



City of
Leander

State of Texas

ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2014

CITY OF LEANDER, TEXAS

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FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and City Council of the
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 City of Leander, Texas, as of and for the year ended September 30, 2014, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Brushy Creek Regional Utility Authority, which represent 2 percent, 3 percent, and 27 percent, respectively, of the assets, net position, and expenses of the Utility Fund, and 2 percent, 3 percent, and 25 percent, respectively, of the assets, net position, and expenses of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Brushy Creek Regional Utility Authority, is based solely on the report of the other auditors. 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 auditors' 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, based on our audit and the report of other auditors, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the TMRS schedule of funding progress on pages 4–12 and 55–57 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 and other auditors 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 of Leander, Texas' 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 combining nonmajor fund financial statements 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining nonmajor fund financial statements 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 12, 2015, on our consideration of the City of Leander, Texas' 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 of Leander, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 12, 2015

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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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, 2014. 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, 2014, by \$171,556,466 (net position). Of this amount, \$24,466,293 (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 \$48,357,909 for the year ended September 30, 2014. Most of this increase is due to increased capital contributions from developers.
- As of September 30, 2014, the City's governmental funds reported combined ending fund balances of \$11,945,836, an increase of \$227,097 in comparison with the prior fiscal year due to less expenditures on capital projects.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,934,605 or 46.81% 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 \$89,858,039 an increase of \$19,543,746 in comparison with the prior year. Most of the increase is attributable to an increase in capital contributions from impact fees and developers.

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 13 – 15 of this report.

Fund Financial Statements

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

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

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

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

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget on page 55.

- **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 16 – 25 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 26 – 54 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 \$171,556,466 at the close of the most recent fiscal year.

The largest portion of the City’s net position (83.11%) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure and system improvements) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF LEANDER’S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 15,091,304	\$ 15,657,497	\$ 19,461,534	\$ 17,653,277	\$ 34,552,838	\$ 33,310,774
Capital assets	<u>118,191,845</u>	<u>92,395,442</u>	<u>137,697,740</u>	<u>122,544,206</u>	<u>255,889,585</u>	<u>214,939,648</u>
Total assets	<u>133,283,149</u>	<u>108,052,939</u>	<u>157,159,274</u>	<u>140,197,483</u>	<u>290,442,423</u>	<u>248,250,422</u>
Deferred outflows of resources	<u>2,197,263</u>	<u>-</u>	<u>808,193</u>	<u>-</u>	<u>3,005,456</u>	<u>-</u>
Long-term liabilities	46,964,784	51,410,375	65,316,584	66,750,768	112,281,368	118,161,143
Other liabilities	<u>6,817,201</u>	<u>3,338,265</u>	<u>2,792,844</u>	<u>2,595,880</u>	<u>9,610,045</u>	<u>5,934,145</u>
Total liabilities	<u>53,781,985</u>	<u>54,748,640</u>	<u>68,109,428</u>	<u>69,346,648</u>	<u>121,891,413</u>	<u>124,095,288</u>
Net position:						
Net investment in capital assets	70,405,900	43,032,586	72,182,492	56,731,591	142,588,392	99,764,177
Restricted	2,478,503	937,727	2,023,278	3,865,092	4,501,781	4,802,819
Unrestricted	<u>8,814,024</u>	<u>9,333,986</u>	<u>15,652,269</u>	<u>10,254,152</u>	<u>24,466,293</u>	<u>19,588,138</u>
Total net position	<u>\$ 81,698,427</u>	<u>\$ 53,304,299</u>	<u>\$ 89,858,039</u>	<u>\$ 70,850,835</u>	<u>\$ 171,556,466</u>	<u>\$ 124,155,134</u>

An additional portion of the City of Leander’s net position (2.62%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$24,466,293, 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 four categories of net position for the government as a whole.

The City’s net position increased by \$48,357,909 during the current fiscal year. Almost all of this increase is due to increased capital contributions from developers.

CITY OF LEANDER’S CHANGES IN NET POSITION

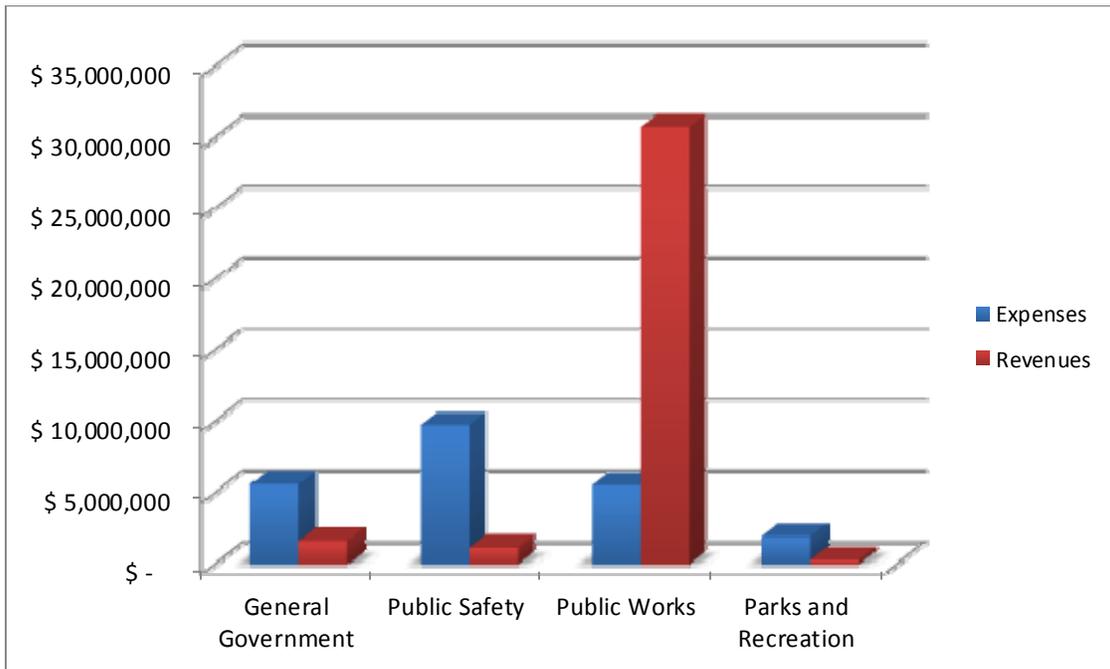
	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 8,705,342	\$ 6,724,969	\$ 19,398,358	\$ 17,360,567	\$ 28,103,700	\$ 24,085,536
Operating grants and contributions	250,483	264,410	-	9,276,384	250,483	9,540,794
Capital contributions	24,919,776	12,711,318	20,513,967			
General revenues:						
Property taxes	14,051,596	12,552,676	-	-	14,051,596	12,552,676
Other taxes	4,447,294	3,835,968	-	-	4,447,294	3,835,968
Interest income	31,219	14,402	28,838	13,473	60,057	27,875
Other income	89,086	46,435	-	28	89,086	46,463
Total revenues	<u>52,494,796</u>	<u>36,150,178</u>	<u>39,941,163</u>	<u>26,650,452</u>	<u>92,435,959</u>	<u>62,800,630</u>
Expenses:						
General government	5,604,656	4,828,779	-	-	5,604,656	4,828,779
Public safety	9,765,484	8,916,377	-	-	9,765,484	8,916,377
Public works	5,528,657	3,217,455	-	-	5,528,657	3,217,455
Parks and recreation	1,909,440	1,878,514	-	-	1,909,440	1,878,514
Interest on long-term debt	1,980,197	1,976,905	-	-	1,980,197	1,976,905
Utility services	-	-	17,895,837	18,091,925	17,895,837	18,091,925
Golf course	-	-	1,393,780	1,385,338	1,393,780	1,385,338
Total expenses	<u>24,788,433</u>	<u>20,818,030</u>	<u>19,289,617</u>	<u>19,477,263</u>	<u>44,078,050</u>	<u>40,295,293</u>
Increases in net position before transfers	27,706,363	15,332,148	20,651,546	7,173,189	48,357,909	22,505,337
Transfers	<u>1,107,800</u>	<u>875,000</u>	<u>(1,107,800)</u>	<u>(875,000)</u>	<u>-</u>	<u>-</u>
Change in net position	28,814,163	16,207,148	19,543,746	6,298,189	48,357,909	22,505,337
Net position, beginning	<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>
Prior period adjustment	<u>(420,035)</u>	<u>-</u>	<u>(536,542)</u>	<u>-</u>	<u>(956,577)</u>	<u>-</u>
Net position, ending	<u>\$ 81,698,427</u>	<u>\$ 53,304,299</u>	<u>\$ 89,858,039</u>	<u>\$ 70,850,835</u>	<u>\$ 171,556,466</u>	<u>\$ 124,155,134</u>

