



City of
Leander

State of Texas

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2012

CITY OF LEANDER, TEXAS
Year Ended September 30, 2012
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FINANCIAL SECTION

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Leander, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Leander, Texas, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Leander, Texas, as of September 30, 2012, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
February 12, 2013

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, 2012. 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, 2012, by \$98,607,025 (net assets). Of this amount, \$17,027,921 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$16,259,810 for the year ended September 30, 2012. Most of this increase is due to increased property tax revenue, and capital contributions from developers and impact fees.
- As of September 30, 2012, the City's governmental funds reported combined ending fund balances of \$12,015,192, a decrease of \$1,044,963 in comparison with the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,715,508 or 30.64% of total General Fund expenditures.
- As of the close of the current fiscal year, the City's proprietary funds reported combined ending net assets of \$61,509,874, an increase of \$9,060,782 in comparison with the prior year. Most of the increase is attributable to increased infrastructure contributed by developers and capital projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the City of Leander that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the

City of Leander include general government, public safety, public works and streets, and parks and recreation. The business-type activities of the City of Leander include water and wastewater services and the City's public golf course.

The government wide financial statements can be found on pages 11 - 12 of this report.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and 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 17.

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

The City's fund financial statements can be found on pages 13 – 21 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 22 – 39 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Leander, assets exceeded liabilities by \$98,607,025 at the close of the most recent fiscal year.

The largest portion of the City's net assets (80.6%) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure and system improvements) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF LEANDER'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 15,852,342	\$ 16,779,909	\$ 17,868,933	\$ 14,761,528	\$ 33,721,275	\$ 31,541,437
Capital assets	77,084,704	71,746,080	207,181,509	161,272,889	284,266,213	233,018,969
Total assets	<u>92,937,046</u>	<u>88,525,989</u>	<u>225,050,442</u>	<u>176,034,417</u>	<u>317,987,488</u>	<u>264,560,406</u>
Long-term liabilities	53,111,224	56,060,935	159,564,523	120,795,397	212,675,747	176,856,332
Other liabilities	2,728,671	2,566,898	3,976,045	2,789,928	6,704,716	5,356,826
Total liabilities	<u>55,839,895</u>	<u>58,627,833</u>	<u>163,540,568</u>	<u>123,585,325</u>	<u>219,380,463</u>	<u>182,213,158</u>
Net assets:						
Invested in capital assets, net of related debt	28,836,149	20,847,312	50,603,415	41,364,946	79,439,564	62,212,258
Restricted	1,053,437	2,669,844	1,086,103	2,202,524	2,139,540	4,872,368
Unrestricted	7,207,565	6,380,967	9,820,356	8,881,622	17,027,921	15,262,589
Total net assets	<u>\$ 37,097,151</u>	<u>\$ 29,898,123</u>	<u>\$ 61,509,874</u>	<u>\$ 52,449,092</u>	<u>\$ 98,607,025</u>	<u>\$ 82,347,215</u>

An additional portion of the City of Leander's net assets (2.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$17,027,921) may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City's net assets increased by \$16,259,810 during the current fiscal year. Almost all of this increase is due to increased property tax revenue and capital assets contributed by developers.

