



City of
Leander

State of Texas

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2013

CITY OF LEANDER, TEXAS
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FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Financial Statements

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 the City of Leander, Texas (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparisons for the general fund and traffic impact analysis fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
February 11, 2014

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, 2013. 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, 2013, by \$124,155,134 (net position). Of this amount, \$19,588,138 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$22,505,337 for the year ended September 30, 2013. Most of this increase is due to increased sales tax revenue, building and development-related fees, grants, impact fees, and capital contributions from developers.
- As of September 30, 2013, the City's governmental funds reported combined ending fund balances of \$11,378,468, a decrease of \$636,724 in comparison with the prior fiscal year due to expenditures on capital projects.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,703,556 or 47.84% of total general fund expenditures.
- As of the close of the current fiscal year, the City's proprietary funds reported combined ending net position of \$70,850,835, an increase of \$6,298,189 in comparison with the prior year. Most of the increase is attributable to increased infrastructure contributed by developers and capital projects.

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 Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position 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 11 – 12 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 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 four major governmental funds – general fund, debt service fund, capital projects fund, and traffic impact analysis 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 and traffic impact analysis fund. Budgetary comparison statements have been provided for the general fund and traffic impact analysis fund on pages 17 and 18, respectively, to demonstrate compliance with the appropriated budgets.

- **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 13 – 22 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 23 – 42 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position 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 \$124,155,134 at the close of the most recent fiscal year.

The largest portion of the City's net position (80.4%) 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 is 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 POSITION

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 15,657,497	\$ 15,852,342	\$ 17,653,277	\$ 20,866,888	\$ 33,310,774	\$ 36,719,230
Capital assets	92,395,442	77,084,704	122,544,206	116,001,509	214,939,648	193,086,213
Total assets	<u>108,052,939</u>	<u>92,937,046</u>	<u>140,197,483</u>	<u>136,868,397</u>	<u>248,250,422</u>	<u>229,805,443</u>
Long-term liabilities	51,410,375	53,111,224	66,750,768	69,042,243	118,161,143	122,153,467
Other liabilities	3,338,265	2,728,671	2,595,880	3,273,508	5,934,145	6,002,179
Total liabilities	<u>54,748,640</u>	<u>55,839,895</u>	<u>69,346,648</u>	<u>72,315,751</u>	<u>124,095,288</u>	<u>128,155,646</u>
Net position:						
Net investment in capital assets	43,032,586	28,836,149	56,731,591	49,945,695	99,764,177	78,781,844
Restricted	937,727	1,053,437	3,865,092	1,086,103	4,802,819	2,139,540
Unrestricted	9,333,986	7,207,565	10,254,152	13,520,848	19,588,138	20,728,413
Total net position	<u>\$ 53,304,299</u>	<u>\$ 37,097,151</u>	<u>\$ 70,850,835</u>	<u>\$ 64,552,646</u>	<u>\$ 124,155,134</u>	<u>\$ 101,649,797</u>

An additional portion of the City of Leander's net position (3.87%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$19,588,138, 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 positions for the government as a whole.

The City's net position increased by \$22,505,337 during the current fiscal year. Almost all of this increase is due to increased sales tax revenue, building and development-related fees, grants, impact fees, and capital contributions from developers.

CITY OF LEANDER'S CHANGES IN NET POSITION

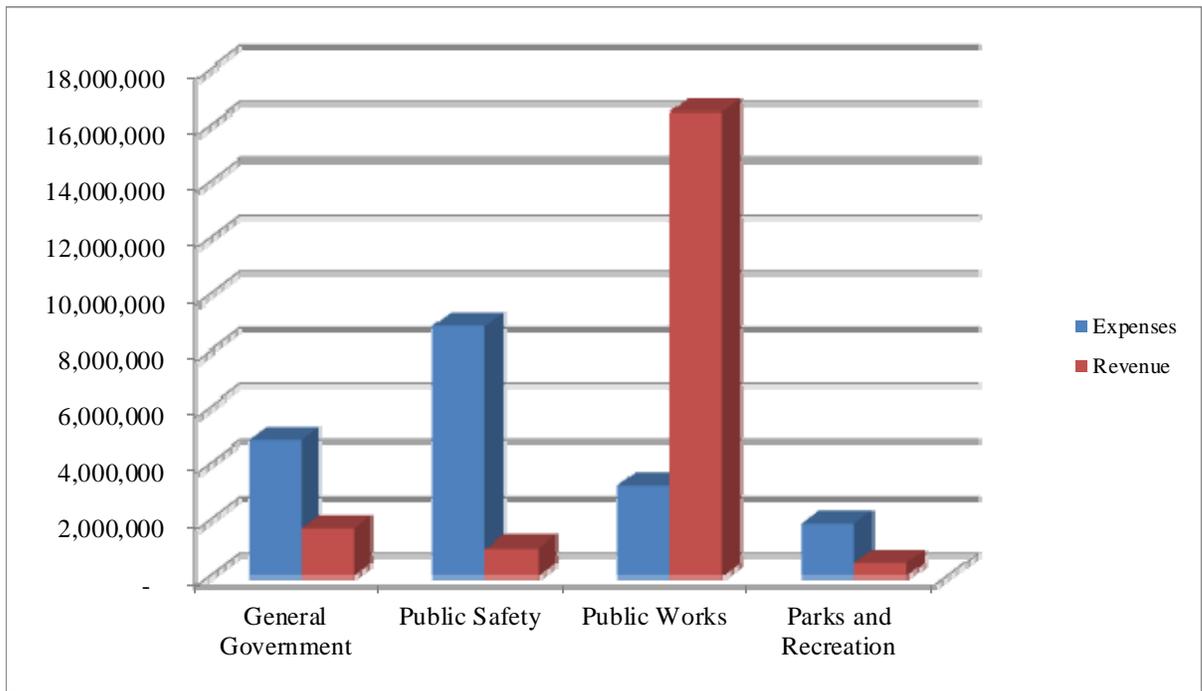
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program revenues						
Charges for services	\$ 6,724,969	\$ 4,635,036	\$ 17,360,567	\$ 16,251,608	\$ 24,085,536	\$ 20,886,644
Grants and contributions	264,410	138,693	-	-	264,410	138,693
Capital contributions	12,711,318	7,036,733	9,276,384	7,907,423	21,987,702	14,944,156
General revenues						
Property taxes	12,552,676	12,027,326	-	-	12,552,676	12,027,326
Other taxes	3,835,968	3,394,369	-	-	3,835,968	3,394,369
Interest income	14,402	70,977	13,473	109,854	27,875	180,831
Other income	46,435	47,961	28	21,000	46,463	68,961
Total revenues	36,150,178	27,351,095	26,650,452	24,289,885	62,800,630	51,640,980
Expenses						
General government	4,828,779	4,897,344	-	-	4,828,779	4,897,344
Public safety	8,916,377	8,395,681	-	-	8,916,377	8,395,681
Public works	3,217,455	2,811,994	-	-	3,217,455	2,811,994
Parks and recreation	1,878,514	1,891,799	-	-	1,878,514	1,891,799
Interest on long-term debt	1,976,905	2,010,249	-	-	1,976,905	2,010,249
Utility services	-	-	18,091,925	11,800,494	18,091,925	11,800,494
Golf course	-	-	1,385,338	1,345,920	1,385,338	1,345,920
Total expenses	20,818,030	20,007,067	19,477,263	13,146,414	40,295,293	33,153,481
Increase in net position before transfers	15,332,148	7,344,028	7,173,189	11,143,471	22,505,337	18,487,499
Transfers	875,000	(145,000)	(875,000)	145,000	-	-
Change in net position	16,207,148	7,199,028	6,298,189	11,288,471	22,505,337	18,487,499
Net position - beginning, as restated	37,097,151	29,898,123	64,552,646	53,264,175	101,649,797	83,162,298
Net position - ending	\$ 53,304,299	\$ 37,097,151	\$ 70,850,835	\$ 64,552,646	\$ 124,155,134	\$ 101,649,797