Governmental Activities

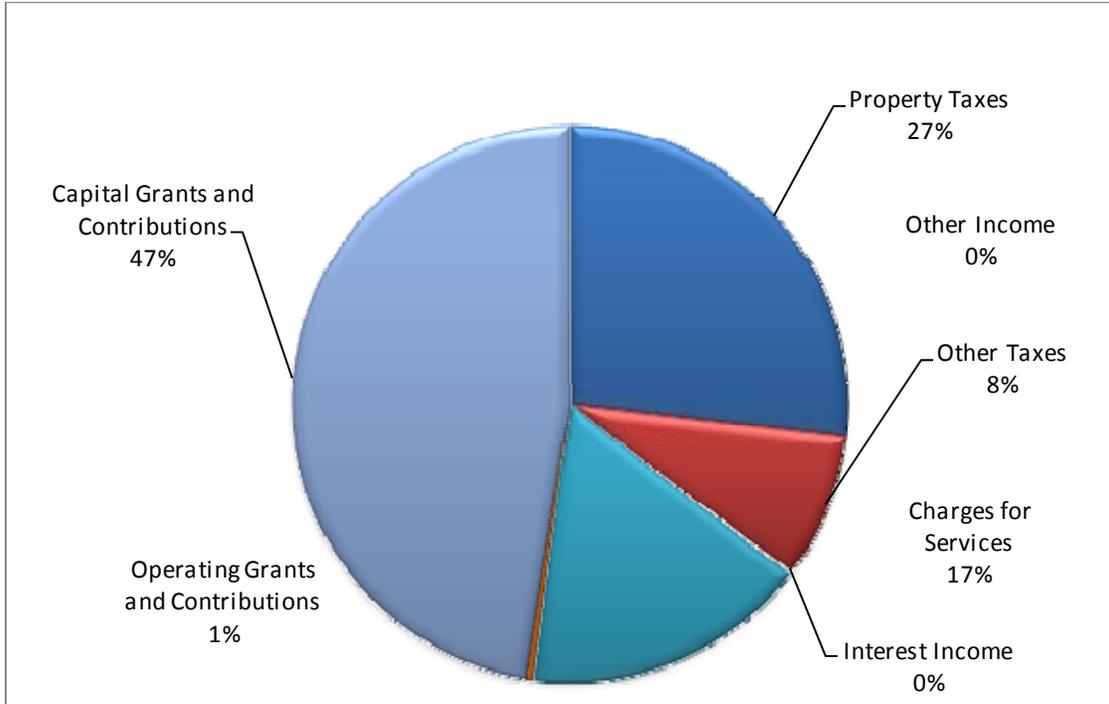
Governmental activities increased the City of Leander's net position by \$28,814,163. Key elements of this increase are as follows:

- Capital grants and contributions provided 47.47% of the City's governmental revenues. These include streets and drainage infrastructure contributed by developers and capital grants.
- Tax revenues (property, sales, franchise) provided 35.24% of the City's governmental revenues. Tax revenues increased by \$2,110,246 or 12.88% over 2013.

Expenses and Program Revenues – Governmental Activities



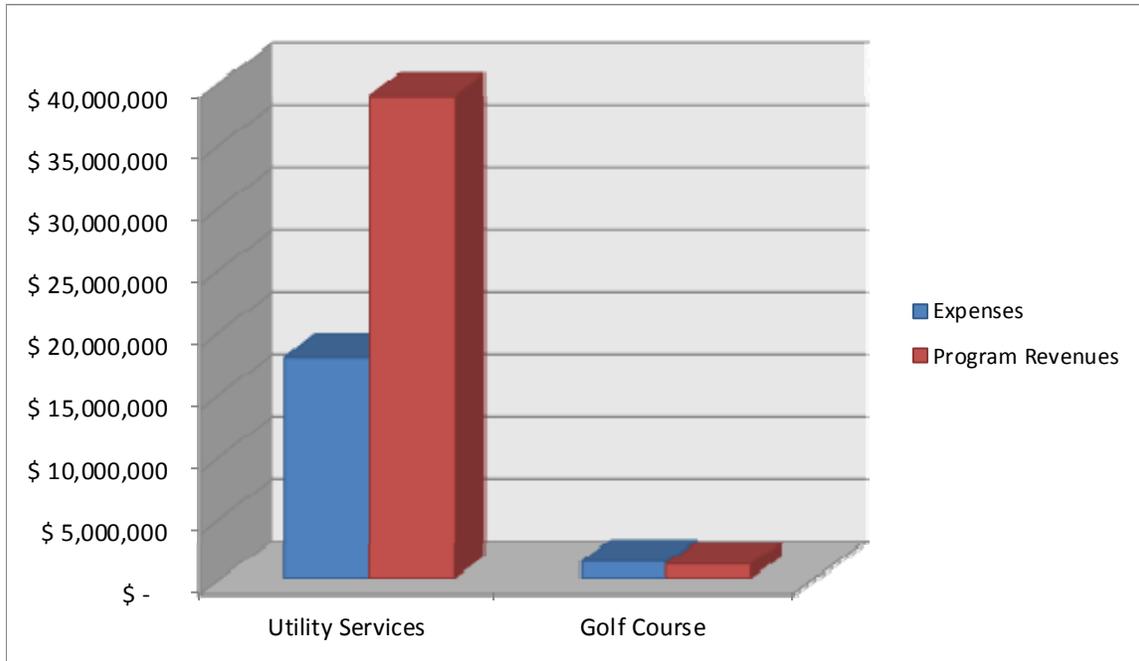
Revenues by Source – Governmental Activities



Business-type Activities

Business-type activities increased the City of Leander's net position by \$19,543,746. Key elements of this decrease are as follows.

- Capital grants and contributions provided 51.36% 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 2014. 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 \$11,945,836 an increase of \$227,097 in comparison of the prior year. Most of the increase is attributable to an increase in building and development-related fees, and sales tax revenue, partially offset by an increase in capital outlay expenditures in the current 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 \$8,934,605. 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 46.81% and 51.47%, respectively, of General Fund expenditures.

The fund balance of the City of Leander's General Fund increased \$1,077,067 during the current fiscal year. The key factor in this increase was better than budget performance across the board for revenues and expenditures in most departments.

The Debt Service Fund experienced an increase in fund balance of \$243,611 during 2014, representing an increase in fund balance of 40.28% from 2013.

The Capital Projects Fund experienced a decrease in fund balance of \$1,894,077 during 2014, representing a decrease in fund balance of 115.47% due to ongoing construction activities.

Proprietary Funds

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

Unrestricted net position of the Utility Fund at the end of the year amounted to \$15,715,630. Unrestricted net position of the Golf Course Fund at the end of the year amounted to a deficit of \$63,361. The Utility Fund experienced an increase in net position of \$19,593,112 during 2014, representing an increase in net position of 28.87% from 2013. The Golf Course Fund experienced a decrease in net position of \$49,366 during 2014, representing a decrease in net position of 1.66% from 2013, due to depreciation expense.

General Fund Budgetary Highlights

Actual revenues were greater than budgeted revenues by \$4,452,367. This is mostly attributable to the increase in building and development-related fees and sales tax revenues over projections. Actual expenditures were below final budgeted expenditures by \$321,124, mainly due to less actual capital expenditures than budgeted.

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, 2014, amounts to \$255,889,585 (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		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,972,490	\$ 1,734,940	\$ 2,331,833	\$ 2,331,833	\$ 4,304,323	\$ 4,066,773
Construction in progress	20,623,222	23,861,622	5,571,758	6,139,780	26,194,980	30,001,402
Buildings and improvements	18,871,651	18,871,651	1,350,034	1,350,034	20,221,685	20,221,685
Machinery and equipment	8,913,441	8,148,036	1,753,250	1,654,270	10,666,691	9,802,306
Infrastructure and system	90,742,680	59,683,724	149,122,394	130,570,072	239,865,074	190,253,796
Less: accumulated depreciation	(22,931,639)	(19,904,531)	(22,431,529)	(19,501,783)	(45,363,168)	(39,406,314)
Total capital assets	\$ <u>118,191,845</u>	\$ <u>92,395,442</u>	\$ <u>137,697,740</u>	\$ <u>122,544,206</u>	\$ <u>255,889,585</u>	\$ <u>214,939,648</u>

Additional information regarding the City's capital assets can be found in Note IV B on pages 36 – 37 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 \$47,255,000 and a note payable of \$486,250, which the City expects to retire through the Debt Service Fund. The City has long-term bonded debt outstanding of \$54,569,727 (including bond premiums) and a note payable of \$10,592,113 at September 30, 2014, in the Utility Fund.

Additional information on the City of Leander's long-term debt can be found in Note IV D on pages 38 – 42 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City adopted a tax rate of \$0.65292 (\$0.41864 for maintenance and operations and \$0.23428 for interest and sinking) for fiscal year 2015.
- The average number of water accounts increased by 1,212 to 11,499 in 2014 from 10,287 in 2013, an increase of 11.78%. This trend in growth is expected to continue.
- In 2014, the City approved forty-five (45) final plats which included 2,560 single-family lots.

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.

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**BASIC
FINANCIAL STATEMENTS**

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CITY OF LEANDER, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 13,438,725	\$ 7,642,413	\$ 21,081,138
Receivables (net of allowance)			
Taxes	1,081,573	-	1,081,573
Accounts	533,337	1,656,656	2,189,993
Due from other governments	96,643	334,209	430,852
Internal balances	(59,200)	59,200	-
Inventory	-	30,474	30,474
Prepaid items	226	-	226
Restricted cash and investments	-	7,153,140	7,153,140
Investment in joint venture	-	2,585,442	2,585,442
Capital assets:			
Non-depreciable	22,595,712	7,903,592	30,499,304
Depreciable	95,596,133	129,794,148	225,390,281
Total assets	133,283,149	157,159,274	290,442,423
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	2,197,263	808,193	3,005,456
Total deferred outflows of resources	2,197,263	808,193	3,005,456
LIABILITIES			
Accounts payable	1,172,519	481,827	1,654,346
Accrued liabilities	575,480	523,961	1,099,441
Customer deposits	3,370	1,309,870	1,313,240
Deposits in escrow	1,039,406	477,186	1,516,592
Unearned revenue	128,876	-	128,876
Noncurrent liabilities:			
Due within one year	3,897,550	3,197,668	7,095,218
Due in more than one year	46,964,784	62,118,916	109,083,700
Total liabilities	53,781,985	68,109,428	121,891,413
NET POSITION			
Net investment in capital assets	70,405,900	72,182,492	142,588,392
Restricted for:			
Capital projects	-	1,871,021	1,871,021
Debt service	596,584	152,257	748,841
Public broadcasting	385,254	-	385,254
Traffic impact analysis	452,931	-	452,931
Court security	74,061	-	74,061
Court technology	22,325	-	22,325
Parks dedication	731,573	-	731,573
Police	49,740	-	49,740
Traffic enforcement	163,350	-	163,350
CID/HRT	2,211	-	2,211
Hotel occupancy	474	-	474
Unrestricted	8,814,024	15,652,269	24,466,293
Total net position	\$ 81,698,427	\$ 89,858,039	\$ 171,556,466

