,813	5,876	(1,937)
Licenses and permits	939,000	1,231,200	1,420,565	189,365
Grants/intergovernmental	587,148	603,598	608,300	4,702
Fines and forfeitures	419,120	419,120	403,158	(15,962)
Interest income	10,000	10,000	10,431	431
Charges for services	1,324,718	1,344,718	1,304,681	(40,037)
Donations/contributions	40,000	241,000	234,998	(6,002)
Other income	65,040	65,040	112,285	47,245
Total revenues	<u>13,600,339</u>	<u>14,226,979</u>	<u>14,683,402</u>	<u>456,423</u>
<b>EXPENDITURES</b>				
Current				
General government	4,841,605	5,059,410	4,893,174	166,236
Public safety	7,223,659	7,212,284	6,929,020	283,264
Public works- streets/engineering	1,523,649	1,538,994	1,487,400	51,594
Parks and recreation	1,291,064	1,304,064	1,268,356	35,708
Debt service				
Principal retirement	208,962	208,962	185,914	23,048
Interest	-	-	23,459	(23,459)
Capital outlay	66,400	76,400	60,040	16,360
Total expenditures	<u>15,155,339</u>	<u>15,400,114</u>	<u>14,847,363</u>	<u>552,751</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,555,000)</u>	<u>(1,173,135)</u>	<u>(163,961)</u>	<u>1,009,174</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,680,000	1,680,000	1,680,000	-
Transfers out	(200,000)	(581,865)	(581,865)	-
Total other financing sources and uses	<u>1,480,000</u>	<u>1,098,135</u>	<u>1,098,135</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(75,000)</u>	<u>(75,000)</u>	<u>934,174</u>	<u>1,009,174</u>
Fund balances - beginning	4,864,915	4,864,915	4,864,915	-
<b>Fund balances - ending</b>	<u>\$ 4,789,915</u>	<u>\$ 4,789,915</u>	<u>\$ 5,799,089</u>	<u>\$ 1,009,174</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEANDER, TEXAS**

Statement of Net Assets

Proprietary Funds

As of September 30, 2011

	Business-type Activities -		Total Enterprise Funds
	Enterprise Funds		
	Utility Fund	Golf Course Fund	
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 8,685,241	\$ 1,155	\$ 8,686,396
Accounts receivable, net	2,377,535	1,028	2,378,563
Due from other governments	524,611	-	524,611
Inventory	-	48,311	48,311
Restricted cash and cash equivalents	4,069,371	-	4,069,371
Total current assets	<u>15,656,758</u>	<u>50,494</u>	<u>15,707,252</u>
Noncurrent assets			
Bond issuance costs, net	353,575	5,719	359,294
Capital assets, net:			
Nondepreciable property	99,168,441	2,085,585	101,254,026
Depreciable property	59,626,795	392,068	60,018,863
Total noncurrent assets	<u>159,148,811</u>	<u>2,483,372</u>	<u>161,632,183</u>
Total assets	<u>174,805,569</u>	<u>2,533,866</u>	<u>177,339,435</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	387,872	39,278	427,150
Accrued liabilities	19,154	13,375	32,529
Accrued interest payable	800,717	-	800,717
Customer deposits	1,055,232	-	1,055,232
Unearned revenue	474,300	-	474,300
Compensated absences payable - current	2,072	2,657	4,729
Bonds payable - current	121,831	-	121,831
Capital lease obligations - current	61,562	28,990	90,552
Total current liabilities	<u>2,922,740</u>	<u>84,300</u>	<u>3,007,040</u>
Noncurrent liabilities			
Due to other funds	-	1,305,018	1,305,018
Net pension obligation	11,730	16,821	28,551
Compensated absences payable	18,650	23,909	42,559
Note payable	10,800,000	-	10,800,000
Bonds payable	109,597,956	-	109,597,956
Capital lease obligations	70,064	39,155	109,219
Total noncurrent liabilities	<u>120,498,400</u>	<u>1,384,903</u>	<u>121,883,303</u>
Total liabilities	<u>123,421,140</u>	<u>1,469,203</u>	<u>124,890,343</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	38,955,438	2,409,508	41,364,946
Restricted for capital projects	2,051,141	-	2,051,141
Restricted for debt service	151,383	-	151,383
Unrestricted	10,226,467	(1,344,845)	8,881,622
Total net assets	<u>\$ 51,384,429</u>	<u>\$ 1,064,663</u>	<u>\$ 52,449,092</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEANDER, TEXAS**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2011

	<b>Business-type Activities - Enterprise Funds</b>		<b>Total Enterprise Funds</b>
	<b>Utility Fund</b>	<b>Golf Course Fund</b>	
<b>OPERATING REVENUES</b>			
Charges for sales and services	\$ 15,448,303	\$ 956,833	\$ 16,405,136
Total operating revenues	<u>15,448,303</u>	<u>956,833</u>	<u>16,405,136</u>
<b>OPERATING EXPENSES</b>			
Utility operations	10,106,408	-	10,106,408
Golf course operations	-	1,306,261	1,306,261
Depreciation and amortization	1,491,600	36,613	1,528,213
Total operating expenses	<u>11,598,008</u>	<u>1,342,874</u>	<u>12,940,882</u>
Operating income	<u>3,850,295</u>	<u>(386,041)</u>	<u>3,464,254</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	18,362	-	18,362
Interest expense and fees	(941,727)	-	(941,727)
Total nonoperating revenue (expenses)	<u>(923,365)</u>	<u>-</u>	<u>(923,365)</u>
Income before contributions and transfers	2,926,930	(386,041)	2,540,889
Capital contributions from developers	486,937	-	486,937
Capital contributions from impact fees	1,633,494	-	1,633,494
Transfers in	-	350,000	350,000
Transfers out	<u>(1,680,000)</u>	<u>-</u>	<u>(1,680,000)</u>
<b>Change in net assets</b>	<b>3,367,361</b>	<b>(36,041)</b>	<b>3,331,320</b>
Total net assets - beginning	48,017,068	1,100,704	49,117,772
<b>Total net assets - ending</b>	<u><u>\$ 51,384,429</u></u>	<u><u>\$ 1,064,663</u></u>	<u><u>\$ 52,449,092</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEANDER, TEXAS**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2011