Governmental Activities

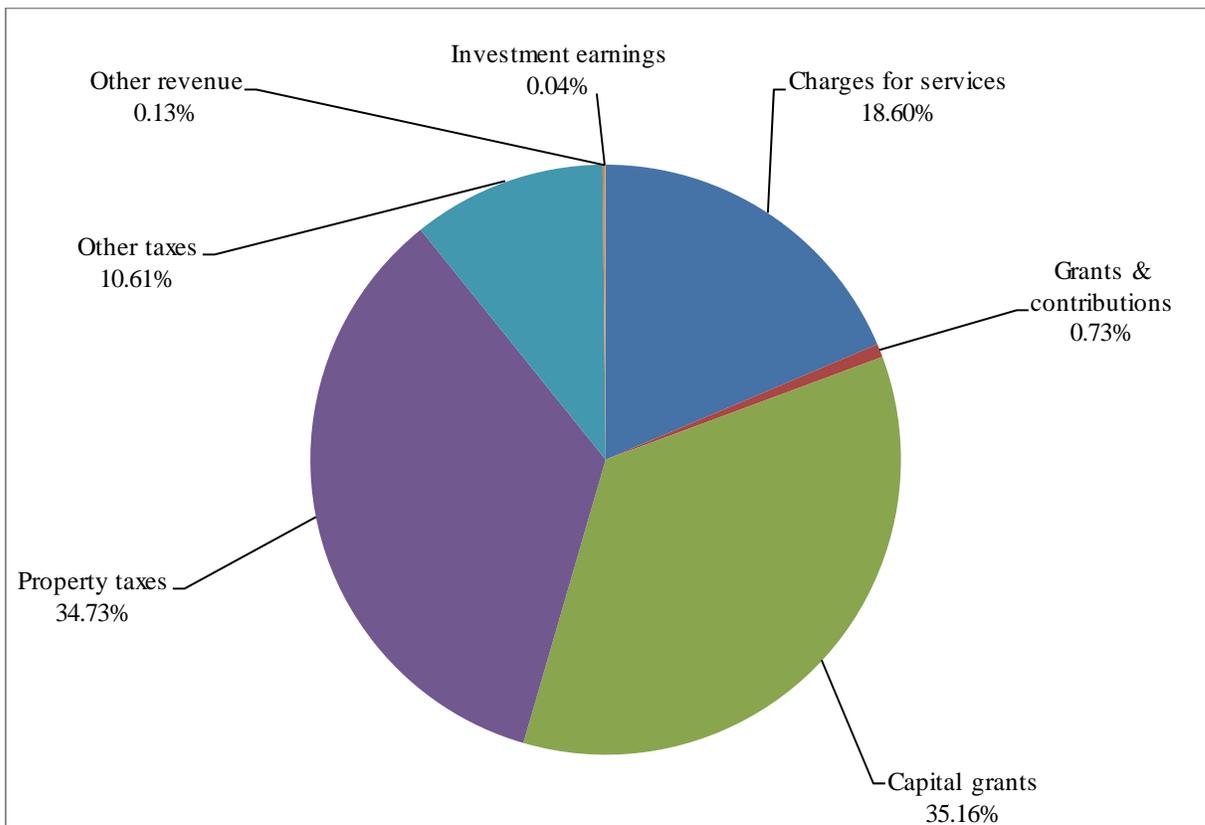
Governmental activities increased the City of Leander's net position by \$16,207,148. Key elements of this increase are as follows:

- Capital contributions provided 35.16% of the City's governmental revenues. These include streets and drainage infrastructure contributed by developers.
- Tax revenues (property, sales, and franchise fees) provided 45.33% of the City's governmental revenues. Tax revenues increased by \$966,949, or 6.27%, over 2012.
- Increases to governmental activities net position were partially offset by expenditures on two major street and drainage projects, County Glen subdivision and County Road 179, that reduced available fund balances in the capital projects fund and the traffic impact analysis fund, respectively.

Expenses and Program Revenues – Governmental Activities



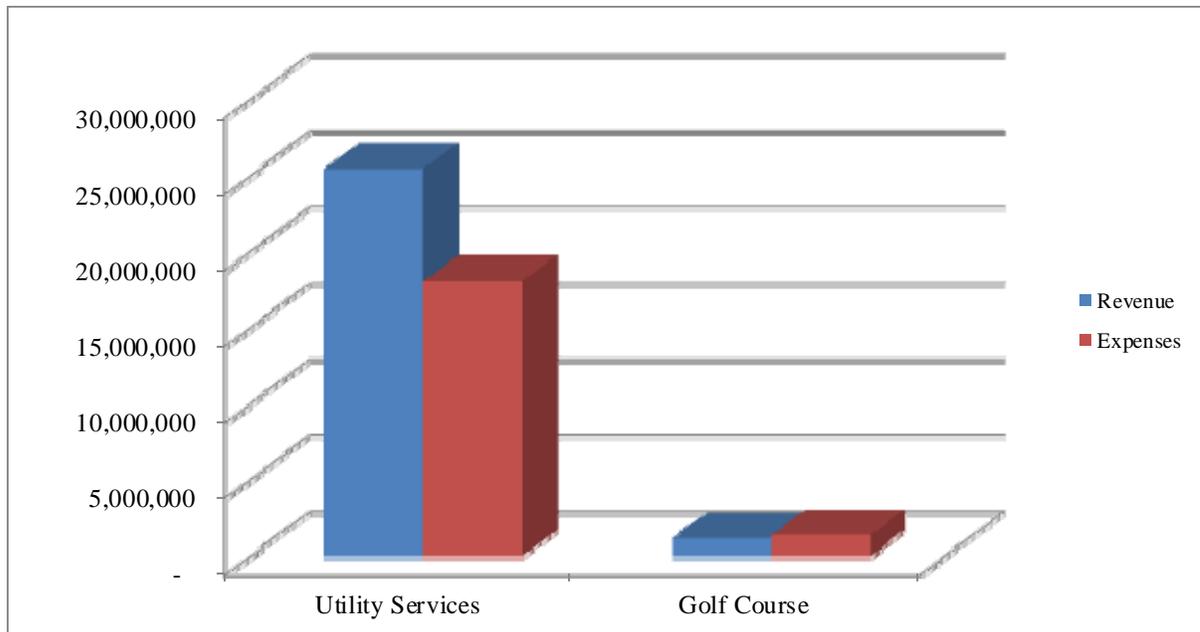
Revenues by Source – Governmental Activities



Business-type Activities

Business-type activities increased the City of Leander's net position by \$6,298,189. Key elements of this increase are as follows:

- Capital grants and contributions provided 34.81% 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 and sewer rates did not increase in 2013. However, future rates are sensitive to future growth rates.



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 \$11,378,468, a decrease of \$636,724 in comparison to the prior year.

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 \$7,703,556. 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 represents 47.84% and 52.39%, respectively, of general fund expenditures.

The fund balance of the City of Leander's general fund increased by \$3,495,837 during the current fiscal year. The key factors in this increase were increased sales tax revenue and building and development-related fees.

The debt service fund experienced an increase in fund balance of \$152,404 during 2013, representing an increase in fund balance of 33.69% from 2012, due to greater than anticipated property tax collections. The capital projects fund experienced a decrease in fund balance of \$3,162,878 during 2013 due to ongoing construction activities. The traffic impact analysis fund experienced a decrease in fund balance of \$1,381,443 during 2013 due to construction of a significant roadway project.

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 position of the utility fund at the end of the year amounted to \$10,316,522. Unrestricted net position of the golf course fund at the end of the year amounted to a deficit of \$62,370. The utility fund experienced an increase in net assets of \$6,321,377 during 2013, representing an increase in net position of 10.27% from 2012, due to capital contributions from developers and impact fees. The golf course fund experienced a decrease in net position of \$23,188 during 2013, representing a decrease in net position of 0.77% from 2012, due to depreciation expense.

General Fund Budgetary Highlights

Actual revenues were greater than budgeted revenues by \$2,562,538. This is mostly attributable to the increase in sales tax revenue as well as development-related fees exceeding projections. Actual expenditures were below final budgeted expenditures by \$445,948. This is mainly attributable to salary savings caused by several vacant positions as well as certain expenditures that were planned for but that did not occur in the current fiscal year.

Traffic Impact Analysis Fund Budgetary Highlights

Actual revenues were less than budgeted revenues by \$686,295. This is mostly attributable to the timing of contractual payments from Williamson County and Leander ISD for their contributions to the County Road 179 project. The balance of approximately \$900,000 is anticipated in fiscal year 2014. Actual expenditures were below final budgeted expenditures by \$544,053 due to the County Road 179 project that was still under construction at year end.

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, 2013 amounts to \$306,119,648 (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	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,734,940	\$ 1,734,940	\$ 2,331,833	\$ 2,331,833	\$ 4,066,773	\$ 4,066,773
Construction in progress	23,861,622	12,465,376	6,139,780	8,052,344	30,001,402	20,517,720
Buildings and improvements	18,871,651	18,871,651	1,350,034	1,350,034	20,221,685	20,221,685
Machinery and equipment	8,148,036	7,977,727	1,654,270	1,622,887	9,802,306	9,600,614
Infrastructure and system	59,683,724	53,111,769	130,570,072	119,520,177	190,253,796	172,631,946
Less: accumulated depreciation	(19,904,531)	(17,076,759)	(19,501,783)	(16,875,766)	(39,406,314)	(33,952,525)
Total capital assets	\$ 92,395,442	\$ 77,084,704	\$ 122,544,206	\$ 116,001,509	\$ 214,939,648	\$ 193,086,213

Additional information regarding the City’s capital assets can be found in Note 5 on pages 30 – 31 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 \$50,050,000 and a note payable of \$565,000, which the City expects to retire through the debt service fund. The City has long-term bonded debt outstanding of \$54,857,000 and a note payable of \$11,031,313 at September 30, 2013 in the utility fund. Additional information on the City's long-term debt can be found in Note 7 on pages 32 – 36 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City adopted a tax rate of \$0.66792 (\$0.43142 for maintenance and operations and \$0.2365 for interest and sinking) for fiscal year 2013.
- The number of water accounts increased by 553, or 5.7%, from 9,734 in 2012 to 10,287 in 2013. This trend in growth is expected to continue.
- In July 2012, the City approved ordinances consenting to the creation of three in-city Municipal Utility Districts encompassing over 2,100 acres in Travis County. The property is subject to development agreements which stipulate the required development standards and facilities that must be constructed. The agreements also contain provisions for property tax and utility impact fee rebates. Construction of the development commenced in 2013. At build-out, the development is expected to include approximately 3,000 residential units.
- In December 2013, the City approved an ordinance consenting to the creation of an in-city Municipal Utility District encompassing over 198 acres in Williamson County to be known as the Palmera Ridge Municipal Utility District. The property is subject to a development agreement which stipulates the required development standards and facilities that must be constructed. The agreement also contains provisions for utility impact fee rebates, but does not contain any property tax rebates. Construction of the development is expected in 2014. At build-out, the development is expected to include approximately 600 residential units.