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

CITY OF LEANDER, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 5,604,656	\$ 1,632,428	\$ 12,995	\$ -
Public safety	9,765,484	927,893	236,077	-
Public works	5,528,657	6,031,625	-	24,712,872
Parks and recreation	1,909,440	113,396	1,411	206,904
Interest and fiscal charges	<u>1,980,197</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>24,788,433</u>	<u>8,705,342</u>	<u>250,483</u>	<u>24,919,776</u>
Business-type activities:				
Utility services	17,895,837	18,246,944	-	20,513,967
Golf course	<u>1,393,780</u>	<u>1,151,414</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>19,289,617</u>	<u>19,398,358</u>	<u>-</u>	<u>20,513,967</u>
Total primary government	<u>\$ 44,078,050</u>	<u>\$ 28,103,700</u>	<u>\$ 250,483</u>	<u>\$ 45,433,743</u>
General revenues:				
Taxes:				
Property				
Sales				
Franchise				
Mixed beverage				
Interest				
Gain on sale of capital assets				
Other				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Prior period adjustment				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$(3,959,233)	\$ -	\$(3,959,233)
(8,601,514)	-	(8,601,514)
25,215,840	-	25,215,840
(1,587,729)	-	(1,587,729)
(1,980,197)	-	(1,980,197)
9,087,168	-	9,087,168
-	20,865,074	20,865,074
-	(242,366)	(242,366)
-	20,622,708	20,622,708
9,087,168	20,622,708	29,709,876
14,051,596	-	14,051,596
2,986,133	-	2,986,133
1,455,641	-	1,455,641
5,520	-	5,520
31,219	28,838	60,057
45,653	-	45,653
43,433	-	43,433
1,107,800	(1,107,800)	-
19,726,995	(1,078,962)	18,648,033
28,814,163	19,543,746	48,357,909
53,304,299	70,850,835	124,155,134
(420,035)	(536,542)	(956,577)
\$ 81,698,427	\$ 89,858,039	\$ 171,556,466

CITY OF LEANDER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS			
Cash and investments	\$ 10,519,035	\$ 844,478	\$ 223,107
Taxes receivable, net of allowance	1,018,569	63,004	-
Due from other governments	96,643	-	-
Other receivables, net of allowance	533,337	-	-
Prepaid items	226	-	-
Due from other funds	<u>130,000</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 12,297,810</u>	<u>\$ 907,482</u>	<u>\$ 223,107</u>
LIABILITIES			
Accounts payable	\$ 688,431	\$ -	\$ 476,837
Due to other funds	-	-	-
Accrued liabilities	264,582	-	-
Customer deposits	2,370	-	-
Deposits in escrow	1,039,406	-	-
Unearned revenue	<u>1,882</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,996,671</u>	<u>-</u>	<u>476,837</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	93,108	59,053	-
Unavailable revenue-court fines and fees	<u>384,554</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>477,662</u>	<u>59,053</u>	<u>-</u>
FUND BALANCES			
Nonspendable-prepaid items	226	-	-
Restricted for:			
Debt service	-	848,429	-
Public broadcasting	385,254	-	-
Traffic impact analysis	-	-	-
Court security	-	-	-
Court technology	-	-	-
Parks dedication	-	-	-
Police	-	-	-
Traffic enforcement	-	-	-
CID/HRT	-	-	-
Hotel occupancy	-	-	-
Committed:			
Bryson Farmstead	22,693	-	-
Public safety	-	-	-
Culture and recreation	-	-	-
Assigned:			
Equipment and vehicles	480,699	-	-
Unassigned	<u>8,934,605</u>	<u>-</u>	<u>(253,730)</u>
Total fund balances	<u>9,823,477</u>	<u>848,429</u>	<u>(253,730)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,297,810</u>	<u>\$ 907,482</u>	<u>\$ 223,107</u>

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

<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 1,852,105	\$ 13,438,725
-	1,081,573
-	96,643
-	533,337
-	226
-	130,000
<u>\$ 1,852,105</u>	<u>\$ 15,280,504</u>
\$ 7,251	\$ 1,172,519
189,200	189,200
-	264,582
1,000	3,370
-	1,039,406
<u>126,994</u>	<u>128,876</u>
<u>324,445</u>	<u>2,797,953</u>
-	152,161
<u>-</u>	<u>384,554</u>
<u>-</u>	<u>536,715</u>
-	226
-	848,429
-	385,254
452,931	452,931
74,061	74,061
22,325	22,325
731,573	731,573
49,740	49,740
163,350	163,350
2,211	2,211
474	474
-	22,693
24,633	24,633
17,582	17,582
-	480,699
<u>(11,220)</u>	<u>8,669,655</u>
<u>1,527,660</u>	<u>11,945,836</u>
<u>\$ 1,852,105</u>	<u>\$ 15,280,504</u>

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CITY OF LEANDER, TEXAS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2014

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balances of governmental funds		\$ 11,945,836
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		118,191,845
Long-term liabilities (bonds payable, notes payable, capital leases payable, and etc.) are not due and payable in the current period and therefore have not been included in the fund financial statements.		
Principal on bonds payable	(47,255,000)	
Principal on PPFC tax pledge	(486,250)	
Premium on bonds	(2,241,958)	
Net pension obligation	(419,852)	
Net OPEB obligation	(41,454)	
Compensated absences	(417,820)	
Deferred loss on refunding	<u>2,197,263</u>	
		(48,665,071)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due.		(310,898)
Revenues from property taxes and fines are deferred inflows of resources in the fund financial statements, but such revenues are recognized in the government-wide financial statements.		<u>536,715</u>
Net position of governmental activities		<u>\$ 81,698,427</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, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
REVENUES			
Taxes:			
Property	\$ 8,885,806	\$ 4,948,698	\$ -
Franchise	1,455,641	-	-
Sales	2,986,133	-	-
Mixed beverage	5,520	-	-
Licenses, permits and fees	5,639,949	-	-
Intergovernmental	476,013	-	-
Fines and forfeitures	458,314	-	-
Charges for services	1,863,485	-	-
Interest	26,456	1,531	735
Donations and contributions	46,845	-	1,254,121
Other	43,433	-	-
Total revenues	<u>21,887,595</u>	<u>4,950,229</u>	<u>1,254,856</u>
EXPENDITURES			
Current:			
General government	5,440,866	-	-
Public safety	8,769,637	-	-
Public works	2,339,480	-	-
Parks and recreation	1,471,384	-	-
Debt service:			
Principal retirement	-	2,873,750	-
Interest and fiscal charges	2,022	1,921,579	-
Capital outlay	1,062,657	-	5,998,457
Total expenditures	<u>19,086,046</u>	<u>4,795,329</u>	<u>5,998,457</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,801,549</u>	<u>154,900</u>	<u>(4,743,601)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,490,000	88,711	2,849,524
Transfers out	(3,317,235)	-	-
Sale of capital assets	102,753	-	-
Total other financing sources and uses	<u>(1,724,482)</u>	<u>88,711</u>	<u>2,849,524</u>
NET CHANGE IN FUND BALANCES	1,077,067	243,611	(1,894,077)
FUND BALANCES, BEGINNING	8,429,633	604,818	1,640,347
PRIOR PERIOD ADJUSTMENT	<u>316,777</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 9,823,477</u>	<u>\$ 848,429</u>	<u>\$(253,730)</u>

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

<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 192,960	\$ 14,027,464
-	1,455,641
-	2,986,133
-	5,520
382,934	6,022,883
-	476,013
148,856	607,170
57,557	1,921,042
2,497	31,219
878,438	2,179,404
-	43,433
<u>1,663,242</u>	<u>29,755,922</u>
58,673	5,499,539
48,894	8,818,531
-	2,339,480
18,853	1,490,237
-	2,873,750
-	1,923,601
<u>733,126</u>	<u>7,794,240</u>
<u>859,546</u>	<u>30,739,378</u>
<u>803,696</u>	<u>(983,456)</u>
200,000	4,628,235
(203,200)	(3,520,435)
-	102,753
<u>(3,200)</u>	<u>1,210,553</u>
800,496	227,097
703,670	11,378,468
<u>23,494</u>	<u>340,271</u>
<u>\$ 1,527,660</u>	<u>\$ 11,945,836</u>

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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, 2014

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$	227,097
<p>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 outlays exceeded depreciation in the current period.</p>		25,796,403
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		2,884,349
<p>Compensated absences, net pension obligations, and net OPEB obligations that are not due and payable are not reported in the fund financial statements. The net effect of the current year's change in compensated absences, net pension obligations, and net OPEB obligations.</p>	(139,045)
<p>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.</p>	(67,195)
<p>Revenues from property taxes and fines that do not provide current financial resources are not reported as revenues in the funds.</p>		<u>112,554</u>
Change in net position of governmental activities	\$	<u>28,814,163</u>

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

CITY OF LEANDER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Funds		Totals
	Utility	Golf Course	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,627,919	\$ 14,494	\$ 7,642,413
Accounts receivable, net	1,653,777	2,879	1,656,656
Due from other governments	334,209	-	334,209
Due from other funds	59,200	-	59,200
Inventory	-	30,474	30,474
Restricted cash and cash equivalents	7,153,140	-	7,153,140
Total current assets	<u>16,828,245</u>	<u>47,847</u>	<u>16,876,092</u>
Non-current assets:			
Investment in joint venture	2,585,442	-	2,585,442
Capital assets, net:			
Non-depreciable	5,818,007	2,085,585	7,903,592
Depreciable	128,864,510	929,638	129,794,148
Total capital assets	<u>134,682,517</u>	<u>3,015,223</u>	<u>137,697,740</u>
Total non-current assets	<u>137,267,959</u>	<u>3,015,223</u>	<u>140,283,182</u>
Total assets	<u>154,096,204</u>	<u>3,063,070</u>	<u>157,159,274</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	808,193	-	808,193
Total deferred outflows of resources	<u>808,193</u>	<u>-</u>	<u>808,193</u>
LIABILITIES			
Current liabilities:			
Accounts payable	452,512	29,315	481,827
Accrued liabilities	503,385	20,576	523,961
Customer deposits	1,309,870	-	1,309,870
Deposits in escrow	477,186	-	477,186
Compensated absences payable	9,498	7,306	16,804
Bonds payable	2,724,788	-	2,724,788
Note payable	452,375	-	452,375
Capital lease obligation	-	3,701	3,701
Total current liabilities	<u>5,929,614</u>	<u>60,898</u>	<u>5,990,512</u>
Non-current liabilities:			
Net pension obligation	31,208	28,849	60,057
Net OPEB obligation	5,028	3,245	8,273
Compensated absences payable	28,494	21,917	50,411
Note payable	10,139,738	-	10,139,738
Bonds payable	51,844,939	-	51,844,939
Capital leases obligation	-	15,498	15,498
Total non-current liabilities	<u>62,049,407</u>	<u>69,509</u>	<u>62,118,916</u>
Total liabilities	<u>67,979,021</u>	<u>130,407</u>	<u>68,109,428</u>
NET POSITION			
Net investment in capital assets	69,186,468	2,996,024	72,182,492
Restricted for:			
Capital projects	1,871,021	-	1,871,021
Debt service	152,257	-	152,257
Unrestricted	<u>15,715,630</u>	<u>(63,361)</u>	<u>15,652,269</u>
Total net position	<u>\$ 86,925,376</u>	<u>\$ 2,932,663</u>	<u>\$ 89,858,039</u>