	<b>Business-type Activities - Enterprise Funds</b>		<b>Total Enterprise Funds</b>
	<b>Utility Fund</b>	<b>Golf Course Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 14,898,205	\$ 957,358	\$ 15,855,563
Payments to employees	(640,583)	(608,674)	(1,249,257)
Payments to suppliers	(9,333,291)	(728,439)	(10,061,730)
Net cash provided (used) by operating activities	<u>4,924,331</u>	<u>(379,755)</u>	<u>4,544,576</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer (to) from other funds	(1,680,000)	350,000	(1,330,000)
Payments to/from other funds	1,520,712	32,371	1,553,083
Net cash provided (used) by noncapital financing activities	<u>(159,288)</u>	<u>382,371</u>	<u>223,083</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
BCRUA bond reserve	1,446,030	-	1,446,030
Capital contributions- impact fees and others	1,633,494	-	1,633,494
Acquisition of capital assets	(2,973,278)	(13,100)	(2,986,378)
Principal paid on long-term debt	(168,923)	(26,003)	(194,926)
Proceeds from capital leases	49,756	17,900	67,656
Interest paid on long-term debt	(771,784)	-	(771,784)
Net cash used by capital and related financing activities	<u>(784,705)</u>	<u>(21,203)</u>	<u>(805,908)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on pooled investments	18,362	-	18,362
Net cash provided by investing activities	<u>18,362</u>	<u>-</u>	<u>18,362</u>
Net increase (decrease) in cash and cash equivalents	3,998,700	(18,587)	3,980,113
Cash and cash equivalents - beginning of year	<u>8,755,912</u>	<u>19,742</u>	<u>8,775,654</u>
Cash and cash equivalents - end of the year	<u>\$ 12,754,612</u>	<u>\$ 1,155</u>	<u>\$ 12,755,767</u>
Reported as:			
Cash and cash equivalents	\$ 8,685,241	\$ 1,155	\$ 8,686,396
Restricted cash and cash equivalents	4,069,371	-	4,069,371
	<u>\$ 12,754,612</u>	<u>\$ 1,155</u>	<u>\$ 12,755,767</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEANDER, TEXAS**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2011

	<b>Business-type Activities - Enterprise Funds</b>		<b>Total Enterprise Funds</b>
	<b>Utility Fund</b>	<b>Golf Course Fund</b>	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 3,850,295	\$ (386,041)	\$ 3,464,254
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,491,600	36,613	1,528,213
(Increase) decrease in accounts receivable	(551,361)	525	(550,836)
(Increase) decrease in inventory	-	(15,712)	(15,712)
Increase (decrease) in customer deposits	52,413	-	52,413
Increase (decrease) in accounts payable	112,207	(5,002)	107,205
Increase (decrease) in accrued liabilities	20,327	(10,138)	10,189
Increase (decrease) in unearned revenue	(51,150)	-	(51,150)
Net cash provided (used) by operating activities	\$ 4,924,331	\$ (379,755)	\$ 4,544,576
<b>NONCASH INVESTING AND FINANCING ACTIVITIES:</b>			
Infrastructure contributed by developers	\$ 486,937	\$ -	\$ 486,937

The accompanying notes are an integral part of these financial statements.

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 1: Summary of Significant Accounting Policies**

The City of Leander, Texas (the City) was incorporated in 1978 under the Provisions of the State of Texas. The City operates under a Council-Manager form of government and provides the following services: public safety (fire and police), streets, water and wastewater services, public improvements, planning and zoning, parks and recreation, and general administrative services. The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**A. Reporting Entity**

The City, for financial purposes, includes all of the funds relevant to the operations of the City. As required by generally accepted accounting principles, these financial statements present the City and all component units, when applicable, for which the City is considered to be financially accountable.

Based on these considerations, the Tax Increment Reinvestment Zone #1 (TIRZ) has been included in the City's reporting entity as a blended component unit. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Consideration regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity is based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is financially independent of other state and local governments. Additional prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Tax Increment Reinvestment Zone #1 (TIRZ), a blended component unit, was created to enable the proper planning, layout, financing and construction of public streets and roadways, and water, wastewater and drainage systems, to improve traffic flow and access, public safety, eliminate some conditions that endanger life or property, and provide facilities necessary to the public safety, health and welfare. The affairs of the District are managed by a Board of Directors composed of four directors appointed by the City Council and one director appointed by Williamson County, Texas. Additionally, the TIRZ will primarily benefit the City by constructing public streets and roadways, and water, wastewater and drainage systems within the City. Complete financial statements for the component unit may be obtained at the City's administrative office.

**B. Government-Wide and Fund Financial Statements**

**Government-wide financial statements.** The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support to external users. Likewise, the primary government is reported separately from any legally separate component units for which the primary government is financially accountable.

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 1: Summary of Significant Accounting Policies – continued**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**Fund financial statements.** Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial 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 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 the liability has matured and payment is due.

Property taxes, sales taxes, franchise taxes, interest revenue and charges for services 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, if available. Grant revenues are recognized only as grant expenditures are incurred to the extent that the expenditures are allowable and eligible for reimbursement. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 1: Summary of Significant Accounting Policies – continued**

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the Proprietary Fund Types. Such resources are derived from proceeds of general obligation bonds or other sources of revenue specifically set aside for capital projects.

Additionally, the City reports the following nonmajor governmental fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City maintains two enterprise funds, both of which are considered to be major:

The *Utility Fund* accounts for the City's water and wastewater utilities, including operations, maintenance of the infrastructure and expansion of the system within the City's service territory.