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 Position

As of September 30, 2013

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 12,715,364	\$ 7,356,966	\$ 20,072,330
Receivables (net of allowance)			
Taxes	946,100	-	946,100
Accounts	408,342	1,517,695	1,926,037
Interfund balances	(10,000)	10,000	-
Due from other governments	806,182	176,639	982,821
Inventory	-	31,015	31,015
Prepaid items	31,203	-	31,203
Restricted cash and cash equivalents	-	5,833,382	5,833,382
Deferred charges	760,306	536,542	1,296,848
Investment in joint venture	-	2,191,038	2,191,038
Capital assets, net:			
Nondepreciable	25,596,562	8,471,613	34,068,175
Depreciable	66,798,880	114,072,593	180,871,473
Total assets	<u>108,052,939</u>	<u>140,197,483</u>	<u>248,250,422</u>
LIABILITIES			
Accounts payable	1,486,841	590,612	2,077,453
Accrued liabilities	276,633	61,940	338,573
Accrued interest payable	243,703	491,704	735,407
Deposits and escrow	929,779	1,180,374	2,110,153
Unearned revenue	401,309	271,250	672,559
Noncurrent liabilities:			
Due within one year	2,269,771	2,274,865	4,544,636
Due in more than one year	49,140,604	64,475,903	113,616,507
Total liabilities	<u>54,748,640</u>	<u>69,346,648</u>	<u>124,095,288</u>
NET POSITION			
Net investment in capital assets	43,032,586	56,731,591	99,764,177
Restricted for capital projects	332,909	3,713,393	4,046,302
Restricted for debt service	604,818	151,699	756,517
Unrestricted	9,333,986	10,254,152	19,588,138
Total net position	<u>\$ 53,304,299</u>	<u>\$ 70,850,835</u>	<u>\$ 124,155,134</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, 2013

<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>
Primary government:				
Governmental activities:				
General government	\$ 4,828,779	\$ 1,687,105	\$ 13,238	\$ -
Public safety	8,916,377	761,315	249,380	-
Public works	3,217,455	4,152,505	-	12,343,540
Parks and recreation	1,878,514	124,044	1,792	367,778
Interest on long term debt	1,976,905	-	-	-
Total governmental activities	<u>20,818,030</u>	<u>6,724,969</u>	<u>264,410</u>	<u>12,711,318</u>
Business-type activities:				
Utility services	18,091,925	16,193,418	-	9,276,384
Golf course	1,385,338	1,167,149	-	-
Total business-type activities	<u>19,477,263</u>	<u>17,360,567</u>	<u>-</u>	<u>9,276,384</u>
Total primary government	<u>\$ 40,295,293</u>	<u>\$ 24,085,536</u>	<u>\$ 264,410</u>	<u>\$ 21,987,702</u>

General revenues:

- Taxes
 - Property
 - Sales
 - Franchise
 - Mixed beverage
- Interest income
- Other income
- Transfers
- Total general revenues and transfers

Change in net position

- Net position - beginning, as restated
- Net position - ending

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

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,128,436)	\$ -	\$ (3,128,436)
(7,905,682)	-	(7,905,682)
13,278,590	-	13,278,590
(1,384,900)	-	(1,384,900)
(1,976,905)	-	(1,976,905)
<u>(1,117,333)</u>	<u>-</u>	<u>(1,117,333)</u>
-	7,377,877	7,377,877
-	(218,189)	(218,189)
<u>-</u>	<u>7,159,688</u>	<u>7,159,688</u>
<u>(1,117,333)</u>	<u>7,159,688</u>	<u>6,042,355</u>
12,552,676	-	12,552,676
2,613,321	-	2,613,321
1,216,222	-	1,216,222
6,425	-	6,425
14,402	13,473	27,875
46,435	28	46,463
875,000	(875,000)	-
<u>17,324,481</u>	<u>(861,499)</u>	<u>16,462,982</u>
16,207,148	6,298,189	22,505,337
37,097,151	64,552,646	101,649,797
<u>\$ 53,304,299</u>	<u>\$ 70,850,835</u>	<u>\$ 124,155,134</u>

CITY OF LEANDER, TEXAS

Balance Sheet

Governmental Funds

As of September 30, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Traffic Impact Analysis Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 9,727,691	\$ 604,817	\$ 1,307,438	\$ 387,099	\$ 688,319	\$ 12,715,364
Taxes receivable, net	898,765	47,335	-	-	-	946,100
Other receivables, net	408,342	-	-	-	-	408,342
Due from other governments	58,954	-	747,228	-	-	806,182
Prepaid items	31,203	-	-	-	-	31,203
Total assets	<u>\$11,124,955</u>	<u>\$ 652,152</u>	<u>\$2,054,666</u>	<u>\$ 387,099</u>	<u>\$ 688,319</u>	<u>\$ 14,907,191</u>
LIABILITIES						
Accounts payable	\$ 711,024	\$ -	\$ 414,319	\$ 360,943	\$ 555	\$ 1,486,841
Due to other funds	-	-	-	-	10,000	10,000
Accrued wages	242,045	-	-	-	-	242,045
Other accrued expenses	34,588	-	-	-	-	34,588
Customer deposits	-	-	-	-	250	250
Deferred revenue	778,136	47,334	-	-	-	825,470
Deposits in escrow	929,529	-	-	-	-	929,529
Total liabilities	<u>2,695,322</u>	<u>47,334</u>	<u>414,319</u>	<u>360,943</u>	<u>10,805</u>	<u>3,528,723</u>
FUND BALANCES						
Nonspendable	31,203	-	-	-	-	31,203
Restricted	-	604,818	1,640,347	-	145,297	2,390,462
Committed	694,874	-	-	26,156	531,670	1,252,700
Assigned	-	-	-	-	6,063	6,063
Unassigned	7,703,556	-	-	-	(5,516)	7,698,040
Total fund balances	<u>8,429,633</u>	<u>604,818</u>	<u>1,640,347</u>	<u>26,156</u>	<u>677,514</u>	<u>11,378,468</u>
Total liabilities and fund balances	<u>\$11,124,955</u>	<u>\$ 652,152</u>	<u>\$2,054,666</u>	<u>\$ 387,099</u>	<u>\$ 688,319</u>	<u>\$ 14,907,191</u>

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 Position
 As of September 30, 2013

Fund balances of governmental funds	\$ 11,378,468
Amounts reported for <i>governmental activities</i> in the statement of net position 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.	92,395,442
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.	(50,670,294)
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.	(740,081)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	(243,703)
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.	760,306
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.	<u>424,161</u>
Net position of governmental activities	<u>\$ 53,304,299</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, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Traffic Impact Analysis Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property tax	\$ 8,019,371	\$ 4,393,567	\$ -	\$ -	\$ 186,712	\$ 12,599,650
Franchise tax	1,216,222	-	-	-	-	1,216,222
Sales tax	2,613,321	-	-	-	-	2,613,321
Mixed beverage tax	6,425	-	-	-	-	6,425
Licenses and permits	3,808,637	-	-	129,395	367,778	4,305,810
Grant/intergovernmental	530,332	-	4,030,000	-	9,595	4,569,927
Fines and forfeitures	375,254	-	-	-	124,534	499,788
Interest income	6,154	2,700	4,167	966	415	14,402
Charges for services	1,644,622	-	-	-	61,146	1,705,768
Donations/contributions	348,823	-	48,587	1,683,403	790	2,081,603
Other income	57,114	-	-	-	-	57,114
Total revenues	<u>18,626,275</u>	<u>4,396,267</u>	<u>4,082,754</u>	<u>1,813,764</u>	<u>750,970</u>	<u>29,670,030</u>
EXPENDITURES						
Current						
General government	4,636,100	-	-	-	18,970	4,655,070
Public safety	7,931,104	-	-	-	65,186	7,996,290
Public works	1,754,359	-	5,187	-	-	1,759,546
Parks and recreation	1,429,485	-	-	-	29,548	1,459,033
Debt service						
Principal retirement	72,856	2,265,000	-	-	-	2,337,856
Interest	6,335	1,967,033	-	-	-	1,973,368
Bond issuance costs	-	11,830	-	-	-	11,830
Capital outlay	259,883	-	7,675,445	3,565,207	60,119	11,560,654
Total expenditures	<u>16,090,122</u>	<u>4,243,863</u>	<u>7,680,632</u>	<u>3,565,207</u>	<u>173,823</u>	<u>31,753,647</u>
Excess (deficiency) of revenues over expenditures	<u>2,536,153</u>	<u>152,404</u>	<u>(3,597,878)</u>	<u>(1,751,443)</u>	<u>577,147</u>	<u>(2,083,617)</u>
OTHER FINANCING SOURCES (USES)						
Debt proceeds	565,000	-	-	-	-	565,000
Proceeds from sale of assets	4,684	-	-	-	2,209	6,893
Transfers in	1,490,000	-	435,000	370,000	100,000	2,395,000
Transfers out	(1,100,000)	-	-	-	(420,000)	(1,520,000)
Total other financing sources and uses	<u>959,684</u>	<u>-</u>	<u>435,000</u>	<u>370,000</u>	<u>(317,791)</u>	<u>1,446,893</u>
Net change in fund balances	<u>3,495,837</u>	<u>152,404</u>	<u>(3,162,878)</u>	<u>(1,381,443)</u>	<u>259,356</u>	<u>(636,724)</u>
Fund balances - beginning	4,933,796	452,414	4,803,225	1,407,599	418,158	12,015,192
Fund balances - ending	<u>\$ 8,429,633</u>	<u>\$ 604,818</u>	<u>\$ 1,640,347</u>	<u>\$ 26,156</u>	<u>\$ 677,514</u>	<u>\$ 11,378,468</u>