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

CITY OF LEANDER, TEXAS

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities Enterprise Funds		
	<u>Utility</u>	<u>Golf Course</u>	<u>Totals</u>
OPERATING REVENUE			
Charges for sales and services	\$ 18,223,719	\$ 1,151,414	\$ 19,375,133
Other	<u>23,225</u>	<u>-</u>	<u>23,225</u>
Total operating revenues	<u>18,246,944</u>	<u>1,151,414</u>	<u>19,398,358</u>
OPERATING EXPENSES			
Personnel services	1,399,045	839,992	2,239,037
Supplies and maintenance	1,145,742	337,450	1,483,192
Services and other	10,425,978	148,463	10,574,441
Depreciation	<u>2,861,872</u>	<u>67,875</u>	<u>2,929,747</u>
Total operating expenses	<u>15,832,637</u>	<u>1,393,780</u>	<u>17,226,417</u>
OPERATING INCOME (LOSS)	<u>2,414,307</u>	<u>(242,366)</u>	<u>2,171,941</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	28,838	-	28,838
Interest expense and fees	<u>(2,063,200)</u>	<u>-</u>	<u>(2,063,200)</u>
Total nonoperating revenues (expenses)	<u>(2,034,362)</u>	<u>-</u>	<u>(2,034,362)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>379,945</u>	<u>(242,366)</u>	<u>137,579</u>
CAPITAL CONTRIBUTIONS			
Contributions from developers	14,100,695	-	14,100,695
Impact fees	<u>6,413,272</u>	<u>-</u>	<u>6,413,272</u>
Total capital contributions	<u>20,513,967</u>	<u>-</u>	<u>20,513,967</u>
TRANSFERS IN	59,200	193,000	252,200
TRANSFERS OUT	<u>(1,360,000)</u>	<u>-</u>	<u>(1,360,000)</u>
CHANGE IN NET POSITION	19,593,112	<u>(49,366)</u>	19,543,746
NET POSITION, BEGINNING	67,868,806	2,982,029	70,850,835
PRIOR PERIOD ADJUSTMENT	<u>(536,542)</u>	<u>-</u>	<u>(536,542)</u>
NET POSITION, ENDING	<u>\$ 86,925,376</u>	<u>\$ 2,932,663</u>	<u>\$ 89,858,039</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, 2014

	Business-type Activities Enterprise Funds		Totals
	Utility	Golf Course	
	<u> </u>	<u> </u>	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 18,248,601	\$ 1,150,163	\$ 19,398,764
Payments to employees	(1,423,009)	(838,234)	(2,261,243)
Payments to suppliers	(12,078,141)	(482,140)	(12,560,281)
Net cash provided (used) by operating activities	<u>4,747,451</u>	<u>(170,211)</u>	<u>4,577,240</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	10,000	193,000	203,000
Transfers to other funds	(1,360,000)	-	(1,360,000)
Net cash provided (used) by noncapital financing activities	<u>(1,350,000)</u>	<u>193,000</u>	<u>(1,157,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	6,451,767	-	6,451,767
Acquisition of capital assets	(3,952,175)	(30,411)	(3,982,586)
Principal paid on long-term debt	(2,228,861)	10,911	(2,217,950)
Interest paid on long-term debt	(2,095,104)	-	(2,095,104)
Net cash used by capital and related financing activities	<u>(1,824,373)</u>	<u>(19,500)</u>	<u>(1,843,873)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>28,838</u>	-	<u>28,838</u>
Net cash provided by investing activities	<u>28,838</u>	-	<u>28,838</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,601,916	3,289	1,605,205
CASH AND CASH EQUIVALENTS, BEGINNING	<u>13,179,143</u>	<u>11,205</u>	<u>13,190,348</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 14,781,059</u>	<u>\$ 14,494</u>	<u>\$ 14,795,553</u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	\$ 7,627,919	\$ 14,494	\$ 7,642,413
Restricted cash and cash equivalents	<u>7,153,140</u>	-	<u>7,153,140</u>
Total cash and cash equivalents	<u>\$ 14,781,059</u>	<u>\$ 14,494</u>	<u>\$ 14,795,553</u>

CITY OF LEANDER, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities Enterprise Funds		
	<u>Utility</u>	<u>Golf Course</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 2,414,307	\$(242,366)	\$ 2,171,941
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	2,861,872	67,875	2,929,747
(Increase) decrease in accounts receivable	(137,710)	(1,251)	(138,961)
(Increase) decrease in inventory	-	541	541
(Increase) decrease in due from other governments	9,871	-	9,871
(Increase) decrease in investment in joint venture	(394,404)	-	(394,404)
Increase (decrease) in accounts payable	(112,017)	3,232	(108,785)
Increase (decrease) in accrued liabilities	(30,335)	652	(29,683)
Increase (decrease) in customer deposits	129,496	-	129,496
Increase (decrease) in net pension obligation	5,028	2,380	7,408
Increase (decrease) in net OPEB obligation	4,213	3,245	7,458
Increase (decrease) in compensated absences	<u>(2,870)</u>	<u>(4,519)</u>	<u>(7,389)</u>
Net cash provided (used) by operating activities	<u>\$ 4,747,451</u>	<u>\$(170,211)</u>	<u>\$ 4,577,240</u>
NONCASH CAPITAL AND FINANCING ACTIVITIES			
Infrastructure contributed by developers	<u>\$ 14,100,695</u>	<u>\$ -</u>	<u>\$ 14,100,695</u>

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

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CITY OF LEANDER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Leander, Texas (the “City”) was incorporated in 1978 under the laws 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 Government Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. A blended component unit is, in substance, part of the primary government’s operations, even though legally a separate entity. Thus, the blended component unit is appropriately presented as a fund of the primary government. The Tax Increment Reinvestment Zone #1 (TIRZ) has been included in the City’s reporting entity as a blended component unit.

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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 City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary fund and blended component unit. Separate statement for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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 City reports the following major Enterprise Funds:

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

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

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances at year end are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type column.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources or economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The 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 City considers revenues to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Investments

For purposes of the statement of cash flows for the proprietary fund types, the City considers all highly liquid investments (including restricted assets) to be cash equivalents. 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 cost using the first-in/first-out (FIFO) method and consists of golf course goods for sale. The cost of such inventory is recorded as an expense at the point of sale.

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 improvements.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectible. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectible. The property tax receivable allowance is based on historical collection rate percentages. The City recognizes penalties and interest due on delinquent taxes receivable as a component of delinquent taxes receivable.

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 amounts represents the City's share in the joint venture' net position at year-end.

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 value on the date of donation. 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.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City did not capitalize infrastructure built and/or acquired prior to fiscal year 2001. These items built and/or acquired beginning in fiscal year 2001 are capitalized.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. 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 enterprise funds in fiscal year 2014.

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

Assets	Years
Buildings and improvements	15-30
Utility distribution system	50
Streets and drainage infrastructure	40
Equipment	5-10

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position represents the difference between assets, deferred inflows/outflows of resources and liabilities. Net position investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

E. Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *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. All taxes including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues*.

Property Taxes

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

The tax rate for the October 1, 2013, levy was \$.66792 (\$.43142 for general government and \$.23650 for debt service) per \$100 of assessed valuation.

The Texas Property Tax Code requires all property to be assessed on the basis of 100% of appraised value. The value of property must be reviewed at least every three years.

Under the Property Tax Code, if the effective tax rate, excluding tax rates for bonds and other contractual obligations adjusted for new improvements and revaluations, exceeds the rate for the previous years by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

Compensated Absences

The City’s employees earn vacation, which may either be taken or accumulated, up to certain amounts, until paid upon resignation or retirement. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the 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. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include cost of sales and services, administrative expenses, and depreciation expense on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Prior Period Adjustments

During the current year, it was determined that the City should have recognized \$316,777, of PEG revenue and \$23,494 of court fines in a previous period. As a result beginning fund balance in the general fund and other governmental funds was restated by \$316,777, and \$23,494, respectively, as of October 1, 2013.

As the result of implementing GASB Statement 65, the City has decreased beginning net position as of October 1, 2013, by \$760,306 and \$536,542 for the governmental activities and business-type activities respectively. This decrease results from no longer deferring and amortizing bond issuance costs.

Further, the City has reclassified its deferred loss on bond refunding, previously reported as a component of long-term debt, to deferred outflows of resources in the government-wide statements in accordance with GASB Statement 65. The effect of this change increases the long-term liabilities of the governmental activities and business-type activities by \$2,348,355, and \$907,934, respectively, and corresponds to an increase in deferred outflows of resources as of October 1, 2013.

Deficit Fund Balance

As of year-end the capital projects fund had a deficit fund balance of \$253,730. This deficit fund balance will be funded with bond proceeds.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash and Investments

Cash and investment balances for most of the City's funds are consolidated in pooled cash and investment accounts. Pooled balances include amounts in demand deposits, local government investment pools and United States (U. S.) Agency Securities. Interest earnings are then allocated monthly to each fund based on its pooled equity balance. Separate cash and investment accounts are maintained for interest and sinking funds (debt service).