The *Golf Course Fund* accounts for the City's golf course, including operations and maintenance of the grounds and equipment.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's utility and golf course funds are charges to customers for sales and services. Operating expenses include cost of services and depreciation expense on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The City has elected not to follow FASB guidance issued subsequent to November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

**D. Assets, Liabilities, and Net Assets or Equity**

Cash and cash equivalents - For purposes of the statement of cash flows for the proprietary fund types, the City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 1: Summary of Significant Accounting Policies – continued**

Investments - Investments are reported at fair value, and the changes in the fair value of investments are recognized as investment revenue.

Inventory – Inventory is valued at the lower of cost or market using the first-in/ first-out (FIFO) method.

Restricted assets - Restricted assets include capital recovery fees (impact fees) that are, by law, restricted for future capital improvements; customer deposits; and assets set aside for construction of future debt funded capital improvements.

Receivables – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is based on historical collection rate percentages.

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On February 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Williamson and Travis Central Appraisal Districts (CAD) establish appraised values. Taxes are levied by the City Council based on the appraised values received from each CAD. The Williamson and Travis County Tax Assessors bill and collect the taxes levied.

The City is permitted by the State of Texas to levy taxes up to \$2.50 per \$100 of assessed valuation for general government services and for the payment of principal and interest on general long-term debt. The combined current tax rate to finance general government services, including debt service, for the fiscal year ended September 30, 2011, was \$.65042 per \$100 of assessed valuation.

Capital assets – Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at their historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are recorded at estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements which extend asset lives are capitalized and depreciated over the useful lives of the related assets, as applicable. The City defines capital assets as assets with an original cost of \$5,000 or more and an estimated useful life of over one year. When property or equipment is retired from service or otherwise disposed of, the cost and related accumulated depreciation are removed and any resulting gain or loss is reported in the statement of activities.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest expense was capitalized in the Utility Fund in 2011.

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 1: Summary of Significant Accounting Policies – continued**

Public domain (“infrastructure”) capital assets such as roads, bridges, streets, curbs and gutters, sewers and drainage systems built and/or acquired beginning in fiscal year 2004 are capitalized. The value of infrastructure built and/or acquired prior to fiscal year 2004 has not been capitalized.

Intangible assets consist of reserved capacity of the Brushy Creek Regional Utility Authority, a regional water treatment and distribution system. The water treatment and distribution system has not been placed into service as of September 30, 2011.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

Buildings and Improvements	20-35 years
Utility Distribution System	50 years
Streets and Drainage Infrastructure	40 years
Equipment	5-10 years

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

Bond issuance costs – Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

Compensated absences – Accumulated earned but unused vacation, which is expected to be liquidated with expendable available financial resources, is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of accumulated vacation leave within governmental funds that are not expected to be liquidated with expendable available financial resources are reported as a long-term liability on the statement of net assets. No expenditure is reported for these amounts in the fund financial statements. Accumulated vacation leave of proprietary fund types are recorded as an expense and liability of those funds as the benefits accrue to employees.

Fund balance – In the fund financial statements, governmental funds reported the following classifications of fund balance:

*Nonspendable* – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as Nonspendable at September 30, 2011 are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 1: Summary of Significant Accounting Policies – continued**

*Restricted* – Constraints placed on the use of these recourses are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

*Committed* – includes amounts that can be used only for the specific purposes as established by a Council resolution or ordinance.

*Unassigned* – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**Note 2: Stewardship, Compliance, and Accountability**

Sixty days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them. Work sessions are conducted to obtain Council Members' comments, and public hearings are conducted to obtain citizens' comments. The budget is legally enacted by the City Council through the adoption of an ordinance prior to the beginning of the fiscal year. The City Manager is authorized to transfer budgeted amounts between line items within a department. Any revisions that alter the total expenditures of any department must be approved by the City Council.

Formal budgetary integration is employed as a management control device during the year for all governmental and proprietary fund types. The budgets for all funds are adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at yearend.

**Note 3: Deposits and Investments**

Cash and Cash Investments

Cash balances for most of the City's funds are consolidated in pooled cash and investment accounts. Pooled balances include balances in demand deposits, local government investment pools and certificates of deposit. Interest earnings are then allocated to each fund based on ending monthly pooled equity balances. Separate cash and investment accounts are maintained for interest and sinking funds (debt service).

*Custodial credit risk – deposits.* At September 30, 2011, all of the City's deposits were covered by federal depository insurance and pledged securities held by the City's depository agent in the City's name.

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 3: Deposits and Investments – continued**

Investments

The City's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). These policies authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) certificates of deposit by state and national banks doing business in Texas that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor or, (b) secured by obligations in a manner and amount provided by law for deposits of the City; (3) money market mutual funds that are (a) registered and regulated by the Securities and Exchange Commission, (b) have a dollar weighted average stated maturity of 90 days or less, (c) rated AAA by at least one nationally recognized rating service, and (d) seek to maintain a net asset value of \$1.00 per share; (4) constant-dollar, Texas local government investment pools, which (a) meet the requirements of PFIA, (b) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, (c) are authorized by resolution or ordinance by the City Council; (5) fully collateralized repurchase agreements with a bank in Texas or a primary dealer, executed under the Bond Market Master Repurchase Agreement in accordance with the PFIA not to exceed 120 days.

As of September 30, 2011, the City had the following investments:

Investment Type	Fair Value	Investment Maturity Less than 1 Year	Credit Rating
Texas Term	\$ 1,044,124	\$ 1,044,124	AAAf
TexSTAR	6,393,450	6,393,450	AAAm
TexPool	9,955,541	9,955,541	AAAm
Certificate of Deposits	245,000	245,000	N/A
<b>Total Portfolio</b>	<b>\$ 17,638,115</b>	<b>\$ 17,638,115</b>	

Investment pools are not categorized as to investment risk since specific securities relating to the government cannot be identified. The City utilizes the following local government investment pools for its short-term liquidity investment needs: Texas Short Term Asset Reserve Program (TexSTAR) and Texas Local Government Investment Pool (TexPool) and Texas Term. The reported value of the pools are the same as the fair value of the pool shares.

TexPool is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investor, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

The Texas Short Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors (the Board) and is co-administered by J.P. Morgan Investment Management, Inc., and First Southwest Asset Management, Inc.