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, 2013

Net change in fund balances --total governmental funds	(\$ 636,724)
Amounts reported for <i>governmental activities</i> 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 (\$11,566,555) exceeds depreciation expense (\$2,827,772).	8,738,783
The City received street and drainage infrastructure contributed by developers.	6,571,955
Bond issuance costs are expended in the fund financial statements when paid but are capitalized and amortized in the government-wide financial statements.	(77,308)
Deferred losses on refunding and premiums are amortized over the life of the bonds in the government-wide financial statements.	7,607
Proceeds from issuance of debt are recorded as other financing sources in the fund financial statements but increase liabilities in the government-wide financial statements.	(565,000)
Principal payments on bonds payable of \$2,265,000 and principal paid on capital leases payable of \$72,856 are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	2,337,856
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 position.	(79,614)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The decrease in interest accrual from 2012 to 2013 increases net position.	8,293
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 \$424,161 and removing prior year's deferred tax and fines recognized of \$522,861 is to decrease net position.	(98,700)
Change in net position of governmental activities	<u>\$ 16,207,148</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 - Budget and Actual
General Fund
For the Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property tax	\$ 7,970,000	\$ 7,970,000	\$ 8,019,371	\$ 49,371
Franchise tax	1,150,000	1,150,000	1,216,222	66,222
Sales tax	2,150,000	2,150,000	2,613,321	463,321
Mixed beverage tax	6,500	6,500	6,425	(75)
Licenses and permits	1,235,600	1,821,400	3,808,637	1,987,237
Grants/intergovernmental	263,990	537,690	530,332	(7,358)
Fines and forfeitures	472,500	472,500	375,254	(97,246)
Interest income	6,000	6,000	6,154	154
Charges for services	1,528,467	1,526,667	1,644,622	117,955
Donations/contributions	61,500	361,500	348,823	(12,677)
Other income	67,200	61,480	57,114	(4,366)
Total revenues	<u>14,911,757</u>	<u>16,063,737</u>	<u>18,626,275</u>	<u>2,562,538</u>
EXPENDITURES				
Current				
General government	4,960,655	4,957,183	4,636,100	321,083
Public safety	7,967,645	7,933,064	7,931,104	1,960
Public works- streets/engineering	1,745,205	1,761,985	1,754,359	7,626
Parks and recreation	1,328,116	1,433,116	1,429,485	3,631
Debt service				
Principal retirement	-	206,972	72,856	134,116
Interest	-	-	6,335	(6,335)
Capital outlay	22,000	243,750	259,883	(16,133)
Total expenditures	<u>16,023,621</u>	<u>16,536,070</u>	<u>16,090,122</u>	<u>445,948</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,111,864)</u>	<u>(472,333)</u>	<u>2,536,153</u>	<u>3,008,486</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	-	565,000	565,000
Proceeds from sale of assets	5,000	5,000	4,684	(316)
Transfers in	1,190,000	1,490,000	1,490,000	-
Transfers out	(100,000)	(1,100,000)	(1,100,000)	-
Total other financing sources and uses	<u>1,095,000</u>	<u>395,000</u>	<u>959,684</u>	<u>564,684</u>
Net change in fund balances	(16,864)	(77,333)	3,495,837	3,573,170
Fund balances - beginning	4,933,796	4,933,796	4,933,796	-
Fund balances - ending	<u>\$ 4,916,932</u>	<u>\$ 4,856,463</u>	<u>\$ 8,429,633</u>	<u>\$ 3,573,170</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 - Budget and Actual
Traffic Impact Analysis Fund
For the Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ -	\$ -	\$ 129,395	\$ 129,395
Interest income	-	-	966	966
Donations/contributions	2,300,000	2,500,059	1,683,403	(816,656)
Total revenues	<u>2,300,000</u>	<u>2,500,059</u>	<u>1,813,764</u>	<u>(686,295)</u>
EXPENDITURES				
Capital outlay	3,429,260	4,109,260	3,565,207	544,053
Total expenditures	<u>3,429,260</u>	<u>4,109,260</u>	<u>3,565,207</u>	<u>544,053</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,129,260)</u>	<u>(1,609,201)</u>	<u>(1,751,443)</u>	<u>(142,242)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	370,000	370,000	-
Total other financing sources and uses	<u>-</u>	<u>370,000</u>	<u>370,000</u>	<u>-</u>
Net change in fund balances	(1,129,260)	(1,239,201)	(1,381,443)	(142,242)
Fund balances - beginning	1,407,599	1,407,599	1,407,599	-
Fund balances - ending	<u>\$ 278,339</u>	<u>\$ 168,398</u>	<u>\$ 26,156</u>	<u>\$ (142,242)</u>

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

CITY OF LEANDER, TEXAS

Statement of Net Position

Proprietary Funds

As of September 30, 2013

	Business-type Activities - Enterprise Funds		Total Enterprise Funds
	Utility Fund	Golf Course Fund	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,345,761	\$ 11,205	\$ 7,356,966
Accounts receivable, net	1,516,067	1,628	1,517,695
Due from other funds	10,000	-	10,000
Due from other governments	176,639	-	176,639
Inventory	-	31,015	31,015
Restricted cash and cash equivalents	5,833,382	-	5,833,382
Total current assets	14,881,849	43,848	14,925,697
Noncurrent assets			
Bond issuance costs, net	536,542	-	536,542
Investment in joint venture	2,191,038	-	2,191,038
Capital assets, net:			
Nondepreciable property	6,386,028	2,085,585	8,471,613
Depreciable property	113,105,491	967,102	114,072,593
Total noncurrent assets	122,219,099	3,052,687	125,271,786
Total assets	137,100,948	3,096,535	140,197,483
LIABILITIES			
Current liabilities			
Accounts payable	564,529	26,083	590,612
Accrued liabilities	42,016	19,924	61,940
Accrued interest payable	491,704	-	491,704
Customer deposits	1,180,374	-	1,180,374
Unearned revenue	271,250	-	271,250
Compensated absences payable - current	4,086	3,374	7,460
Note and bonds payable - current	2,255,246	-	2,255,246
Capital lease obligations - current	5,518	6,641	12,159
Total current liabilities	4,814,723	56,022	4,870,745
Noncurrent liabilities			
Net pension obligation	26,995	26,469	53,464
Compensated absences payable	36,776	30,368	67,144
Note payable	10,592,114	-	10,592,114
Bonds payable	53,761,534	-	53,761,534
Capital lease obligations	-	1,647	1,647
Total noncurrent liabilities	64,417,419	58,484	64,475,903
Total liabilities	69,232,142	114,506	69,346,648
NET POSITION			
Net investment in capital assets	53,687,192	3,044,399	56,731,591
Restricted for capital projects	3,713,393	-	3,713,393
Restricted for debt service	151,699	-	151,699
Unrestricted	10,316,522	(62,370)	10,254,152
Total net position	\$ 67,868,806	\$ 2,982,029	\$ 70,850,835

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

CITY OF LEANDER, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Funds		Total Enterprise Funds
	Utility Fund	Golf Course Fund	
OPERATING REVENUES			
Charges for sales and services	\$ 16,152,139	\$ 1,167,149	\$ 17,319,288
Other revenue	41,279	-	41,279
Total operating revenues	<u>16,193,418</u>	<u>1,167,149</u>	<u>17,360,567</u>
OPERATING EXPENSES			
Utility operations	12,831,979	-	12,831,979
Golf course operations	-	1,319,308	1,319,308
Depreciation and amortization	2,552,002	66,030	2,618,032
Total operating expenses	<u>15,383,981</u>	<u>1,385,338</u>	<u>16,769,319</u>
Operating income (loss)	809,437	(218,189)	591,248
NONOPERATING REVENUES (EXPENSES)			
Proceeds from the sale of assets	28	-	28
Interest income	13,472	1	13,473
Interest expense and fees	(2,707,944)	-	(2,707,944)
Total nonoperating revenue (expenses)	<u>(2,694,444)</u>	<u>1</u>	<u>(2,694,443)</u>
Income before contributions and transfers	(1,885,007)	(218,188)	(2,103,195)
Capital contributions from developers	5,517,868	-	5,517,868
Capital contributions from impact fees	3,758,516	-	3,758,516
Transfers in	290,000	195,000	485,000
Transfers out	<u>(1,360,000)</u>	<u>-</u>	<u>(1,360,000)</u>
Change in net position	6,321,377	(23,188)	6,298,189
Total net position - beginning, as restated	<u>61,547,429</u>	<u>3,005,217</u>	<u>64,552,646</u>
Total net position - ending	<u>\$ 67,868,806</u>	<u>\$ 2,982,029</u>	<u>\$ 70,850,835</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, 2013