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 United State 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 funds that are (a) registered and regulated by the Securities and Exchange Commission, (b) have a dollar weighted average stated maturity 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, 2014, the City had the following investments:

Investment Type	Maturity Date	Fair Value	Weighted Average Maturity (Days)	Rating
Texas Term	NA	\$ 1,046,580	41.6	AAAf
TexStar	NA	1,349,675	51.0	AAAm
TexPool	NA	3,243,394	48.0	AAAm
Leander ISD - Bonds	8/15/2015	4,731,808	319.0	AAA
Freddie Mac	8/19/2016	<u>1,933,336</u>	689.0	AA+
Total Fair Value		<u>\$ 12,304,793</u>		

The City utilizes the following local government investment pools for its short-term liquidity investments needs: Texas Short-term Asset Reserve Program (TexStar), Texas Local Government Investment Pool (TexPool) and Texas Term. The local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These pools utilize amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value is the same as the value of shares.

The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an Advisory Board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

JP Morgan Fleming Asset Management, Inc. and First Southwest Asset Management, Inc. serve as co-administrators under an agreement with the TexStar board of directors to provide investment and participant services for this pool. JP Morgan Chase Bank or its subsidiary, JP Morgan Investor Services Co. provides the custodial, transfer agency, fund accounting, and depository services for this pool.

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

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting weighted average maturity of the 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.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2014, the City's deposit balance was covered by FDIC – Temporary Liquidity Guarantee Program or with securities held by the pledging financial institution in the City's name.

Credit Risk. State law and City policy limit investments to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2014, the City's investments were rated by Standard & Poor's with ratings as noted above.

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 Cash and Investments

As of September 30, 2014, the City held restricted cash and investments of \$7,153,140 for the following purposes:

Proprietary Funds:	
Utility - construction	\$ 7,000,883
Utility - debt service	<u>152,257</u>
Total proprietary funds - restricted cash and investments	<u>\$ 7,153,140</u>

Receivables

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

	General	Debt Service	Utility	Golf Course	Total
Receivables:					
Property taxes	\$ 126,509	\$ 74,524	\$ -	\$ -	\$ 201,033
Franchise fees, sales and use tax	901,526	-	-	-	901,526
Accounts	224,822	-	2,549,003	2,879	2,776,851
Court fines	<u>1,891,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,891,415</u>
Gross receivables	3,144,272	74,524	2,549,003	2,879	5,770,825
Less: allowance for uncollectible	<u>(1,592,366)</u>	<u>(11,520)</u>	<u>(895,226)</u>	<u>-</u>	<u>(2,499,112)</u>
Net total receivables	<u>\$ 1,551,906</u>	<u>\$ 63,004</u>	<u>\$ 1,653,777</u>	<u>\$ 2,879</u>	<u>\$ 3,271,713</u>

B. Capital Assets

Capital assets activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,734,940	\$ 237,550	\$ -	\$ 1,972,490
Construction in progress	<u>23,861,622</u>	<u>5,248,006</u>	<u>(8,486,406)</u>	<u>20,623,222</u>
Total assets not being depreciated	<u>25,596,562</u>	<u>5,485,556</u>	<u>(8,486,406)</u>	<u>22,595,712</u>
Capital assets, being depreciated:				
Buildings and improvements	18,871,651	-	-	18,871,651
Machinery and equipment	8,148,036	1,061,154	(295,749)	8,913,441
Streets and drainage infrastructure	<u>59,683,724</u>	<u>31,058,956</u>	<u>-</u>	<u>90,742,680</u>
Total capital assets being depreciated	<u>86,703,411</u>	<u>32,120,110</u>	<u>(295,749)</u>	<u>118,527,772</u>
Less accumulated depreciation:				
Buildings and improvements	(5,069,661)	(759,584)	-	(5,829,245)
Machinery and equipment	(5,611,103)	(625,541)	238,649	(5,997,995)
Streets and drainage infrastructure	<u>(9,223,767)</u>	<u>(1,880,632)</u>	<u>-</u>	<u>(11,104,399)</u>
Total accumulated depreciation	<u>(19,904,531)</u>	<u>(3,265,757)</u>	<u>238,649</u>	<u>(22,931,639)</u>
Total capital assets being depreciated, net	<u>66,798,880</u>	<u>28,854,353</u>	<u>(57,100)</u>	<u>95,596,133</u>
Government activities capital assets, net	<u>\$ 92,395,442</u>	<u>\$ 34,339,909</u>	<u>\$ (8,543,506)</u>	<u>\$ 118,191,845</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,331,833	\$ -	\$ -	\$ 2,331,833
Construction in progress	<u>6,139,780</u>	<u>3,837,390</u>	<u>(4,405,412)</u>	<u>5,571,758</u>
Total assets not being depreciated	<u>8,471,613</u>	<u>3,837,390</u>	<u>(4,405,412)</u>	<u>7,903,591</u>
Capital assets, being depreciated:				
Buildings and improvements	1,350,034	-	-	1,350,034
Machinery and equipment	1,654,270	98,980	-	1,753,250
Streets and drainage infrastructure	<u>130,570,072</u>	<u>18,552,322</u>	<u>-</u>	<u>149,122,394</u>
Total capital assets being depreciated	<u>133,574,376</u>	<u>18,651,302</u>	<u>-</u>	<u>152,225,678</u>
Less accumulated depreciation:				
Buildings and improvements	(458,638)	(53,802)	-	(512,440)
Machinery and equipment	(910,500)	(79,254)	-	(989,754)
Streets and drainage infrastructure	<u>(18,132,645)</u>	<u>(2,796,690)</u>	<u>-</u>	<u>(20,929,335)</u>
Total accumulated depreciation	<u>(19,501,783)</u>	<u>(2,929,746)</u>	<u>-</u>	<u>(22,431,529)</u>
Total capital assets being depreciated, net	<u>114,072,593</u>	<u>15,721,556</u>	<u>-</u>	<u>129,794,149</u>
Business-type activities capital assets, net	<u>\$ 122,544,206</u>	<u>\$ 19,558,946</u>	<u>\$ (4,405,412)</u>	<u>\$ 137,697,740</u>

Depreciation expense was charged to the City's programs as follows:

Governmental activities:	
General government	\$ 77,496
Public safety	857,692
Public works	1,919,545
Parks and recreation	<u>411,024</u>
Total depreciation expense - governmental activities	<u>\$ 3,265,757</u>
Business-type activities:	
Utility services	\$ 2,861,871
Golf course	<u>67,875</u>
Total depreciation expense - business-type activities	<u>\$ 2,929,746</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2014, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 130,000
Utility	Nonmajor governmental	<u>59,200</u>
		<u>\$ 189,200</u>

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures occur, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The composition of interfund transfers for the year ended September 30, 2014, is as follows:

Interfund Transfers:

	<u>Transfers Out</u>			<u>Totals</u>
	<u>General</u>	<u>Utility</u>	<u>Other Governmental</u>	
Transfers in:				
General	\$ -	\$ 1,360,000	\$ 130,000	\$ 1,490,000
Debt service	88,711	-	-	88,711
Capital projects	2,835,524	-	14,000	2,849,524
Other governmental	200,000	-	-	200,000
Utility	-	-	59,200	59,200
Golf course	<u>193,000</u>	<u>-</u>	<u>-</u>	<u>193,000</u>
Total transfers out	<u>\$ 3,317,235</u>	<u>\$ 1,360,000</u>	<u>\$ 203,200</u>	<u>\$ 4,880,435</u>

The transfers in the amount of \$1,360,000 to the General Fund from the Utility Fund were for a payment in lieu of taxes and indirect costs recovery. The transfer from the General Fund to the Capital Projects Fund was to fund various road projects. A transfer to the General fund from the TIRZ for \$130,000 was for administrative cost and the transfers from the TIRZ to the utility fund was to fund the Hero Way Waterline Project. The remainder of the transfers was to subsidize other programs.

D. Long-term Debt

The following is a summary of long-term debt transactions of the City for the fiscal year ended September 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 50,050,000	\$ -	\$ 2,795,000	\$ 47,255,000	\$ 3,555,000
Premium on bonds	2,400,657	-	158,699	2,241,958	158,699
PPFC tax pledge	565,000	-	78,750	486,250	79,396
Capital leases	2,992	-	2,992	-	-
Net pension obligation	385,865	33,987	-	419,852	-
Net OPEB obligation	-	41,454	-	41,454	-
Compensated absences	<u>354,216</u>	<u>550,762</u>	<u>487,158</u>	<u>417,820</u>	<u>104,455</u>
Governmental activity long-term liabilities	<u>\$ 53,758,730</u>	<u>\$ 626,203</u>	<u>\$ 3,522,599</u>	<u>\$ 50,862,334</u>	<u>\$ 3,897,550</u>
Business-type activities					
Revenue bonds	\$ 54,857,000	\$ -	\$ 1,776,000	\$ 53,081,000	\$ 2,585,000
Premium on bonds	1,628,515	-	139,788	1,488,727	139,788
Note payable	11,031,313	-	439,200	10,592,113	452,375
Capital leases	13,802	19,059	13,662	19,199	3,701
Net pension obligation	53,464	6,593	-	60,057	-
Net OPEB obligation	-	8,273	-	8,273	-
Compensated absences	<u>74,604</u>	<u>100,919</u>	<u>108,308</u>	<u>67,215</u>	<u>16,804</u>
Business-type activity long-term liabilities	<u>\$ 67,658,698</u>	<u>\$ 134,844</u>	<u>\$ 2,476,958</u>	<u>\$ 65,316,584</u>	<u>\$ 3,197,668</u>

For the governmental activities, the General Fund generally liquidates compensated absences, capital leases payable, net pension obligation, and net OPEB obligation.