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 3: Deposits and Investments – continued**

The Texas Term program has an Advisory Board made up of representatives of several participating local governments. PFM Asset Management, LLC provides administrative and investment services to the Advisory Board. U. S. Bank provides the custodial, transfer agency, fund accounting, and depository services for this pool.

*Interest rate risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 365 days. The maximum allowable stated maturity of any individual investment owned by the City shall not exceed two years from the time of purchase.

*Credit risk.* State law and City policy limit investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The City's investments are rated as to credit quality as shown in the above table.

*Concentration of credit risk.* The City's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and continuously investing a portion of the portfolio in readily available funds such as local government investment pools.

Restricted Assets

As of September 30, 2011, the City held restricted cash and investments of \$4,069,371, for the following purposes:

Utility - construction	\$ 2,862,756
Utility - customer deposits	1,055,232
Utility - debt service	<u>151,383</u>
 Total restricted cash and investments	 <u>\$ 4,069,371</u>

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 4: Receivables**

Receivables as of September 30, 2011 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Utility</u>	<u>Golf</u>	<u>Total</u>
Receivables:					
Taxes	\$ 778,417	\$ 94,517	\$ -	\$ -	\$ 872,934
Accounts	<u>1,708,921</u>	<u>-</u>	<u>3,032,743</u>	<u>1,028</u>	<u>4,742,692</u>
Gross receivables	2,487,338	94,517	3,032,743	1,028	5,615,626
Less: allowance for uncollectibles	<u>(1,333,009)</u>	<u>(13,223)</u>	<u>(655,208)</u>	<u>-</u>	<u>(2,001,440)</u>
Net total receivables	<u>\$ 1,154,329</u>	<u>\$ 81,294</u>	<u>\$ 2,377,535</u>	<u>\$ 1,028</u>	<u>\$ 3,614,186</u>

**Note 5: Capital Assets**

A summary of changes in capital assets follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,734,940	\$ -	\$ -	\$ 1,734,940
Construction in progress	<u>16,573,020</u>	<u>5,234,822</u>	<u>(606,422)</u>	<u>21,201,420</u>
Total capital assets not being depreciated	<u>18,307,960</u>	<u>5,234,822</u>	<u>(606,422)</u>	<u>22,936,360</u>
Capital assets, being depreciated:				
Buildings and improvements	13,977,567	142,561		14,120,128
Equipment	7,172,065	132,710		7,304,775
Infrastructure	<u>40,024,831</u>	<u>1,880,223</u>		<u>41,905,054</u>
Total capital assets being depreciated	<u>61,174,463</u>	<u>2,155,494</u>	<u>-</u>	<u>63,329,957</u>
Less accumulated depreciation:				
Buildings and improvements	(2,966,384)	(631,320)		(3,597,704)
Equipment	(3,581,247)	(715,775)		(4,297,022)
Infrastructure	<u>(5,601,085)</u>	<u>(1,024,426)</u>		<u>(6,625,511)</u>
Total accumulated depreciation	<u>(12,148,716)</u>	<u>(2,371,521)</u>	<u>-</u>	<u>(14,520,237)</u>
Capital assets, net	<u>\$ 67,333,707</u>	<u>\$ 5,018,795</u>	<u>\$ (606,422)</u>	<u>\$ 71,746,080</u>

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 5: Capital Assets – continued**

Business-type activities:

Capital assets, not being depreciated:

Land	\$ 2,331,833	\$ -	\$ -	\$ 2,331,833
Construction in progress	5,130,544	2,888,809	(277,160)	7,742,193
Intangible	91,180,000			91,180,000
<b>Total capital assets not being depreciated</b>	<u>98,642,377</u>	<u>2,888,809</u>	<u>(277,160)</u>	<u>101,254,026</u>

Capital assets, being depreciated:

Buildings and improvements	666,844			666,844
Equipment	1,429,359	97,570		1,526,929
Infrastructure	71,893,449	764,097		72,657,546
<b>Total capital assets being depreciated</b>	<u>73,989,652</u>	<u>861,667</u>	<u>-</u>	<u>74,851,319</u>

Less accumulated depreciation:

Buildings and improvements	(348,473)	(19,643)		(368,116)
Equipment	(714,702)	(56,693)		(771,395)
Infrastructure	(12,259,653)	(1,433,292)		(13,692,945)
<b>Total accumulated depreciation</b>	<u>(13,322,828)</u>	<u>(1,509,628)</u>	<u>-</u>	<u>(14,832,456)</u>

Capital assets, net	\$ <u>159,309,201</u>	\$ <u>2,240,848</u>	\$ <u>(277,160)</u>	\$ <u>161,272,889</u>
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In the government-wide financial statements, depreciation expense was charged to the City's programs as follows:

Governmental Activities		
General government	\$ 108,650	
Public safety	712,978	
Public works	1,083,055	
Parks and recreation	466,838	
	<u>\$ 2,371,521</u>	
Business-type Activities		
Utility services	\$ 1,478,737	
Golf course	30,891	
	<u>\$ 1,509,628</u>	

**Note 6: Interfund Receivable, Payables and Transfers**

The composition of interfund balances as of September 30, 2011, is as follows:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Golf Course Fund	\$ <u>1,305,018</u>	Operating loans - noncurrent
		<u>\$ 1,305,018</u>	

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 6: Interfund Receivable, Payables and Transfers – continued**

Transfer From	Transfer To	Amount	Purpose
General Fund	Golf Course Fund	\$ 350,000	To fund operations
General Fund	Capital Projects Funds	231,000	Subsidize capital projects
General Fund	Nonmajor governmental funds	865	To fund operations
Utility Fund	General Fund	<u>1,680,000</u>	Management fee
		<u>\$ 2,261,865</u>	

**Note 7: Long-term Debt**

The following is a summary of long-term debt transactions of the City for the fiscal year ended September 30, 2011:

	Balance October 1	Issued	Retirements	Balance September 30	Due Within One Year
<b>Governmental activities</b>					
General obligation bonds	\$ 56,810,000	\$ -	\$ (1,195,000)	\$ 55,615,000	\$ 1,540,000
Deferred loss on refunding	(1,952,153)		97,608	(1,854,545)	(97,608)
Premium	1,602,740	-	(80,137)	1,522,603	80,137
Capital leases	396,199		(185,914)	210,285	134,438
Net pension obligation	161,935	91,995		253,930	
Compensated absences	312,187	1,475		313,662	31,366
<b>Total governmental activity</b>					
Long-term liabilities	<u>\$ 57,330,908</u>	<u>\$ 93,470</u>	<u>\$ (1,363,443)</u>	<u>\$ 56,060,935</u>	<u>\$ 1,688,333</u>
<b>Business-type Activities</b>					
Revenue bonds	\$ 18,525,000		\$ (115,000)	\$ 18,410,000	\$ 115,000
Contract revenue bonds	91,180,000			91,180,000	
Deferred loss on refunding	(565,153)		28,258	(536,895)	(28,258)
Premium	701,771		(35,089)	666,682	35,089
Note payable	10,800,000			10,800,000	
Capital leases	212,041	67,656	(79,926)	199,771	90,552
Net pension obligation	14,081	14,470		28,551	
Compensated absences	30,299	16,989		47,288	4,729
<b>Total Business-type Activity</b>					
Long-term liabilities	<u>\$ 120,898,039</u>	<u>\$ 99,115</u>	<u>\$ (201,757)</u>	<u>\$ 120,795,397</u>	<u>\$ 217,112</u>

For the governmental activities, the Debt Service Fund generally has been used to liquidate the general obligation bonds and the General Fund has liquidated compensated absences, net pension obligation and capital leases payable.

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 7: Long-term Debt – continued**

Governmental Activities

A summary of Tax-Supported General Obligation Debt outstanding at September 30, 2011 follows:

\$5,000,000 Series 2002 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$160,000 to \$255,000 through August 15, 2022; interest at 4.4% to 5.125%.	\$ 2,215,000
\$6,290,000 Series 2002 Limited Tax Refunding Bonds, due in annual installments of \$355,000 to \$450,000 through August 15, 2017; interest at 4.3% to 5.0%.	2,475,000
\$2,715,000 Series 2004-A Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$105,000 to \$200,000 through August 15, 2024; interest at 2.2% to 4.55%.	750,000
\$4,245,000 Series 2005 General Obligation Refunding Bonds, due in annual installments of \$25,000 to \$350,000 through August 15, 2025; interest at 4.0% to 4.25%.	3,545,000
\$390,000 Series 2006 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$33,000 to \$38,000 through August 15, 2021; interest at 3.25% to 4.25%.	35,000
\$6,165,000 Series 2006 General Obligation Refunding Bonds, due in annual installments of \$107,000 to \$1,034,000 through August 15, 2024; interest at 3.2% to 4.4%.	5,875,000
\$21,210,000 Series 2007 General Obligation Refunding Bonds, due in annual installments of \$310,000 to \$1,510,000 through August 15, 2027; interest at 3.5% to 4.5%.	15,710,000
\$4,630,000 Series 2009 Refunding Bonds, due in annual installments of \$125,000 to \$1,010,000 through August 15, 2017; interest at 2.25% to 3.25%.	4,505,000
\$20,505,000 Series 2010 Refunding Bonds, due in annual installments of \$265,000 to \$3,370,000 through August 15, 2030; interest at 2% to 4%.	<u>20,505,000</u>
Total general obligation bonds	<u>\$ 55,615,000</u>

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 7: Long-term Debt – continued**

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On September 30, 2011, \$5,180,000 of bonds is considered defeased and still outstanding.

The annual requirements to retire general long-term debt, including interest, as of September 30, 2011 are as follows:

Year Ending September 30	General Obligation Bonds		Total Requirements
	Principal	Interest	
2012	\$ 1,540,000	\$ 2,273,109	\$ 3,813,109
2013	1,550,000	2,220,934	3,770,934
2014	2,000,000	2,163,394	4,163,394
2015	4,580,000	2,092,189	6,672,189
2016	4,765,000	1,913,170	6,678,170
2017-2021	24,205,000	6,517,347	30,722,347
2022-2026	13,625,000	2,301,092	15,926,092
2027-2030	3,350,000	255,350	3,605,350
Totals	\$ <u>55,615,000</u>	\$ <u>19,736,585</u>	\$ <u>75,351,585</u>

The ordinances authorizing the issuance of general obligation bonds created an interest and sinking fund (Debt Service Fund). The ordinances require the City to ascertain a rate of ad valorem tax which will be sufficient to pay the principal and interest as they become due.

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 7: Long-term Debt – continued**

Business-type Activities

Revenue Bonds:

A summary of Revenue Debt outstanding at September 30, 2011 follows:

\$2,155,000 Series 2003 Waterworks and Sewer Revenue Refunding Bonds, due in annual installments of \$75,000 to \$155,000 through February 15, 2023; interest at 4.23%	\$	1,415,000
\$10,000,000 Series 2004 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$200,000 to \$735,000 through August 15, 2024; interest at 1.4% to 4.45%		3,385,000
\$9,200,000 Series 2007 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$95,000 to \$780,000 through August 15, 2027; interest at 3.9% to 4.6%		6,460,000
\$7,150,000 Series 2010 Refunding Bonds, due in annual installments of \$745,000 to \$1,525,000 through August 15, 2020, interest 2.0% to 4.0%.		7,150,000
Total revenue bonds	\$	18,410,000

The revenue bonds are payable from a pledge of the surplus revenues derived from the operation of the City's combined Waterworks and Sewer system, after payment of all operation and maintenance expenses. The 2003 Waterworks and Sewer Revenue Refunding Bonds requires a reserve equal to the average annual debt service requirements on the outstanding bonds, which equals \$146,780 at September 30, 2011. The City has \$151,383 in their bond reserve fund at September 30, 2011.