	Business-type Activities - Enterprise Funds		Total Enterprise Funds
	Utility Fund	Golf Course Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 16,225,593	\$ 1,167,209	\$ 17,392,802
Payments to employees	(625,346)	(585,731)	(1,211,077)
Payments to suppliers	(12,219,163)	(730,311)	(12,949,474)
Net cash provided (used) by operating activities	<u>3,381,084</u>	<u>(148,833)</u>	<u>3,232,251</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers (to) from other funds	(1,070,000)	195,000	(875,000)
Payments to other funds	(90,913)	-	(90,913)
Net cash (used) provided by noncapital financing activities	<u>(1,160,913)</u>	<u>195,000</u>	<u>(965,913)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the sale of assets	28	-	28
Capital contributions- impact fees and others	3,758,516	-	3,758,516
Acquisition of capital assets	(3,644,348)	(6,500)	(3,650,848)
Principal paid on long-term debt	(2,243,953)	(30,867)	(2,274,820)
Interest paid on long-term debt	(2,498,990)	-	(2,498,990)
Net cash used by capital and related financing activities	<u>(4,628,747)</u>	<u>(37,367)</u>	<u>(4,666,114)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on pooled investments	13,472	1	13,473
Net cash provided by investing activities	<u>13,472</u>	<u>1</u>	<u>13,473</u>
Net (decrease) increase in cash and cash equivalents	(2,395,104)	8,801	(2,386,303)
Cash and cash equivalents - beginning of year	<u>15,574,247</u>	<u>2,404</u>	<u>15,576,651</u>
Cash and cash equivalents - end of the year	<u>\$ 13,179,143</u>	<u>\$ 11,205</u>	<u>\$ 13,190,348</u>
Reported as:			
Cash and cash equivalents	\$ 8,520,204	\$ 11,205	\$ 8,531,409
Restricted cash and cash equivalents	4,658,939	-	4,658,939
	<u>\$ 13,179,143</u>	<u>\$ 11,205</u>	<u>\$ 13,190,348</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, 2013

	Business-type Activities - Enterprise Funds		Total Enterprise Funds
	Utility Fund	Golf Course Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 809,437	\$ (218,189)	\$ 591,248
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	2,552,002	66,030	2,618,032
Decrease in investment in joint venture	806,917	-	806,917
Decrease in accounts receivable	84,958	60	85,018
Increase in inventory	-	(5,774)	(5,774)
Increase in customer deposits	63,467	-	63,467
Decrease in accounts payable	(855,011)	(1,579)	(856,590)
Increase in accrued liabilities	35,564	10,619	46,183
Decrease in unearned revenue	(116,250)	-	(116,250)
Net cash provided (used) by operating activities	<u>\$ 3,381,084</u>	<u>\$ (148,833)</u>	<u>\$ 3,232,251</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Infrastructure contributed by developers	\$ 5,517,868	\$ -	\$ 5,517,868

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

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

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.

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.

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.

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, access, and public safety, eliminate some conditions that endanger life or property, and provide facilities necessary for 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 position 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 are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external users for support. Likewise, the primary government is reported separately from any legally separate component units for which the primary government is financially accountable.

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*.

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

Note 1: Summary of Significant Accounting Policies – continued

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 and proprietary 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 are generally 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.

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.

The *traffic impact analysis fund* is used to account for fees paid by developers for the impact their development will have on the City's transportation infrastructure.

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, committed or assigned 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.

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

Note 1: Summary of Significant Accounting Policies – continued

The City maintains the following major enterprise fund:

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 City maintains the following nonmajor enterprise fund:

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.

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 Position 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 from purchase to be cash equivalents.

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 levied taxes.

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

Note 1: Summary of Significant Accounting Policies – continued

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, 2013, was \$.67042 per \$100 of assessed valuation.

Joint venture – Investment in joint venture represents an equity interest in the Brushy Creek Regional Utility Authority (BCRUA), a regional water treatment and distribution system. The investment amount represents Leander’s share in the joint venture’s net position at September 30, 2013.

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 2013.

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.

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 – 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 position.

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 position. 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.

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

Note 1: Summary of Significant Accounting Policies – continued

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. At September 30, 2013, the City had \$31,203 in nonspendable fund balance for prepaid items. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – Constraints placed on the use of these resources 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). At September 30, 2013, \$604,818 was restricted for the retirement of funded indebtedness, \$1,640,347 was restricted for capital acquisition and contractual obligation, and \$145,297 was restricted for other purposes.

Committed – Includes amounts that can be used only for the specific purposes as established by a City Council resolution or ordinance, the City's highest level of decision making authority. At September 30, 2013, the City had \$22,636 committed for the Bryson Farmstead Historical District, \$669,644 committed for vehicle and equipment reserves, \$2,594 committed for Leander clean-up, \$26,156 committed for transportation infrastructure development, \$449,606 committed for parks dedication, and \$82,064 committed for other purposes.

Assigned – Includes amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. At September 30, 2013, the City had \$6,063 assigned for the parks special revenue fund.

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

Budgetary Information

Sixty days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the 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 Member comments, and public hearings are conducted to obtain citizen 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 year end.

Deficit in Fund Balances

At September 30, 2013, the TIRZ #1 Fund has a deficit fund balance of \$5,516 due to the timing of revenues versus expenditures. Management intends to recover the deficit through future revenues.

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

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, 2013, 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.

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, and (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, 2013, the City had the following investments:

Investment Type	Fair Value	Percentage of Total	Credit Rating	Investment Maturity Less than 1 Year
Texas Term	\$ 1,046,141	6.08%	AAAm	\$ 1,046,141
TexSTAR	2,908,443	16.90%	AAAm	2,908,443
TexPool	7,230,675	42.02%	AAAm	7,230,675
Certificate of Deposits	6,020,718	34.99%	N/A	6,020,718
Total Portfolio	\$ 17,205,977	100.00%		\$ 17,205,977

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), Texas Local Government Investment Pool (TexPool), and Texas Term. The reported values of the pools are the same as the fair value of the pool shares.

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, 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. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

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 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, 2013

Note 3: Deposits and Investments – continued

The Texas Term Local Government Investment Pool (TexasTERM) 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. TexasTERM is administered by PFM Asset Management LLC, who also serves as the investment advisor.

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, 2013, the City held restricted cash and investments of \$5,833,382, for the following purposes:

Utility - construction	\$	4,501,309
Utility - customer deposits		1,180,374
Utility - debt service		<u>151,699</u>
Total restricted cash and investments	\$	<u><u>5,833,382</u></u>

Note 4: Receivables

Receivables as of September 30, 2013 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>Nonmajor</u>	<u>Total</u>
Receivables:					
Taxes	\$ 907,578	\$ 58,238	\$ -	\$ -	\$ 965,816
Accounts	<u>1,893,318</u>	<u>-</u>	<u>2,318,800</u>	<u>1,628</u>	<u>4,213,746</u>
Gross receivables	2,800,896	58,238	2,318,800	1,628	5,179,562
Less: allowance for uncollectibles	<u>(1,493,789)</u>	<u>(10,903)</u>	<u>(802,733)</u>	<u>-</u>	<u>(2,307,425)</u>
Net total receivables	<u><u>\$ 1,307,107</u></u>	<u><u>\$ 47,335</u></u>	<u><u>\$ 1,516,067</u></u>	<u><u>\$ 1,628</u></u>	<u><u>\$ 2,872,137</u></u>

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

Note 5: Capital Assets

A summary of changes in capital assets follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,734,940	\$ -	\$ -	\$ 1,734,940
Construction in progress	12,465,376	11,396,246	-	23,861,622
Total capital assets not being depreciated	14,200,316	11,396,246	-	25,596,562
Capital assets, being depreciated:				
Buildings and improvements	18,871,651	-	-	18,871,651
Equipment	7,977,727	170,309	-	8,148,036
Infrastructure	53,111,769	6,571,955	-	59,683,724
Total capital assets being depreciated	79,961,147	6,742,264	-	86,703,411
Less accumulated depreciation:				
Buildings and improvements	(4,310,077)	(759,584)	-	(5,069,661)
Equipment	(4,953,159)	(657,944)	-	(5,611,103)
Infrastructure	(7,813,523)	(1,410,244)	-	(9,223,767)
Total accumulated depreciation	(17,076,759)	(2,827,772)	-	(19,904,531)
Capital assets, net	\$ 77,084,704	\$ 15,310,738	\$ -	\$ 92,395,442
	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,331,833	\$ -	\$ -	\$ 2,331,833
Construction in progress	8,052,343	3,560,737	(5,473,300)	6,139,780
Total capital assets not being depreciated	10,384,176	3,560,737	(5,473,300)	8,471,613
Capital assets, being depreciated:				
Buildings and improvements	1,350,034	-	-	1,350,034
Equipment	1,622,887	31,383	-	1,654,270
Infrastructure	119,520,178	11,049,894	-	130,570,072
Total capital assets being depreciated	122,493,099	11,081,277	-	133,574,376
Less accumulated depreciation:				
Buildings and improvements	(404,836)	(53,802)	-	(458,638)
Equipment	(837,764)	(72,736)	-	(910,500)
Infrastructure	(15,633,164)	(2,499,481)	-	(18,132,645)
Total accumulated depreciation	(16,875,764)	(2,626,019)	-	(19,501,783)
Capital assets, net	\$ 116,001,511	\$ 12,015,995	\$ (5,473,300)	\$ 122,544,206

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

Note 5: Capital Assets – continued

In the government-wide financial statements, depreciation expense was charged to the City’s programs as follows:

General government	\$	78,918
Public safety		881,817
Public works		1,451,116
Parks and recreation		415,921
	\$	<u>2,827,772</u>
Business-type Activities		
Utility services	\$	2,559,989
Golf course		66,030
	\$	<u>2,626,019</u>