General Obligation Debt

The annual requirements to retire general obligation bonds, including interest, as of September 30, 2014, are as follows:

Year Ending September 30,	Principal	Interest	Total
2015	\$ 3,555,000	\$ 1,815,718	\$ 5,370,718
2016	3,690,000	1,692,943	5,382,943
2017	3,780,000	1,562,793	5,342,793
2018	3,955,000	1,426,143	5,381,143
2019	4,160,000	1,274,367	5,434,367
2020-2025	19,130,000	3,966,880	23,096,880
2026-2030	8,500,000	807,750	9,307,750
2030-2035	<u>485,000</u>	<u>19,400</u>	<u>504,400</u>
Total	<u>\$ 47,255,000</u>	<u>\$ 12,565,992</u>	<u>\$ 59,820,994</u>

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

A summary of tax-supported general obligation debt outstanding at September 30, 2014, 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%.	\$ 2,890,000
\$4,630,000 Series 2009 Refunding Bonds, due in annual installments of \$125,000 to \$1,010,000 through August 15, 2017; interest at 2.25% to 3.5%.	2,170,000
\$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%.	20,240,000
\$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 (\$10,925,000 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 2.5%.	<u>9,035,000</u>
Total general obligation bonds	<u>\$ 47,255,000</u>

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On September 30, 2014, there were no bonds considered defeased and still outstanding.

Note Payable

The City obtained a loan with an effective interest rate of 1.64% to purchase a new fire engine during fiscal year 2013. The City shall pay the required payments in semi-annual installments over a period of seven years with the first payment to occur in February 2014. The note payable is secured by the fire engine.

The annual requirements to retire the note payable, including interest, as of September 30, 2014, are as follows:

Year Ending September 30,	Principal	Interest	Total
2015	\$ 79,396	\$ 7,975	\$ 87,371
2016	80,047	6,672	86,719
2017	80,705	5,360	86,065
2018	81,365	4,036	85,401
2019	82,032	2,702	84,734
2020	<u>82,705</u>	<u>1,356</u>	<u>84,061</u>
Total	<u>\$ 486,250</u>	<u>\$ 28,101</u>	<u>\$ 514,351</u>

Revenue Debt

A summary of revenue debt outstanding at September 30, 2014, follows:

\$2,155,000 Series 2003 Waterworks and Sewer Revenue Refunding Bonds, due in annual installments of \$75,000 to \$155,000 through February 15, 2023; interest at 4.23%.	\$ 1,055,000
\$7,150,000 Series 2010 Refunding Bonds, due in annual installments of \$745,000 to \$1,525,000 through August 15, 2020, interest 2.00% - 4.00%	7,150,000
\$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 3.00% - 5.00%	6,245,000
14,310,000 (\$3,385,000 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% - 5.00%	3,370,000
\$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%	1,826,000
\$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 2.00%-5.00%	<u>33,435,000</u>
Total revenue bonds	<u>\$ 53,081,000</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 requires a reserve equal to the average annual debt service requirements on the outstanding bonds, which equals \$137,898 at September 30, 2014. The City has \$151,750 in their bond reserve fund at September 30, 2014.

The annual requirements to retire revenue bonds, including interest, as of September 30, 2014, are as follows:

Year Ending September 30,	Principal	Interest	Total
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	3,435,000	1,709,106	5,144,106
2020-2024	14,915,000	6,641,333	21,556,333
2025-2029	10,320,000	4,015,590	14,335,590
2030-2034	10,075,000	1,972,626	12,047,626
2035-2036	<u>2,705,000</u>	<u>183,825</u>	<u>2,888,825</u>
Total	<u>\$ 53,081,000</u>	<u>\$ 22,333,650</u>	<u>\$ 75,414,650</u>

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 \$10,800,000. The City shall pay the required payment in annual installments over a period of 22 years with the first installment to occur on January 31, 2013. The interest that accrued prior to the first payment will be included as principal and paid in accordance with the following maturity schedule.

Year Ending September 30,	Principal	Interest	Total
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	509,152	260,986	770,138
2020-2024	2,784,254	1,066,440	3,850,694
2025-2029	3,227,714	622,980	3,850,694
2030-2032	<u>2,178,423</u>	<u>131,993</u>	<u>2,310,416</u>
Total	<u>\$ 10,592,113</u>	<u>\$ 3,270,384</u>	<u>\$ 13,862,497</u>

Capital Leases

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

The assets acquired through capital leases are as follows:

	Business-type Activities
Equipment	\$ 45,599
Total Assets	45,599
Less: accumulated depreciation	(12,930)
Net value	\$ 32,669

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, were as follows:

Year Ending September 30,	Business-type Activities
2015	\$ 5,864
2016	4,198
2017	4,198
2018	4,198
2019	2,450
Total minimum lease payments	20,908
Less: amount representing interest	(1,709)
Present value of minimum lease payments	\$ 19,199

E. 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 statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

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

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Year 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	50% of CPI repeating

Contributions

Under the state law governing the TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method has been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The City's contributions to the plan for the fiscal year ended 2012, 2013 and 2014 are \$1,074,155, \$1,129,890, and \$1,229,854, respectively, which equaled the required contributions each year.

The annual pension cost and net pension obligation/(asset) are as follows:

<u>Fiscal Year</u>	<u>2014</u>
Annual Required Contribution (ARC)	\$ 1,229,854
Interest on Net Pension Obligation	30,753
Adjustment to the ARC	<u>(27,019)</u>
Annual Pension Cost	1,233,588
Contributions Made	<u>(1,193,008)</u>
Increase (Decrease) in Net Pension	40,580
Net Pension Obligation/(Asset), beginning of year	<u>439,329</u>
Net Pension Obligation/(Asset), ending of year	<u>\$ 479,909</u>

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Actuarial Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	Projected unit credit	Projected unit credit	Entry age normal
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single Amortization period	26.6 years; closed period	25.7 years; closed period	30 years; closed 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%	1.5%	1.5%

Funded Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see December 31, 2013, *TMRS Comprehensive Annual Financial Report (CAFR)*.

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	\$ 14,393,660	\$ 19,301,265	74.6%	\$ 4,907,605	\$ 9,465,964	51.8%

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, 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.

F. Other Postemployment Benefit Plan

Retiree Health Plan

Plan Description

The City offers its retired employees medical and dental insurance benefits through a single-employer defined benefit OPEB plan, under City policy. This plan is administered by the City and no separate audited financial statements are available.

The retiree pays 70% of the COBRA medical contribution rate plus a portion of the dental rate for the coverage tier elected. The City pays the balance of the contribution. All active employees who retire directly from the City and meet the eligibility criteria may participate.

Eligibility criteria include retirement at the earlier of a) age 60 with at least 5 years of service or b) 20 years of service without regard to age, and must be eligible to retire from TMRS.

Funding Policy

The City’s annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement No. 45. The ARC represents an amount that is projected to recognize the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2013, as required by GASB. The City’s annual OPEB cost for the fiscal year ending September 30, 2014, is as follows:

Annual required contribution	\$ 64,655
Interest on OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	<u>64,655</u>
Net estimated employer contributions	<u>(14,928)</u>
Increase in net OPEB obligation	49,727
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u><u>\$ 49,727</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year (4.0% discount rate, and level percent of pay amortization) follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation End of Year</u>
9/30/2014	\$ 64,655	\$ 14,928	23.1%	\$ 49,727

Funded Status and Funding Progress

The funded status of the City's retiree health care plan, as of the most recent actuarial valuation date is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/1/2013	\$ -	\$ 320,830	\$ 320,830	- %	\$ 9,271,888	3.46%

Actuarial valuations of an ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information following the notes to the financial statements, presents multi-trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The 2013 actuarial valuation is the most recent actuarial valuation available, and the only actuarial valuation that has been performed.

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City’s employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Inflation rate	3.00% per annum
Investment rate of return	1.00%, net of expenses
Actuarial cost method	Projected unit cost
Amortization method	Level as a percentage of employee payroll
Amortization period	30 years, open amortization
Payroll growth	3.00% per annum
Healthcare cost trend rate	Level 5% applied to health claims cost

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City’s retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Supplemental Death Benefits

Plan Description - 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.

Contributions - 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 fiscal year ended 2012, 2013 and 2014 are \$13,550, \$12,296, and \$14,323, respectively, which equaled the required contributions each year.

G. Risk Management

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

H. 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, the City of Leander was unconditionally obligated to pay certain capital charges incurred by LCRA, regardless of whether or not the City takes and uses the water provided under this contract. These charges were considered operating expenses of the City’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 the City.

On January 5, 2012, the City purchased the Sandy Creek water treatment plant and related infrastructure from the LCRA. Consequently, 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. Total charges paid in fiscal year 2014 to LCRA under this contract totaled \$2,155,735.

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 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.

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 \$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 billed relative to their System usage. For the current fiscal year, Leander's share of expenses for the operation of the regional facilities was \$398,639.

Economic Development Agreements

Gateway 2000 - The City has entered into an economic development agreement with developers of a shopping center. Under the terms of the agreement, the City pays 50% of the sales taxes collected on sales made within the shopping center. The shopping center represents approximately 15.6% of the City's sales tax collections for the current fiscal year. The terms of the agreement expire in January 2019.

Nameless Valley Ranch - In May 2012, the City entered into an agreement with a developer to construct specified municipal-type infrastructure and the City will make periodic payments to rebate specific impact fees and ad valorem tax collected by the City to the developer. The rebate is not to exceed the developers reimbursable cost and is contingent on the developers performance of the agreement. The terms of the payments are as follows:

- For 15 years from the date of the approval of the final plat of the initial project phase, the developer will receive a rebate of 60% of the water impact fees paid to the City for water connections made within the property.
- For 20 years from the date of the approval of the final plat of the initial project phase, the developer will receive a rebate of 100% of the wastewater impact fee paid to the City for wastewater connections made within the property and the Jonestown wastewater impact fees paid to the City for wastewater connections made within the Jonestown wastewater extension.
- The developer will receive a portion of the total ad valorem tax collected by the City each year during the tax rebate period on the property produced by the levy of a rate equal to \$.2371 per \$100 of assessed valuation. The tax rebate period is for tax years 2014 through 2039.