The annual requirements to retire revenue bonds, including interest, as of September 30, 2011 are as follows:

Year Ending September 30	Revenue Bonds		Total Requirements
	Principal	Interest	
2012	\$ 115,000	\$ 778,682	\$ 893,682
2013	125,000	773,498	898,498
2014	120,000	768,206	888,206
2015	875,000	762,806	1,637,806
2016	915,000	727,390	1,642,390
2017-2021	9,755,000	2,690,434	12,445,434
2022-2026	5,725,000	856,775	6,581,775
2027	780,000	35,880	815,880
Total	\$ 18,410,000	\$ 7,393,671	\$ 25,803,671

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 7: Long-term Debt – continued**

Contract Revenue Debt:

During July 2009, the Brushy Creek Regional Utility Authority issued \$182 million of Contract Revenue Bonds, Series 2009, which were purchased by the Texas Water Development Board. These Bonds were issued to finance the Brushy Creek Regional Water Treatment and Distribution Project. Additional information in regards to this project can be found in the joint venture note disclosure included in these financial statements. The City is obligated to repay \$91.2 million of the Contract Revenue Bonds. The Cities of Round Rock, Texas and Cedar Park, Texas are obligated to repay the remaining \$90.8 million of the Bonds. The interest rates on these Bonds are 2.624% to 5.084%.

The contract revenue bonds are payable from a pledge of the surplus revenues derived from the operation of the City's combined Waterworks and Sewer System, after payment of all operation and maintenance expenses.

The annual requirements to retire contract revenue debt, including interest, as of September 30, 2011, are as follows:

Year Ending September 30	Contract Revenue Debt		Total Requirements
	Principal	Interest	
2012	\$ -	\$ 4,285,481	\$ 4,285,481
2013	500,000	4,285,481	4,785,481
2014	1,000,000	4,272,361	5,272,361
2015	1,500,000	4,243,721	5,743,721
2016	1,850,000	4,197,311	6,047,311
2017-2021	12,085,000	19,834,285	31,919,285
2022-2026	15,615,000	17,014,961	32,629,961
2027-2031	20,160,000	12,900,910	33,060,910
2032-2036	26,040,000	7,262,193	33,302,193
2037-2038	12,430,000	956,046	13,386,046
Total	\$ <u>91,180,000</u>	\$ <u>79,252,750</u>	\$ <u>170,432,750</u>

Note Payable:

The City joined the Brushy Creek Regional Wastewater System in 2010. The cities of Austin, Cedar Park, and Round Rock have agreed to convey to the City of Leander the reserved capacity in the system for the purchase price of \$10,800,000. The City shall pay the required payments in annual installments over a period of 22 years with the first principal and interest payment to occur on January 31, 2013. The interest that accrues prior to the first payment will be included as principal and paid in accordance with the following maturity schedule.

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 7: Long-term Debt – continued**

Year Ending September 30	Notes Payable		Total Requirements
	Principal	Interest	
2012	\$ -	\$ -	-
2013	426,407	343,732	770,139
2014	439,199	330,732	769,931
2015	452,375	317,763	770,138
2016	465,947	304,192	770,139
2017-2021	2,547,987	1,302,707	3,850,694
2022-2026	2,953,816	896,878	3,850,694
2027-2031	3,424,281	426,412	3,850,693
2032	747,708	22,431	770,139
	<u>11,457,720</u>	<u>3,944,847</u>	<u>15,402,567</u>
Less interest to be accrued in fiscal years 2011 and 2012	<u>(657,720)</u>		
Total	<u>\$ 10,800,000</u>		

Capital Leases

The City has acquired certain capital assets for governmental and business-type activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

Assets	Governmental Activities	Business-type Activities
Machinery and Equipment	\$ 758,320	\$ 300,859
Less: Accumulated Depreciation	<u>(338,236)</u>	<u>(49,066)</u>
Total	<u>\$ 420,084</u>	<u>\$ 251,793</u>

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 7: Long-term Debt – continued**

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011, are as follows:

Year Ended September 30	Governmental Activities	Business-type Activities
2012	\$ 142,401	\$ 99,545
2013	75,273	99,545
2014	3,004	12,453
2015	-	1,664
Total minimum lease payments	220,678	213,207
Less amount representing interest	(10,393)	(13,436)
Present value of minimum lease payments	\$ 210,285	\$ 199,771

**Note 8: Retirement Plan**

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2010	Plan Year 2011
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 8: Retirement Plan – continued**

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member’s projected benefit allocated annually; the prior service contribution rate amortizes the unfunded actuarial liability over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation are as follows:

Annual required contribution (ARC)	\$	992,324
Interest on Net Pension obligation		13,201
Adjustment to ARC		(10,882)
Annual Pension Cost (expense)		994,643
Contributions made		(888,178)
Increase (decrease) in net pension obligation		106,465
Net Pension Obligation - as of beginning of year		176,016
Net Pension Obligation - as of end of year	\$	282,481

Trend Information				
For Year Ending	Annual Pension Cost	Net Employer Contribution	Percentage of APC Contributed	Net Pension Obligation
9/30/2009	\$ 720,207	\$ 652,333	90.6%	\$ 67,874
9/30/2010	861,706	753,564	87.5%	108,142
9/30/2011	994,643	888,178	89.3%	106,465

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 8: Retirement Plan – continued**

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	12/31/2008	12/31/2009	12/31/10 - prior to restructuring	12/31/10 - Restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization	29 Years - Closed Period	28.3 Years - Closed Period	27.6 Years - Closed Period	27.5 Years - Closed Period
Asset Valuation Method	Amortized Cost	10-year smoothed Market	10-year smoothed Market	10-year smoothed Market
Actuarial Assumptions:				
Investment Rate of Return*	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-living Adjustments	3.0%	3.0%	3.0%	3.0%
	2.1%	2.1%	2.1%	2.1%

**Funded Status and Funding Progress**

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR). The funded status as of December 31, 2010, under the two separate actuarial valuations is included below:

**Schedule of Actuarial Liabilities and Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Funded Ratio (A)/(B)	Unfunded ALL (UAAL) (D) = (B) - (A)	Covered Payroll (E)	UAAL as a Percentage of Covered Payroll (D)/(E)
12/31/2008	\$ 4,974,928	\$ 8,476,930	58.7%	\$ 3,502,002	\$ 7,390,579	47.4%
12/31/2009	6,474,611	10,523,377	61.5%	4,048,766	7,612,960	53.2%
12/31/2010 <sup>1</sup>	7,926,780	12,740,464	62.2%	4,813,684	8,160,788	59.0%
12/31/2010 <sup>2</sup>	8,546,238	14,074,172	60.7%	5,527,934	8,160,788	67.7%

<sup>1</sup> Actuarial valuation performed under the original fund structure

<sup>2</sup> Actuarial valuation performed under the new fund structure

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 8: Retirement Plan – continued**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented in the table above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group term life insurance coverage to both current and retired employees. The City 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 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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City 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.