Note 6: Interfund Activity

The City had the following due to/due from interfund account balances at September 30, 2013:

Due To Fund	Due From Fund	Amount	Purpose
Utility fund	Nonmajor governmental fund	\$ 10,000	Operating loan - current

The City had the following interfund transfer activity during the year ended September 30, 2013:

Transfer From	Transfer To	Amount	Purpose
Utility fund	General fund	\$ 1,360,000	Indirect cost recovery, debt service, and franchise fee
General fund	Traffic impact analysis fund	370,000	Subsidize capital projects
General fund	Capital projects fund	435,000	Subsidize capital projects
General fund	Nonmajor governmental fund	100,000	Subsidize capital projects
General fund	Golf course fund	195,000	Fund operating deficit
Nonmajor governmental fund	General fund	130,000	Reimburse administrative overhead
Nonmajor governmental fund	Utility fund	290,000	Subsidize capital projects
		<u>\$ 2,880,000</u>	

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

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, 2013:

	Balance October 1	Issued	Retirements/ Refunding	Balance September 30	Due Within One Year
Governmental activities					
Bonds	\$ 52,315,000	\$ -	\$ (2,265,000)	\$ 50,050,000	\$ 2,145,000
Premium	2,559,356	-	(158,699)	2,400,657	158,699
Deferred loss on refunding	(2,499,447)	-	151,092	(2,348,355)	(151,092)
Net bonds payable	<u>52,374,909</u>	<u>-</u>	<u>(2,272,607)</u>	<u>50,102,302</u>	<u>2,152,607</u>
PPFC tax pledge	-	565,000	-	565,000	78,750
Capital leases	75,848	-	(72,856)	2,992	2,992
Net pension obligation	327,337	58,528	-	385,865	-
Compensated absences	333,130	21,086	-	354,216	35,422
Total governmental activity					
Long-term liabilities	<u>\$ 53,111,224</u>	<u>\$ 644,614</u>	<u>\$ (2,345,463)</u>	<u>\$ 51,410,375</u>	<u>\$ 2,269,771</u>
Business-type Activities					
Bonds	\$ 56,610,000	\$ -	\$ (1,753,000)	\$ 54,857,000	\$ 1,776,000
Premium	1,768,303	-	(139,788)	1,628,515	139,788
Deferred loss on refunding	(1,007,675)	-	99,741	(907,934)	(99,741)
Net bonds payable	<u>57,370,628</u>	<u>-</u>	<u>(1,793,047)</u>	<u>55,577,581</u>	<u>1,816,047</u>
Note payable	11,457,720	-	(426,407)	11,031,313	439,199
Capital leases	109,219	-	(95,413)	13,806	12,159
Net pension obligation	41,784	11,680	-	53,464	-
Compensated absences	62,892	11,712	-	74,604	7,460
Total Business-type Activity					
Long-term liabilities	<u>\$ 69,042,243</u>	<u>\$ 23,392</u>	<u>\$ (2,314,867)</u>	<u>\$ 66,750,768</u>	<u>\$ 2,274,865</u>

For the governmental activities, the debt service fund has generally been used to liquidate general obligation bonds, and the general fund has been used to liquidate compensated absences, net pension obligation, and capital leases payable.

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

Note 7: Long-term Debt – continued

Governmental Activities

General Obligation Bonds:

A summary of Tax-Supported General Obligation Debt outstanding at September 30, 2013 follows:

\$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%.	\$ 3,090,000
\$21,210,000 Series 2007 General Obligation Refunding Bonds, due in annual installments of \$1,015,000 and \$195,000 through August 15, 2017; interest at 3.95% to 4.00%.	650,000
\$4,630,000 Series 2009 Refunding Bonds, due in annual installments of \$125,000 to \$1,010,000 through August 15, 2017; interest at 3.00% to 3.25%.	3,080,000
\$20,505,000 Series 2010 General Obligation and Refunding Bonds, due in annual installments of \$265,000 to \$3,370,000 through August 15, 2030; interest at 2.00% to 4.00%.	20,505,000
\$19,165,000 (\$12,920,000 allocated to tax supported debt) Series 2012-A Refunding Bonds, due in annual installments of \$1,620,000 to \$2,070,000 through August 15, 2027; interest at 3.00% to 5.00%.	12,920,000
\$14,310,000 (\$10,875,000 allocated to tax supported debt) Series 2012 Refunding Bonds, due in annual installments of \$280,000 to \$1,170,000 through August 15, 2024; interest at 2.00% to 5.00%.	<u>9,805,000</u>
Total general obligation bonds	<u>\$ 50,050,000</u>

The annual requirements to retire general long-term debt, including interest, as of September 30, 2013 are as follows:

Year Ending September 30	General Obligation Bonds		Total
	Principal	Interest	Requirements
2014	\$ 2,145,000	\$ 1,921,886	\$ 4,066,886
2015	3,555,000	1,863,611	5,418,611
2016	4,340,000	1,740,835	6,080,835
2017	3,780,000	1,562,793	5,342,793
2018	3,955,000	1,426,143	5,381,143
2019-2023	19,575,000	4,765,185	24,340,185
2024-2028	11,745,000	1,245,613	12,990,613
2029-2033	<u>955,000</u>	<u>57,600</u>	<u>1,012,600</u>
Totals	<u>\$ 50,050,000</u>	<u>\$ 14,583,666</u>	<u>\$ 64,633,666</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 that 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, 2013

Note 7: Long-term Debt – continued

Note Payable:

The City obtained a loan with an effective interest rate of 1.640% to purchase a new fire engine during the year ended September 30, 2013. The City shall pay the required payments in semi-annual installments over a period of seven years with the first principal and interest payment to occur on February 15, 2014. The loan is collateralized by the fire engine.

The annual requirements to retire the note payable, including interest, as of September 30, 2013 are as follows:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2014	\$ 78,750	\$ 9,961	\$ 88,711
2015	79,396	7,974	87,370
2016	80,047	6,672	86,719
2017	80,704	5,360	86,064
2018	81,365	4,036	85,401
2019-2023	<u>164,738</u>	<u>4,058</u>	<u>168,796</u>
Total	<u>\$ 565,000</u>	<u>\$ 38,061</u>	<u>\$ 603,061</u>

Business-type Activities

Revenue Bonds:

A summary of Revenue Debt outstanding at September 30, 2013 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 4.32%.	\$ 1,175,000
\$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
\$36,270,000 Series 2012 Combination Tax & Revenue Certificates of Obligation, due in annual installments of \$735,000 to \$2,190,000 through August 15, 2036; interest at 2% to 5%.	34,495,000
\$3,000,000 Series 2012 Tax Notes, due in annual installments of \$583,000 to \$617,000 through July 1, 2017; interest at 1.42%.	2,417,000
\$19,165,000 (\$6,245,000 allocated to revenue supported debt) Series 2012-A Refunding Bonds, due in annual installments of \$530,000 to \$740,000 through August 15, 2027; interest at 3.00% to 5.00%.	6,245,000
\$14,310,000 (\$3,435,000 allocated to revenue supported debt) Series 2012 Refunding Bonds, due in annual installments of \$5,000 to \$720,000 through August 15, 2024; interest at 2.00% to 5.00%.	<u>3,375,000</u>
Total revenue bonds	<u>\$ 54,857,000</u>

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 require a reserve equal to the average annual debt service requirements on the outstanding bonds, which equals \$140,925 at September 30, 2013. The City has \$151,699 in their bond reserve fund at September 30, 2013.

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

Note 7: Long-term Debt – continued

The annual requirements to retire revenue bonds, including interest, as of September 30, 2013 are as follows:

Year Ending September 30	Revenue Bonds		Total Requirements
	Principal	Interest	
2014	\$ 1,776,000	\$ 2,123,077	\$ 3,899,077
2015	2,585,000	2,061,485	4,646,485
2016	2,659,000	1,995,349	4,654,349
2017	3,007,000	1,926,769	4,933,769
2018	3,380,000	1,827,569	5,207,569
2019-2023	15,525,000	7,253,426	22,778,426
2024-2028	11,365,000	4,480,963	15,845,963
2029-2033	9,665,000	2,383,988	12,048,988
2034-2038	4,895,000	404,100	5,299,100
Total	\$ 54,857,000	\$ 24,456,726	\$ 79,313,726

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 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, 2013, are as follows:

Year Ending September 30	Contract Revenue Debt		Total Requirements
	Principal	Interest	
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	2,175,000	4,136,187	6,311,187
2018	2,290,000	4,059,975	6,349,975
2019-2023	13,390,000	18,850,793	32,240,793
2024-2028	17,295,000	15,537,708	32,832,708
2029-2033	22,335,000	10,834,316	33,169,316
2034-2038	28,845,000	4,549,417	33,394,417
Total	\$ 90,680,000	\$ 70,681,789	\$ 161,361,789

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

Note 7: Long-term Debt – continued

Note Payable:

The City joined the Brushy Creek Regional Wastewater System in 2010. The Cities of Austin, Cedar Park, and Round Rock, Texas 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:

Year Ending September 30	Note Payable		Total Requirements
	Principal	Interest	
2014	\$ 439,199	\$ 330,939	\$ 770,138
2015	452,375	317,763	770,138
2016	465,947	304,192	770,139
2017	479,925	290,214	770,139
2018	494,323	275,816	770,139
2019-2023	2,703,160	1,147,534	3,850,694
2024-2028	3,133,702	716,991	3,850,693
2029-2033	2,862,682	217,874	3,080,556
Total	\$ 11,031,313	\$ 3,601,323	\$ 14,632,636

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	\$ 690,064	\$ 251,103
Less: Accumulated Depreciation	(570,642)	(96,797)
Total	\$ 119,422	\$ 154,306

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2013, are as follows:

Year Ended September 30	Governmental Activities	Business-type Activities
2014	\$ 3,004	\$ 12,453
2015	-	1,666
Total minimum lease payments	3,004	14,119
Less amount representing interest	(12)	(313)
Present value of minimum lease payments	\$ 2,992	\$ 13,806

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

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 the TMRS web site at www.TMRS.com.