In July 2012, the developer assigned the rights to the agreement to the Travis County Municipal Utility District (MUD) #19, #20 and #21 upon its creation and approval by the Texas Commission on Environmental Quality (TCEQ). By agreement each MUD has a maximum bond limit of \$74,182,000, \$88,113,000 and \$56,717,000, respectively. The tax rebate period shall end on the earlier of a) December 31st twenty-five (25) years after the date of issuance of the last series of District Bonds (excluding refunding bonds) or b) the date that the sum of the tax rebate payments equals the reimbursable costs. As of year-end, only Travis County MUD #21 has been created. As of year-end the City has \$317,536, set aside as an escrow liability in the water and wastewater fund.

Cresent - In December 2013, the City entered into an agreement with a developer to construct specified municipal-type infrastructure and the City will make periodic payments to rebate specific impact fees, drainage revenue and ad valorem tax collected by the City to the developer. The rebate is not to exceed the developers reimbursable cost and is contingent on the developers performance of the agreement. In accordance with the agreement, the City is to set aside funds from the following revenues to make payments to the developer upon completion of a project:

- Sixty percent (60%) of the water impact fees paid to the City for water connections made within the designated area.
- Sixty percent (60%) of the wastewater impact fee paid to the City for wastewater connections made within the designated area.
- Drainage revenues collected by the City within the designated area.
- The amount payable to the developer each year is 80% of the property tax increment receipts from the subject property and 2.5% of the tax increment receipt that result from assessments and taxes collected on the remainder of all real property within the TIRZ outside the subject property referenced in the agreement.

In December 2013, the developer assigned the rights to the agreement to the Leander TODD Municipal Utility District (MUD) #1 of Williamson County. It is estimated that the MUDs construction cost will be \$101 million. As of year-end the City has not set aside funds in an escrow liability.

Reinvestment Zone Number One – The Tax Increment Reinvestment Zone #1 (the “Zone”) was established by the City in September 2006. It is located within the City limits and the area is substantially the same as the Transportation Oriented Development District. Created under State law, the Zone is to promote private economic development of an area by investing in public infrastructure. The improvements will significantly enhance the value of all the taxable real property in the Zone and will be of general benefit to the City.

The base taxable assessed value of real property within the TIRZ is established when the TIRZ is created. Any incremental growth in the taxable assessed value of real property over the base is considered a “tax increment”. Taxing jurisdictions within the Zone have the option of contributing all or portions of tax collections attributed to the tax increment to the City for use in financing the public infrastructure improvements. The City has entered into tax participation agreement with Williamson County, which obligates both entities to contribute fifty percent (50%) of property taxes collected on the tax increment (“TIRZ revenues”) to the TIRZ fund.

The TIRZ and RB 270 Partnership, entered into an agreement for the TIRZ to reimburse certain developer expenses required to construct and widen County Road 269 just east of US 183A to US Hwy 183, which was later amended to include an additional \$200,000 contributed by the developer to facilitate funding of a segment of County Road 273 between FM 2243 and San Gabriel Parkway. The reimbursable amount is \$478,570. Contingent on the developer complying with the agreement, a portion of the TIRZ revenues are payable to the developer each year. The amount payable to the developer each year or set aside in an escrow account is 80% of the property tax increment receipts from the subject property and 2.5% of the tax increment receipts that result from assessments and taxes collected on the remainder of all real property within the TIRZ outside the subject property referenced in the agreement. The City has paid the developer \$14,528, as of year-end.

The TIRZ and Transit Village Investments, Ltd., entered into an agreement for the TIRZ to reimburse certain developer expenses required to construct and widen County Road 269 just east of US 183A to US Hwy 183, which was later amended to include an additional \$200,000 contributed by the developer to facilitate funding of a segment of County Road 273 between FM 2243 and San Gabriel Parkway. The reimbursable amount is \$819,330. Contingent on the developer complying with the agreement, a portion of the TIRZ revenues are payable to the developer each year. The amount payable to the developer each year or set aside in an escrow account is 80% of the property tax increment receipts from the subject property and 2.5% of the tax increment receipts that result from assessments and taxes collected on the remainder of all real property within the TIRZ outside the subject property referenced in the agreement. The City has paid the developer \$14,772, as of year-end.

Construction Commitments

Outstanding construction commitments are as follows at year-end:

	<u>Award</u>	<u>Remaining Commitment</u>
Governmental activities:		
E Crystal Falls 2B	\$ 2,233,924	\$ 236,739
Benbrook Park Ballfields	<u>1,932,040</u>	<u>1,932,040</u>
	<u>\$ 4,165,964</u>	<u>\$ 2,168,779</u>
Business-type activities:		
Hero Way Waterline	\$ 681,735	\$ 681,735
Raw Water Intake Contingency	358,000	358,000
Reagan North 24" Waterline	<u>1,663,877</u>	<u>581,395</u>
	<u>\$ 2,703,612</u>	<u>\$ 1,621,130</u>

Oak Creek Public Improvement District – Special Assessment Debt

During the current year the City created the Oak Creek Public Improvement District (PID) in accordance with the PID Act. The purpose of the Oak Creek PID is to fund improvement projects within the District. The City will levy and collect assessments on property in the District, payable in periodic installments.

In October 2014, Special Assessment Revenue Bonds, Series 2014, (Oak Creek Public Improvement District) were issued in the amount of \$5,200,000. The Bonds are special obligations to the City payable solely from the special assessments levied within the PID and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the District in collecting future assessments, forwarding collections to trustees, and approving bond proceed disbursements.

I. Joint Venture

The City entered into an agreement dated September 2, 2008, with the Cities of Round Rock and Cedar Park for the financing, construction, and operation of the Brushy Creek Regional Utility Authority (BCRUA). The BCRUA intends to own, design, finance, construct, acquire, maintain and operate the System in a manner that will allow the BCRUA to deliver potable water to the cities. The plant opened in June 2012.

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. Separate financial statements can be obtained by contacting the Board of Directors of the BCRUA at 221 E. Main Street, Round Rock, Texas 78664. Condensed financial statements for BCRUA are as follows:

Statement of Net Position

As of September 30, 2014

	<u>BCRUA</u>	<u>Leander's Interest</u>
Assets		
Cash and cash equivalents	\$ 10,909,447	\$ 4,972,736
Receivables, net	269,236	156,090
Restricted cash and cash equivalents	31,436,119	14,221,314
Due from other funds	69,849	5,373
Capital assets	<u>154,774,267</u>	<u>74,853,419</u>
Total assets	197,458,918	94,208,932
Liabilities		
Accounts payable	887,547	423,049
Retainage payable	1,582,268	744,615
Due to partner cities	128,146	83,915
Accrued interest	1,357,669	691,911
Due to other funds	69,849	-
Bonds payable	<u>176,025,000</u>	<u>89,680,000</u>
Total liabilities	<u>180,050,479</u>	<u>91,623,490</u>
Net Position	<u>\$ 17,408,439</u>	<u>\$ 2,585,442</u>

Statement of Activities and Changes in Net Position

Year Ended September 30, 2014

	BCRUA	Leander's Interest
	<u> </u>	<u> </u>
Operating revenues	\$ 1,062,130	\$ 496,151
Operating expenses	(9,994,747)	(5,020,833)
Nonoperating income	<u>83,027</u>	<u>27,552</u>
Income before contributions	<u>(8,849,590)</u>	<u>(4,497,130)</u>
Capital contributions	9,941,605	5,272,896
Change in net position	<u>1,092,015</u>	<u>775,766</u>
Net position, beginning	<u>16,316,424</u>	<u>1,809,676</u>
Net position, ending	<u>\$ 17,408,439</u>	<u>\$ 2,585,442</u>

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%. These Bonds are included in BCRUA financial statements, which the City report its investment in the joint venture (BCRUA) in its financial statements. The City of Round Rock, Texas and Cedar Park, Texas are obligated to repay the remaining \$90.8 million of the Bonds.

As of year-end the annual requirements to retire the City of Leander's portion of contract revenue debt are as follows:

Year Ending September 30,	Principal	Interest	Total
<u> </u>	<u> </u>	<u> </u>	<u> </u>
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	2,410,000	3,976,067	6,386,067
2020-2024	14,095,000	18,287,988	32,382,988
2025-2029	18,200,000	14,719,735	32,919,735
2030-2034	23,510,000	9,705,505	33,215,505
2035-2038	<u>23,650,000</u>	<u>3,082,938</u>	<u>26,732,938</u>
Total	<u>\$ 89,680,000</u>	<u>\$ 66,409,427</u>	<u>\$ 156,089,427</u>

J. Subsequent Event

The City issued Combination Tax and Revenue Certificates of Obligation, Series 2015 on January 15, 2015, in the amount of \$24,040,000. Proceeds from the sale of the Certificates will be used to pay for the construction of City-wide road and street improvements and the acquisition of rights-of-way and easements, construction, acquisition and installation of additions, improvements and extensions to the City's Waterworks and Sewer System, construction and equipping of two fire stations and the acquisition of sites, construction of park and recreational improvements on City park land, acquisition of land for a new City park in the vicinity of U.S. Highway 183 and the South Fork San Gabriel River, and the payment of professional services and costs of issuance of the Certificates of Obligation.