The City's contributions to the TMRS SDBF for the years ended 2011, 2010 and 2009 were \$14,740, \$14,295, and \$13,303, respectively, which equaled the required contribution each year.

**Note 9: Commitments**

On March 2, 1998, the City entered into a wholesale potable water service agreement with Brazos River Authority (BRA) and the Lower Colorado River Authority ("LCRA"), acting together as the Brazos-Colorado Water Alliance (Alliance), whereby the Alliance agrees to acquire, construct, extend, enlarge, improve, expand and replace the Water System as necessary to provide Leander on a wholesale basis potable water in an amount not to exceed 24,000 acre-feet annually. In exchange for services provided by the Alliance, Leander is unconditionally obligated to pay certain capital charges incurred by LCRA, regardless of whether or not Leander takes and uses the water provided under this contract.

These charges are to be considered operating expenses of Leander's water works and sanitary sewer systems, as LCRA and BRA intend to own and operate the Water System as capital improvements on behalf of Leander. Total charges paid in fiscal year 2011 to LCRA under this contract totaled \$6,869,861.

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 10: Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and other claims of various natures. The City purchases insurance from Texas Municipal League Intergovernmental Risk Pool (TML-IRP) to indemnify it in the event of loss. The City pays annual premiums for such coverage. TML-IRP purchases reinsurance and the City does not retain risk of loss exceeding deductibles. The City has had no significant reduction in insurance coverage from the previous year and claims have not exceeded coverage in the last three years.

**Note 11: Joint Venture**

Brushy Creek Regional Utility Authority

The City entered into an agreement dated September 2, 2008, with the Cities of Round Rock, Texas and Cedar Park, Texas, along with the Brushy Creek Regional Utility Authority for the financing, construction, and operation of the BCRUA regional water treatment and distribution project (BCRUA Project). The joint venture agreement does not provide an explicit contractual formula for outlining the City's claim to assets. It is deemed to be a joint venture with no equity interest and, accordingly, no amounts are reported in the accompanying financial statements for equity interest. The City has capitalized its portion of cost related to the BCRUA.

The City has contributed \$9,377,795 and the Lower Colorado River Authority has contributed \$5,197,976 on behalf of the City to the BCRUA as of September 30, 2011, for land acquisition, construction, engineering and other operating costs. Contributions in the amount of \$9,207,042 will be reimbursed by the BCRUA to the City. The City will not be reimbursed for the legal fees contributed in the amount of \$170,753. The City has collected \$8,682,431 as of September 30, 2011 and a due from other governments in the amount of \$524,611 is reported in the Utility Fund.

In July 2009, the BCRUA issued \$182 million of Contract Revenue Bonds, which were purchased by the Texas Water Development Board. These Bonds were issued to finance the Brushy Creek Regional Water Treatment and Distribution Project in accordance with the bylaws of the BCRUA. The City is obligated to repay \$91.2 million of these Bonds, which is based on its reserved capacity of 47.22%. As a result, a long-term liability and an intangible asset for the purchase of reserved capacity of the water treatment and distribution system are reported in the City's Utility Fund. The Cities of Round Rock, Texas and Cedar Park, Texas are obligated to repay the remaining \$90.8 million of the Bonds. Separate financial statements can be obtained by contacting the Board of Directors of the BCRUA at 221 E. Main Street, Round Rock, Texas 78664.

Brushy Creek Regional Wastewater System

The City entered into an agreement in May 2010, for the financing, construction, ownership and operation of the Brushy Creek Regional Wastewater System with the Cities of Austin, Round Rock and Cedar Park. The joint venture agreement does not provide an explicit contractual formula for outlining the City's claim to assets. It is deemed to be a joint venture with no equity interest and, accordingly, no amounts are reported in the accompanying financial statements for equity interest. The City has capitalized its portion of cost related to the Brushy Creek Regional Wastewater System. In May 2010, the City purchased reserved capacity in the system components for the price of \$10,800,000, and was financed with a note payable to mature in fiscal year 2032.

**CITY OF LEANDER, TEXAS**  
Notes to the Financial Statements  
Year Ended September 30, 2011

**Note 12: Subsequent Events**

On December 15, 2011, the City issued \$14,310,000 in General Obligation Refunding Bonds, Series 2012, which will be used to pay for refunding certain obligations; Limited Tax Refunding Bonds, Series 2002, Combination Tax and Revenue Certificates of Obligation, Series 2002, Combination Tax and Revenue Certificates of Obligation, Series 2004, Combination Tax and Revenue Certificates of Obligation, Series 2004A, General Obligation Refunding Bonds, Series 2006 and combination Tax and Revenue Certificates of Obligation, Series 2006, with rates ranging from 2.0%-3.5%, and maturing August 15, 2024.

On December 15, 2011, the City issued \$36,270,000 in Combination Tax and Revenue Certificates of Obligation, Series 2012, which will be used to pay for the construction, acquisition and installation of additions, improvements and extensions to the City's Water and Sewer System, including the acquisition of the Sandy Creek Water Treatment Plant and related water distribution and storage facilities, with rates ranging from 2.0% - 5.0%, and maturing August 15, 2036.