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 2012	Plan Year 2013
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

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 monthly contributions. 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)	\$	1,129,890
Interest on Net Pension obligation		25,838
Adjustment to ARC		(22,701)
Annual Pension Cost (expense)		1,133,027
Contributions made		(1,062,819)
Increase (decrease) in net pension obligation		70,208
Net Pension Obligation - as of beginning of year		369,121
Net Pension Obligation - as of end of year	\$	439,329

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

Note 8: Retirement Plan – continued

For Year Ending	Trend Information			
	Annual Pension Cost	Net Employer Contribution	Percentage of APC Contributed	Net Pension Obligation
9/30/2011	\$ 994,643	\$ 888,178	89.3%	\$ 282,481
9/30/2012	1,076,931	990,291	92.0%	369,121
9/30/2013	1,133,027	1,062,819	93.8%	439,329

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent	27.5 Years - Closed	26.6 Years - Closed	25.5 Years - Closed
Single Amortization Period	Period	Period	Period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year smoothed Market	10-year smoothed Market	10-year smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-living Adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

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 AAL (UAAAL) (D) = (B) - (A)	Covered Payroll (E)	UAAL as a Percentage of Covered Payroll (D)/(E)
12/31/2010	\$ 8,546,238	\$ 14,074,172	60.7%	\$ 5,527,934	\$ 8,160,788	67.7%
12/31/2011	10,253,804	15,454,276	66.3%	5,200,472	8,581,463	60.6%
12/31/2012	12,197,646	17,349,952	70.3%	5,152,306	8,962,158	57.5%

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

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

Note 8: Retirement Plan – continued

assets. The schedule of funding progress, presented in the above table, 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 2013, 2012, and 2011 were \$12,296, \$13,550, and \$14,740, respectively, which equaled the required contribution each year.

Note 9: Commitments

Water System Project

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 agreed 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 was 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 were to be considered operating expenses of Leander's water works and sanitary sewer systems, as LCRA and BRA intended to own and operate the Water System as capital improvements on behalf of Leander. Total charges paid in fiscal year 2013 to LCRA under this contract totaled \$2,216,457.

On January 5, 2012, the City purchased the Sandy Creek water treatment plant and related infrastructure from the LCRA. Consequently, from this date forward, the only charges paid by the City to the LCRA are for raw water, both that actually withdrawn and that remaining as stored under permit.

Brushy Creek Regional Wastewater System

In September 2009, the cities of Round Rock, Austin, and Cedar Park entered into a purchase agreement with the LCRA wherein they agreed to buy the Brushy Creek Regional Wastewater System (BCRWWS) from the LCRA. The agreement outlined the proportional share that each city would purchase of the wastewater collection and treatment system. On December 8, 2009, the three cities purchased the BCRWWS assets and entered into a master contract for the financing, construction, ownership, and operation of the BCRWWS. The master contract provided for the terms and conditions by which the cities would jointly own and operate the BCRWWS.

In June 2010, the cities of Round Rock, Austin, and Cedar Park sold a share of the BCRWWS assets for the collection system to the City of Leander, and all parties entered into the amended and restated master contract for the financing, construction, ownership, and operation of the Brushy Creek Regional Wastewater System. 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.

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

Note 9: Commitments – continued

The City has capitalized its portion of cost related to the Brushy Creek Regional Wastewater System. In June 2010, the City purchased reserved capacity in the system components for the price of \$10,800,000 which was financed with a note payable to mature in fiscal year 2032. The BRA is contracted to provide operation of the system, for which each of the cities is invoiced relative to their system usage. For the fiscal year ended September 30, 2013, Leander’s share of expenses for operation of the regional facilities was \$357,333.

Economic Development Agreement

The City has entered into an economic development agreement with a shopping center. Under the terms of the agreement, the City refunds 50% of sales tax collections on sales made by the shopping center in the state of Texas. The shopping center represents approximately 16.66% of the City’s sales tax collections for the year ended September 30, 2013.

Construction Commitments

Outstanding construction commitments are as follows at September 30:

	Award	Remaining Commitment
Governmental activities		
CR 179	\$ 4,168,681	\$ 548,976
Mel Mathis Blvd	5,412,628	173,727
Old 2243 West	776,304	754,928
County Glen Drainage	2,061,454	116,398
E Crystal Falls 2B	2,233,924	2,233,924
	\$ 14,652,991	\$ 3,827,953
Business-type activities		
Hero Way Waterline	\$ 88,300	\$ 48,064
Crystal Falls EST	3,307,954	804,821
Raw Water Intake contingency	n/a- cost share	1,552,300
	\$ 3,396,254	\$ 2,405,185

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. These risks are covered by commercial insurance purchased from independent third parties and through Texas Municipal League Intergovernmental Risk Pool (TML-IRP), a public entity risk pool for the benefit of governmental units located within the state. TML-IRP is considered a self-sustaining risk pool that provides coverage for its members. The City’s contributions to the Pool are limited to the amount of premiums as calculated at the beginning of each fund year. Premiums reflect the claims experience to date of the City. The Pool’s liability is limited to the coverage that the City elects as stated in the Pool’s Declarations of Coverage for that fund year. 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 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).

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

Note 11: Joint Venture - continued

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%. The Cities of Round Rock and Cedar Park, Texas are obligated to repay the remaining \$90.8 million of the Bonds. Separate financial statements of BCRUA can be obtained at 221 E. Main Street, Round Rock, Texas 78664.

The City accounts for this partnership as a joint venture. The City's equity interest is calculated in accordance with the agreement with BCRUA. The City shares in the operating results of this joint venture so the City adjusts its equity interest by the amount of its participating share of the joint venture's change in net position. Condensed financial statements for BCRUA are as follows:

Statement of Net Position

As of September 30, 2013

	BCRUA	Leander's Interest
Assets		
Cash and cash equivalents	\$ 11,200,985	\$ 5,132,513
Investments	7,738,891	6,890,001
Other current assets	459,676	424,108
Restricted investments	26,208,772	7,944,467
Deferred charges, net	770,872	379,000
Capital assets	153,566,942	74,174,575
Total Assets	199,946,138	94,944,664
Liabilities		
Accounts payable	538,922	273,392
Retainage payable	2,345,205	1,103,653
Accrued bond interest payable	1,369,716	696,581
Bonds payable	178,605,000	90,680,000
Total Liabilities	182,858,843	92,753,626
Net Position	\$ 17,087,295	\$ 2,191,038

Statement of Activities and Changes in Net Position

Year Ended September 30, 2013

	BCRUA	Leander's Interest
Operating revenues	\$ 985,682	\$ 417,465
Operating expenses	13,250,298	6,243,383
Other income	212,108	76,304
Change in Net Position	(12,052,508)	(5,749,614)
Net position, October 1, 2012	18,441,816	2,997,955
Contribution of capital, net	10,697,987	4,942,697
Net position, September 30, 2013	\$ 17,087,295	\$ 2,191,038

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2013

Note 12: Prior Period Adjustments

Several prior period adjustments were necessary during 2013 to properly account for the City's participation in the BCRUA Project. An adjustment was recorded to remove \$91.2 million in intangible assets and related bonds payable from the City's books for the City's contractual share of BCRUA bonds. These assets and bonds are already recorded on BCRUA's books; however, an adjustment of \$2,997,955 was proposed to record the City's investment in the BCRUA joint venture, representing the City's share of BCRUA's net position at October 1, 2012. Since the BCRUA bonds were removed from the City's books, the related accrued interest payable on these bonds was also removed, resulting in a \$702,537 increase in net position at October 1, 2012.

The City's note payable for its reserved capacity in the Brushy Creek Regional Wastewater System includes interest expense accrued in fiscal years 2011 and 2012. It was noted during the current year that the interest expense was not recognized as accrued in the applicable fiscal years. As a result, net position in the utility fund was overstated by \$657,720. A prior period adjustment was made to reduce the utility fund net position by \$657,720 at October 1, 2012 and increase the related note payable. These adjustments as summarized as follows:

	Utility Fund
Net position, as previously reported	\$ 58,504,657
Remove BCRUA capital assets	(91,180,000)
Remove BCRUA bonds payable	91,180,000
Record investment in BCRUA joint venture	2,997,955
Remove accrued interest payable	702,537
Record 2011/2012 accrued interest on BCRWWS note payable	(657,720)
Net position, as restated, October 1, 2012	\$ 61,547,429

Note 13: Subsequent Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement reclassifies deferred amounts upon refunding of debt as deferred inflows or outflows and requires debt issuance costs to be expensed as incurred. The provisions of this Statement are effective for periods beginning after December 15, 2012.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 27*. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement will require the City to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the TMRS plan. This Statement requires the use of the entry age normal method to be used with each period's service cost determined as a level percentage of pay and requires certain other changes to compute the pension liability and expense. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The provisions of this Statement are effective for periods beginning after June 15, 2014.