K. Subsequent Pronouncement

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 obligations for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual cost 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 that use of the entry age normal method to be used with each period's service cost determined as a level percentage of pay and require 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 this new Statement prior to the effective date.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF LEANDER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 8,620,000	\$ 8,620,000	\$ 8,885,806	\$ 265,806
Franchise	1,150,000	1,150,000	1,455,641	305,641
Sales	2,463,500	2,463,500	2,986,133	522,633
Mixed beverage	5,500	5,500	5,520	20
Licenses and permits	2,138,635	2,378,635	5,639,949	3,261,314
Intergovernmental	463,756	524,158	476,013	(48,145)
Fines and forfeitures	396,800	396,800	458,314	61,514
Charges for services	1,567,300	1,792,100	1,863,485	71,385
Interest	8,500	8,500	26,456	17,956
Donations/contributions	41,000	41,000	46,845	5,845
Other	54,010	55,035	43,433	(11,602)
Total revenues	16,909,001	17,435,228	21,887,595	4,452,367
EXPENDITURES				
Current:				
General government	5,465,325	5,465,325	5,440,866	24,459
Public safety	8,684,023	8,848,005	8,769,637	78,368
Public works	2,234,148	2,377,923	2,339,480	38,443
Parks and recreation	1,490,603	1,529,403	1,471,384	58,019
Debt service:				
Interest and other	-	-	2,022	(2,022)
Capital outlay	1,082,239	1,186,514	1,062,657	123,857
Total expenditures	18,956,338	19,407,170	19,086,046	321,124
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,047,337)	(1,971,942)	2,801,549	4,773,491
OTHER FINANCING SOURCES (USES)				
Transfers in	1,490,000	1,490,000	1,490,000	-
Transfers out	(1,833,460)	(3,304,234)	(3,317,235)	(13,001)
Sale of capital assets	5,000	93,550	102,753	9,203
Total other financing sources and uses	(338,460)	(1,720,684)	(1,724,482)	(3,798)
NET CHANGE IN FUND BALANCES	(2,385,797)	(3,692,626)	1,077,067	4,769,693
FUND BALANCES, BEGINNING	8,429,633	8,429,633	8,429,633	-
PRIOR PERIOD ADJUSTMENT	-	-	316,777	316,777
FUND BALANCES, ENDING	\$ 6,043,836	\$ 4,737,007	\$ 9,823,477	\$ 5,086,470

CITY OF LEANDER, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (1)</u>	<u>Actuarial Accrued Liability (AAL) (2)</u>	<u>Funding Ratio (3) (1)/(2)</u>	<u>Unfunded AAL (UAAL) (4)</u>	<u>Covered Payroll (5)</u>	<u>UAAL as a Percentage of Covered Payroll (6)</u>
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%
12/31/2013	14,393,660	19,301,265	74.6%	4,907,605	9,465,964	51.8%

CITY OF LEANDER, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2014

Budgetary Information

Sixty days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them. Work sessions are conducted to obtain Council 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 a line item within a fund. Any revisions that alter the total expenditures of any fund 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.

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**COMBINING
FINANCIAL STATEMENTS**

CITY OF LEANDER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	<u>Traffic Impact Analysis</u>	<u>Court Security</u>	<u>Court Technology</u>	<u>Parks Dedication</u>	<u>Police Special Revenue</u>	<u>Police Forfeiture</u>
ASSETS						
Cash and investments	\$ 580,175	\$ 74,061	\$ 22,566	\$ 737,908	\$ 49,666	\$ 74
Total assets	<u>\$ 580,175</u>	<u>\$ 74,061</u>	<u>\$ 22,566</u>	<u>\$ 737,908</u>	<u>\$ 49,666</u>	<u>\$ 74</u>
LIABILITIES						
Accounts payable	\$ 250	\$ -	\$ 241	\$ 6,335	\$ -	\$ -
Customer deposits	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	<u>126,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>127,244</u>	<u>-</u>	<u>241</u>	<u>6,335</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Restricted for:						
Traffic impact analysis	452,931	-	-	-	-	-
Court security	-	74,061	-	-	-	-
Court technology	-	-	22,325	-	-	-
Parks dedication	-	-	-	731,573	-	-
Police	-	-	-	-	49,666	74
Traffic enforcement	-	-	-	-	-	-
CID/HRT	-	-	-	-	-	-
Hotel occupancy	-	-	-	-	-	-
Committed:						
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Unassigned						
Total fund balances	<u>452,931</u>	<u>74,061</u>	<u>22,325</u>	<u>731,573</u>	<u>49,666</u>	<u>74</u>
Total liabilities and fund balances	<u>\$ 580,175</u>	<u>\$ 74,061</u>	<u>\$ 22,566</u>	<u>\$ 737,908</u>	<u>\$ 49,666</u>	<u>\$ 74</u>

<u>Fire Rescue</u>	<u>Step</u>	<u>TIRZ #1</u>	<u>Public Arts</u>	<u>CID/HRT</u>	<u>Hotel Occupancy</u>	<u>Parks Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 24,633	\$ 163,350	\$ 177,980	\$ 1,225	\$ 2,211	\$ 474	\$ 17,782	\$ 1,852,105
<u>\$ 24,633</u>	<u>\$ 163,350</u>	<u>\$ 177,980</u>	<u>\$ 1,225</u>	<u>\$ 2,211</u>	<u>\$ 474</u>	<u>\$ 17,782</u>	<u>\$ 1,852,105</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 425	\$ 7,251
-	-	-	-	-	-	1,000	1,000
-	-	189,200	-	-	-	-	189,200
-	-	-	-	-	-	-	126,994
<u>-</u>	<u>-</u>	<u>189,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,425</u>	<u>324,445</u>
-	-	-	-	-	-	-	452,931
-	-	-	-	-	-	-	74,061
-	-	-	-	-	-	-	22,325
-	-	-	-	-	-	-	731,573
-	-	-	-	-	-	-	49,740
-	163,350	-	-	-	-	-	163,350
-	-	-	-	2,211	-	-	2,211
-	-	-	-	-	474	-	474
24,633	-	-	-	-	-	-	24,633
-	-	-	1,225	-	-	16,357	17,582
-	-	(11,220)	-	-	-	-	(11,220)
<u>24,633</u>	<u>163,350</u>	<u>(11,220)</u>	<u>1,225</u>	<u>2,211</u>	<u>474</u>	<u>16,357</u>	<u>1,527,660</u>
<u>\$ 24,633</u>	<u>\$ 163,350</u>	<u>\$ 177,980</u>	<u>\$ 1,225</u>	<u>\$ 2,211</u>	<u>\$ 474</u>	<u>\$ 17,782</u>	<u>\$ 1,852,105</u>

CITY OF LEANDER, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Traffic Impact Analysis	Court Security	Court Technology	Parks Dedication	Police Special Revenue	Police Forfeiture
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	176,030	-	-	206,904	-	-
Fines and forfeitures	-	25,230	17,758	-	-	-
Charges for services	-	-	-	-	18,375	-
Contributions	878,084	-	-	-	-	-
Interest	<u>413</u>	<u>80</u>	<u>56</u>	<u>1,411</u>	<u>100</u>	<u>7</u>
Total revenues	<u>1,054,527</u>	<u>25,310</u>	<u>17,814</u>	<u>208,315</u>	<u>18,475</u>	<u>7</u>
EXPENDITURES						
Current:						
General government	6,974	-	10,650	-	-	-
Public safety	-	3,407	9,394	-	5,813	2,900
Parks and recreation	-	-	-	-	-	-
Capital outlay	<u>620,778</u>	<u>-</u>	<u>-</u>	<u>112,348</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>627,752</u>	<u>3,407</u>	<u>20,044</u>	<u>112,348</u>	<u>5,813</u>	<u>2,900</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES						
	<u>426,775</u>	<u>21,903</u>	<u>(2,230)</u>	<u>95,967</u>	<u>12,662</u>	<u>(2,893)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	200,000	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>426,775</u>	<u>21,903</u>	<u>(2,230)</u>	<u>281,967</u>	<u>12,662</u>	<u>(2,893)</u>
FUND BALANCES, BEGINNING	26,156	28,664	24,555	449,606	37,004	2,967
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>23,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 452,931</u>	<u>\$ 74,061</u>	<u>\$ 22,325</u>	<u>\$ 731,573</u>	<u>\$ 49,666</u>	<u>\$ 74</u>

<u>Fire Rescue</u>	<u>Step</u>	<u>TIRZ #1</u>	<u>Public Arts</u>	<u>CID/HRT</u>	<u>Hotel Occupancy</u>	<u>Parks Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 192,960	\$ -	\$ -	\$ -	\$ -	\$ 192,960
-	-	-	-	-	-	-	382,934
-	105,868	-	-	-	-	-	148,856
10,067	-	-	-	-	-	29,115	57,557
-	-	-	354	-	-	-	878,438
<u>93</u>	<u>268</u>	<u>25</u>	<u>6</u>	<u>5</u>	<u>1</u>	<u>32</u>	<u>2,497</u>
<u>10,160</u>	<u>106,136</u>	<u>192,985</u>	<u>360</u>	<u>5</u>	<u>1</u>	<u>29,147</u>	<u>1,663,242</u>
-	29,218	9,489	2,342	-	-	-	58,673
27,380	-	-	-	-	-	-	48,894
-	-	-	-	-	-	18,853	18,853
-	-	-	-	-	-	-	733,126
<u>27,380</u>	<u>29,218</u>	<u>9,489</u>	<u>2,342</u>	<u>-</u>	<u>-</u>	<u>18,853</u>	<u>859,546</u>
<u>(17,220)</u>	<u>76,918</u>	<u>183,496</u>	<u>(1,982)</u>	<u>5</u>	<u>1</u>	<u>10,294</u>	<u>803,696</u>
-	-	-	-	-	-	-	200,000
-	-	(189,200)	-	-	-	-	(203,200)
-	-	(189,200)	-	-	-	-	(3,200)
<u>(17,220)</u>	<u>76,918</u>	<u>(5,704)</u>	<u>(1,982)</u>	<u>5</u>	<u>1</u>	<u>10,294</u>	<u>800,496</u>
41,853	86,432	(5,516)	3,207	2,206	473	6,063	703,670
-	-	-	-	-	-	-	23,494
<u>\$ 24,633</u>	<u>\$ 163,350</u>	<u>\$ (11,220)</u>	<u>\$ 1,225</u>	<u>\$ 2,211</u>	<u>\$ 474</u>	<u>\$ 16,357</u>	<u>\$ 1,527,660</u>

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COMPLIANCE SECTION

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' 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*

To the Honorable Mayor
and City Council of the
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, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Leander, Texas' basic financial statements, and have issued our report thereon dated February 12, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Leander, Texas' 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 City of Leander, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Leander, Texas' 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 City of Leander, Texas' 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 12, 2015