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF LEANDER, TEXAS**

Combining Balance Sheet

Nonmajor Governmental Funds

As of September 30, 2011

	<u>Court Security Fund</u>	<u>Court Technology Fund</u>	<u>Parks Dedication Fund</u>	<u>Police Special Revenue Fund</u>	<u>Police Forfeitures Fund</u>
<b>ASSETS</b>					
Cash and investments	<u>\$ 18,413</u>	<u>\$ 14,362</u>	<u>\$ 28,154</u>	<u>\$ 10,298</u>	<u>\$ 3,512</u>
Total assets	<u><u>\$ 18,413</u></u>	<u><u>\$ 14,362</u></u>	<u><u>\$ 28,154</u></u>	<u><u>\$ 10,298</u></u>	<u><u>\$ 3,512</u></u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted	18,413	14,362			3,512
Committed			28,154	10,298	
Total fund balances	<u>18,413</u>	<u>14,362</u>	<u>28,154</u>	<u>10,298</u>	<u>3,512</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 18,413</u></u>	<u><u>\$ 14,362</u></u>	<u><u>\$ 28,154</u></u>	<u><u>\$ 10,298</u></u>	<u><u>\$ 3,512</u></u>

<u>Fire Rescue Fund</u>	<u>TIRZ #1 Fund</u>	<u>Public Arts Fund</u>	<u>CID/HRT Fund</u>	<u>Hotel Occupancy Fund</u>	<u>Traffic Impact Analysis Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>\$ 25,284</u>	<u>\$ 358,655</u>	<u>\$ 10,878</u>	<u>\$ 35</u>	<u>\$ 416</u>	<u>\$ 756,690</u>	<u>\$ 1,226,697</u>
<u><u>\$ 25,284</u></u>	<u><u>\$ 358,655</u></u>	<u><u>\$ 10,878</u></u>	<u><u>\$ 35</u></u>	<u><u>\$ 416</u></u>	<u><u>\$ 756,690</u></u>	<u><u>\$ 1,226,697</u></u>
<u>\$ -</u>	<u>\$ 16,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,440</u>
<u>-</u>	<u>16,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,440</u>
<u>25,284</u>	<u>342,215</u>	<u>10,878</u>	<u>35</u>	<u>416</u>	<u>756,690</u>	<u>378,953</u>
<u>25,284</u>	<u>342,215</u>	<u>10,878</u>	<u>35</u>	<u>416</u>	<u>756,690</u>	<u>831,304</u>
<u><u>\$ 25,284</u></u>	<u><u>\$ 358,655</u></u>	<u><u>\$ 10,878</u></u>	<u><u>\$ 35</u></u>	<u><u>\$ 416</u></u>	<u><u>\$ 756,690</u></u>	<u><u>\$ 1,226,697</u></u>

**CITY OF LEANDER, TEXAS**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended September 30, 2011

	Court Security Fund	Court Technology Fund	Parks Dedication Fund	Police Special Revenue Fund	Police Forfeitures Fund
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Fines and forfeitures	8,537	11,378	-	-	-
Charges for services	-	-	-	12,045	-
Contributions	-	-	-	-	-
Interest	41	13	136	3	4
Total revenues	<u>8,578</u>	<u>11,391</u>	<u>136</u>	<u>12,048</u>	<u>4</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	-
Public safety	21,848	11,475	-	1,750	-
Parks and recreation	-	-	1,044	-	-
Capital outlay	-	-	114,973	-	-
Total expenditures	<u>21,848</u>	<u>11,475</u>	<u>116,017</u>	<u>1,750</u>	<u>-</u>
<b>Excess of revenues over expenditures</b>	<u>(13,270)</u>	<u>(84)</u>	<u>(115,881)</u>	<u>10,298</u>	<u>4</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(13,270)	(84)	(115,881)	10,298	4
Fund balances - beginning	<u>31,683</u>	<u>14,446</u>	<u>144,035</u>	<u>-</u>	<u>3,508</u>
<b>Fund balances - ending</b>	<u>\$ 18,413</u>	<u>\$ 14,362</u>	<u>\$ 28,154</u>	<u>\$ 10,298</u>	<u>\$ 3,512</u>

Fire Rescue Fund	TIRZ #1 Fund	Public Arts Fund	CID/HRT Fund	Hotel Occupancy Fund	Traffic Impact Analysis Fund	Total Nonmajor Governmental Funds
\$ -	\$ 179,541	\$ -	\$ -	\$ 311	\$ -	\$ 179,852
-	-	-	-	-	48,384	48,384
-	-	-	640	-	422,540	423,180
-	-	-	-	-	-	19,915
24,770	-	-	-	-	-	36,815
-	100,000	207	-	-	-	100,207
78	528	19	-	-	942	1,764
<u>24,848</u>	<u>280,069</u>	<u>226</u>	<u>640</u>	<u>311</u>	<u>471,866</u>	<u>810,117</u>
-	142,000	-	-	-	5,953	147,953
18,025	-	-	-	-	-	53,098
-	-	5,120	-	-	-	6,164
52,063	216,258	-	-	-	-	383,294
<u>70,088</u>	<u>358,258</u>	<u>5,120</u>	<u>-</u>	<u>-</u>	<u>5,953</u>	<u>590,509</u>
<u>(45,240)</u>	<u>(78,189)</u>	<u>(4,894)</u>	<u>640</u>	<u>311</u>	<u>465,913</u>	<u>219,608</u>
-	-	865	-	-	-	865
<u>-</u>	<u>-</u>	<u>865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>865</u>
(45,240)	(78,189)	(4,029)	640	311	465,913	220,473
70,524	420,404	14,907	(605)	105	290,777	989,784
<u>\$ 25,284</u>	<u>\$ 342,215</u>	<u>\$ 10,878</u>	<u>\$ 35</u>	<u>\$ 416</u>	<u>\$ 756,690</u>	<u>\$ 1,210,257</u>

**COMPLIANCE SECTION**

**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor  
and Members of the City Council  
City of Leander, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Leander, Texas (the City), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 1, 2012. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Dennis Kinard & Co., PC*  
Certified Public Accountants

Abilene, Texas  
February 1, 2012