The City will fully analyze the impact of these new Statements prior to the effective dates for the Statements listed above.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LEANDER, TEXAS

Combining Balance Sheet

Nonmajor Governmental Funds

As of September 30, 2013

	Court Security Fund	Court Technology Fund	Parks Dedication Fund	Police Special Revenue Fund
ASSETS				
Cash and cash equivalents	\$ 28,664	\$ 24,555	\$ 449,606	\$ 37,004
Total assets	<u>\$ 28,664</u>	<u>\$ 24,555</u>	<u>\$ 449,606</u>	<u>\$ 37,004</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Customer deposits	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	28,664	24,555	-	-
Committed	-	-	449,606	37,004
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>28,664</u>	<u>24,555</u>	<u>449,606</u>	<u>37,004</u>
Total liabilities and fund balances	<u>\$ 28,664</u>	<u>\$ 24,555</u>	<u>\$ 449,606</u>	<u>\$ 37,004</u>

Police Forfeitures Fund	Fire Rescue Fund	Step Fund	TIRZ #1 Fund	Public Arts Fund
\$ 2,967	\$ 41,853	\$ 86,432	\$ 4,484	\$ 3,207
<u>\$ 2,967</u>	<u>\$ 41,853</u>	<u>\$ 86,432</u>	<u>\$ 4,484</u>	<u>\$ 3,207</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	10,000	-
-	-	-	<u>10,000</u>	-
2,967	-	86,432	-	-
-	41,853	-	-	3,207
-	-	-	-	-
-	-	-	(5,516)	-
<u>2,967</u>	<u>41,853</u>	<u>86,432</u>	<u>(5,516)</u>	<u>3,207</u>
<u>\$ 2,967</u>	<u>\$ 41,853</u>	<u>\$ 86,432</u>	<u>\$ 4,484</u>	<u>\$ 3,207</u>

CITY OF LEANDER, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds - Continued
As of September 30, 2013

	CID/HRT Fund	Hotel Occupancy Fund	Parks Special Revenue Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,206	\$ 473	\$ 6,868	\$ 688,319
Total assets	<u>\$ 2,206</u>	<u>\$ 473</u>	<u>\$ 6,868</u>	<u>\$ 688,319</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 555	\$ 555
Customer deposits	-	-	250	250
Due to other funds	-	-	-	10,000
Total liabilities	<u>-</u>	<u>-</u>	<u>805</u>	<u>10,805</u>
FUND BALANCES				
Restricted	2,206	473	-	145,297
Committed	-	-	-	531,670
Assigned	-	-	6,063	6,063
Unassigned	-	-	-	(5,516)
Total fund balances	<u>2,206</u>	<u>473</u>	<u>6,063</u>	<u>677,514</u>
Total liabilities and fund balances	<u>\$ 2,206</u>	<u>\$ 473</u>	<u>\$ 6,868</u>	<u>\$ 688,319</u>

CITY OF LEANDER, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2013

	Court Security Fund	Court Technology Fund	Parks Dedication Fund	Police Special Revenue Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	367,778	-
Intergovernmental	-	-	-	-
Fines and forfeitures	11,179	14,904	-	-
Charges for services	-	-	-	16,105
Contributions	-	-	38	-
Interest	13	8	140	14
Total revenues	<u>11,192</u>	<u>14,912</u>	<u>367,956</u>	<u>16,119</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	6,130	8,054	-	1,225
Parks and recreation	-	-	4,527	-
Capital outlay	-	-	60,119	-
Total expenditures	<u>6,130</u>	<u>8,054</u>	<u>64,646</u>	<u>1,225</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,062</u>	<u>6,858</u>	<u>303,310</u>	<u>14,894</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of assets	-	-	-	-
Transfers in	-	-	100,000	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	5,062	6,858	403,310	14,894
Fund balances - beginning	<u>23,602</u>	<u>17,697</u>	<u>46,296</u>	<u>22,110</u>
Fund balances - ending	<u>\$ 28,664</u>	<u>\$ 24,555</u>	<u>\$ 449,606</u>	<u>\$ 37,004</u>

Police Forfeitures Fund	Fire Rescue Fund	Step Fund	TIRZ #1 Fund	Public Arts Fund
\$ -	\$ -	\$ -	\$ 186,712	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	98,451	-	-
-	16,636	-	-	-
-	-	-	-	752
2	17	26	190	2
<u>2</u>	<u>16,653</u>	<u>98,477</u>	<u>186,902</u>	<u>754</u>
-	-	-	9,336	-
550	2,429	46,798	-	-
-	-	-	-	2,677
-	-	-	-	-
<u>550</u>	<u>2,429</u>	<u>46,798</u>	<u>9,336</u>	<u>2,677</u>
<u>(548)</u>	<u>14,224</u>	<u>51,679</u>	<u>177,566</u>	<u>(1,923)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	(420,000)	-
-	-	-	(420,000)	-
(548)	14,224	51,679	(242,434)	(1,923)
<u>3,515</u>	<u>27,629</u>	<u>34,753</u>	<u>236,918</u>	<u>5,130</u>
<u>\$ 2,967</u>	<u>\$ 41,853</u>	<u>\$ 86,432</u>	<u>(\$ 5,516)</u>	<u>\$ 3,207</u>

CITY OF LEANDER, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Continued
For the Year Ended September 30, 2013

	CID/HRT Fund	Hotel Occupancy Fund	Parks Special Revenue Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 186,712
Licenses, permits and fees	-	-	-	367,778
Intergovernmental	9,595	-	-	9,595
Fines and forfeitures	-	-	-	124,534
Charges for services	-	-	28,405	61,146
Contributions	-	-	-	790
Interest	1	-	2	415
Total revenues	<u>9,596</u>	<u>-</u>	<u>28,407</u>	<u>750,970</u>
EXPENDITURES				
Current				
General government	9,634	-	-	18,970
Public safety	-	-	-	65,186
Parks and recreation	-	-	22,344	29,548
Capital outlay	-	-	-	60,119
Total expenditures	<u>9,634</u>	<u>-</u>	<u>22,344</u>	<u>173,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38)</u>	<u>-</u>	<u>6,063</u>	<u>577,147</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of assets	2,209	-	-	2,209
Transfers in	-	-	-	100,000
Transfers out	-	-	-	(420,000)
Total other financing sources and uses	<u>2,209</u>	<u>-</u>	<u>-</u>	<u>(317,791)</u>
Net change in fund balances	<u>2,171</u>	<u>-</u>	<u>6,063</u>	<u>259,356</u>
Fund balances - beginning	<u>35</u>	<u>473</u>	<u>-</u>	<u>418,158</u>
Fund balances - ending	<u>\$ 2,206</u>	<u>\$ 473</u>	<u>\$ 6,063</u>	<u>\$ 677,514</u>

SINGLE AUDIT SECTION

Independent Auditor's 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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leander, Texas (the City), as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Certified Public Accountants

Abilene, Texas
February 11, 2014

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Leander, Texas', (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dennis Kinard & Co. PC
Certified Public Accountants

Abilene, Texas
February 11, 2014

CITY OF LEANDER, TEXAS
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2013

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation:</u>			
Passed Through Texas Department of Transportation:			
Federal Highway Administration:			
Highway Planning and Construction			
STP Metropolitan Mobility Project	20.205	CSJ 0914-05-149	\$ <u>4,030,000</u>
Total Department of Transportation			<u>4,030,000</u>
 <u>U.S. Department of Homeland Security:</u>			
Direct:			
Federal Emergency Management Agency			
Assistance to Firefighters Grant Program:			
Staffing for Adequate Fire/Emergency Response	97.083	EMW-2012-FH-00246	<u>90,207</u>
 Passed through Texas Department of Public Safety			
Division of Emergency Management:			
Fire Management Assistance Grant	97.046	FM 2922, 2949, 2963	<u>187,275</u>
Total Passed through Texas Department of Public Safety			<u>187,275</u>
Total Department of Homeland Security			<u>277,482</u>
Total Federal Awards			<u>\$ <u>4,307,482</u></u>

CITY OF LEANDER, TEXAS
Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2013

Note 1: Reporting Entity

The Schedule of Expenditures of Federal Awards (“Schedule”) presents the activity of all applicable federal awards of the City. The City’s reporting entity is defined in Note 1 of the basic financial statements. Federal awards passed through other governmental agencies are included on the Schedule of Expenditures of Federal Awards.

Note 2: Basis of Accounting

The Schedule is prepared on the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements. Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3: Relationship to Federal Financial Reports

The information included in the Schedule may not fully agree with other federal award reports that the City submits to granting agencies because, among other reasons, the award reports may be prepared for a different fiscal period and may include cumulative (from prior years) data rather than data for the current year only.

CITY OF LEANDER, TEXAS
Schedule of Findings and Questioned Costs
Year Ended September 30, 2013

A. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified
2. No significant deficiencies required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. No significant deficiencies required to be reported in this schedule were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unmodified
6. Did the audit disclose findings which are required to be reported under Sec. 510(a): No
7. Major programs include:
 CFDA 20.205 Highway Planning and Construction
8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
9. Low risk auditee: No

B. Findings Related to the Financial Statements

None

C. Findings and Questioned Costs Related to the Federal Award Programs

None

CITY OF LEANDER, TEXAS
Schedule of Prior Audit Findings
Year Ended September 30, 2013

A Single Audit was not required in the prior year.