CITY OF LEANDER'S CHANGES IN NET ASSETS

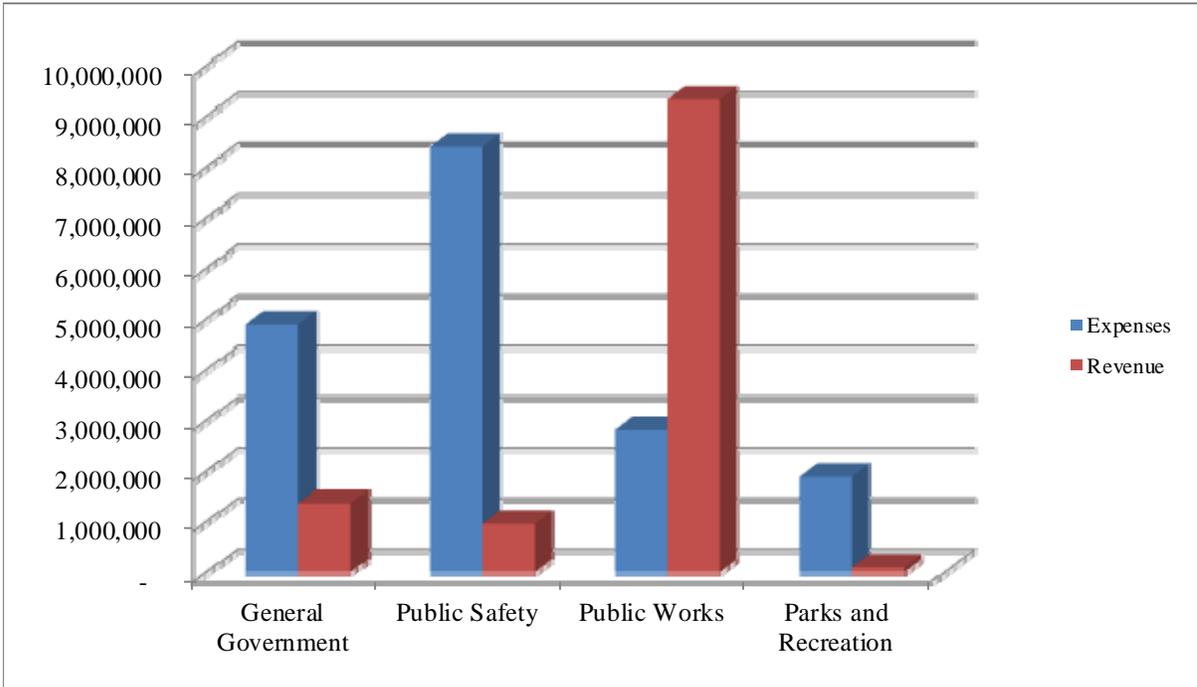
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues						
Charges for services	\$ 4,635,036	\$ 3,465,115	\$ 16,251,608	\$ 16,405,136	\$ 20,886,644	\$ 19,870,251
Grants and contributions	138,693	421,487	-	-	138,693	421,487
Capital contributions	7,036,733	2,592,580	7,907,423	2,120,431	14,944,156	4,713,011
General revenues						
Property taxes	12,027,326	11,315,759	-	-	12,027,326	11,315,759
Other taxes	3,394,369	3,039,582	-	-	3,394,369	3,039,582
Interest income	70,977	25,314	109,854	18,362	180,831	43,676
Other income	47,961	140,132	21,000	-	68,961	140,132
Total revenues	<u>27,351,095</u>	<u>20,999,969</u>	<u>24,289,885</u>	<u>18,543,929</u>	<u>51,640,980</u>	<u>39,543,898</u>
Expenses						
General government	4,897,344	5,154,356	-	-	4,897,344	5,154,356
Public safety	8,395,681	7,753,066	-	-	8,395,681	7,753,066
Public works	2,811,994	2,680,585	-	-	2,811,994	2,680,585
Parks and recreation	1,891,799	1,746,304	-	-	1,891,799	1,746,304
Interest on long-term debt	2,010,249	2,430,955	-	-	2,010,249	2,430,955
Utility services	-	-	14,028,183	12,539,735	14,028,183	12,539,735
Golf course	-	-	1,345,920	1,342,874	1,345,920	1,342,874
Total expenses	<u>20,007,067</u>	<u>19,765,266</u>	<u>15,374,103</u>	<u>13,882,609</u>	<u>35,381,170</u>	<u>33,647,875</u>
Increase in net assets before transfers	7,344,028	1,234,703	8,915,782	4,661,320	16,259,810	5,896,023
Transfers	(145,000)	1,330,000	145,000	(1,330,000)	-	-
Change in net assets	7,199,028	2,564,703	9,060,782	3,331,320	16,259,810	5,896,023
Net assets, beginning, restated	29,898,123	27,333,420	52,449,092	49,117,772	82,347,215	76,451,192
Net assets, ending	<u>\$ 37,097,151</u>	<u>\$ 29,898,123</u>	<u>\$ 61,509,874</u>	<u>\$ 52,449,092</u>	<u>\$ 98,607,025</u>	<u>\$ 82,347,215</u>

Governmental Activities

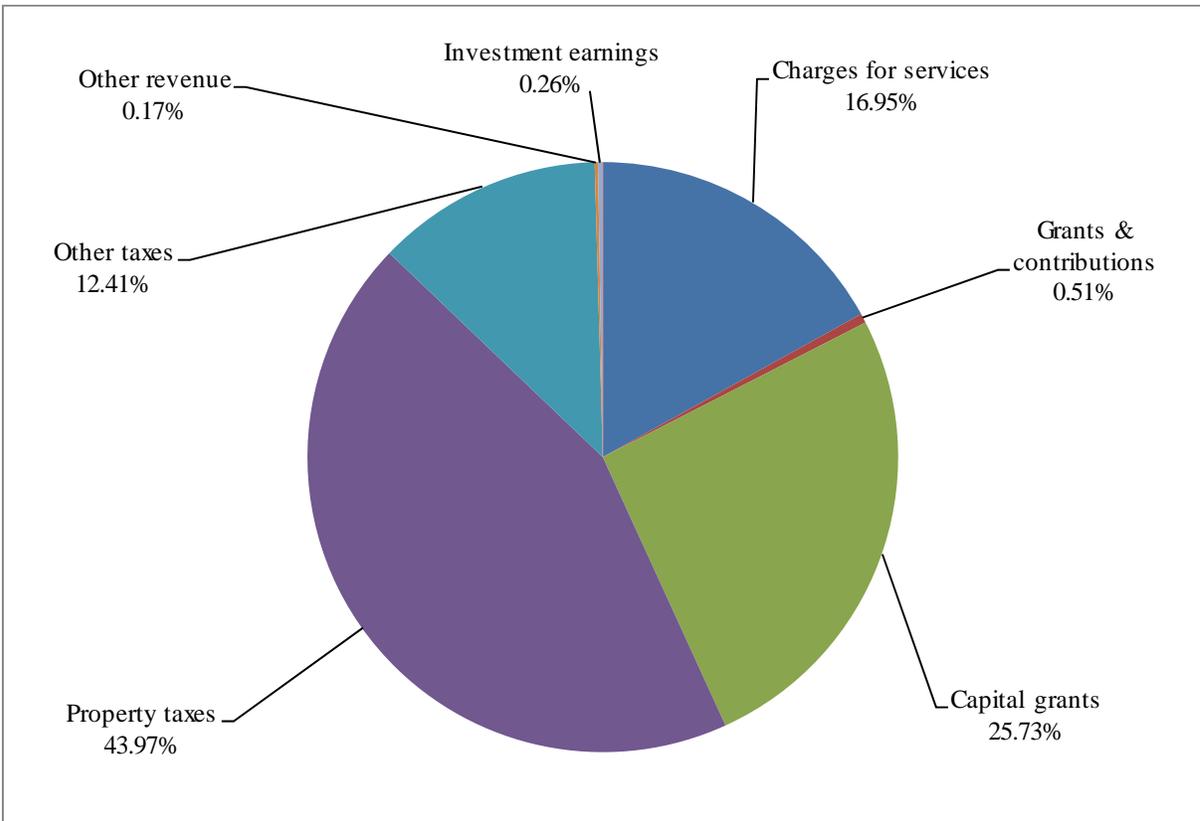
Governmental activities increased the City of Leander's net assets by \$7,199,028. Key elements of this increase are as follows:

- Capital contributions provided 25.73% of the City's governmental revenues. These include streets and drainage infrastructure contributed by developers.
- Tax revenues (property, sales, and franchise fees) provided 56.38% of the City's governmental revenues. Tax revenues increased by \$1,066,354 or 7.43% over 2011.

Expenses and Program Revenues – Governmental Activities



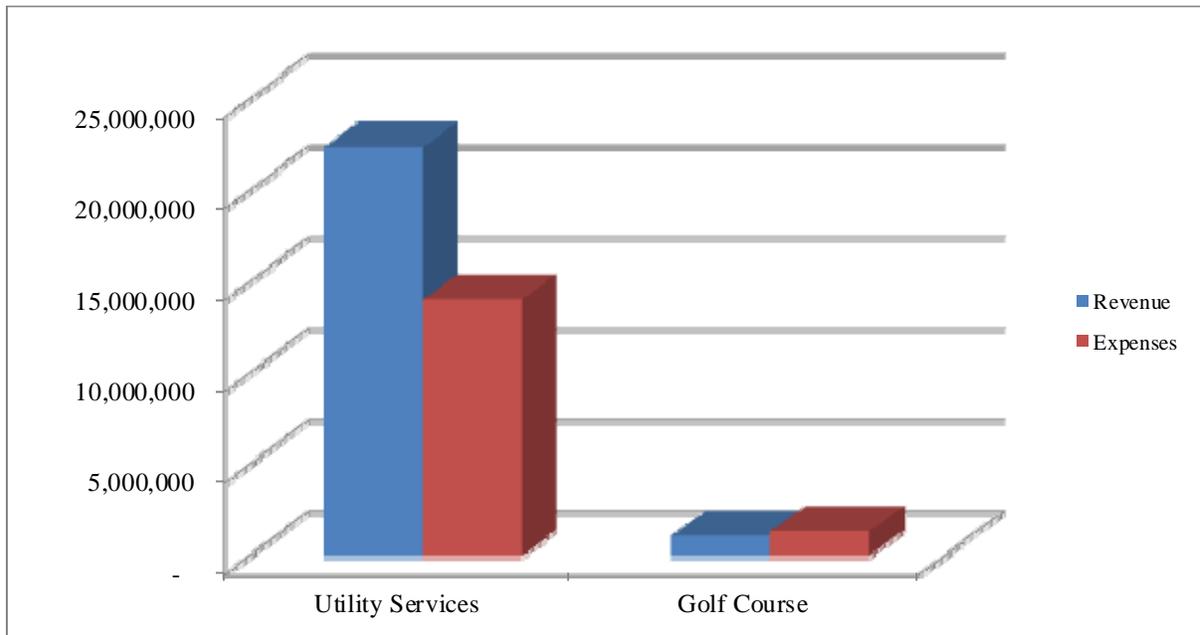
Revenues by Source – Governmental Activities



Business-type Activities

Business-type activities increased the City of Leander's net assets by \$9,060,782. Key elements of this increase are as follows.

- Capital grants and contributions provided 32.55% 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 2012. However, future rates are sensitive to future growth rates. In fiscal year 2012, the City's General Fund released a \$1,305,017 liability due from the Golf Course Fund.



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 \$12,015,192, a decrease of \$1,044,963 in comparison to the prior year.

The General Fund is the chief operating fund of the City of Leander. At the end of the current fiscal year, unassigned fund balance was \$4,715,508. 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 30.64% and 32.06%, respectively, of General Fund expenditures.

The fund balance of the City of Leander's General Fund decreased \$707,231 during the current fiscal year. The key factors in this decrease were increased transfers to the golf course fund to retire an outstanding interfund liability and the use of \$500,000 in reserves to retire general obligation debt early.

The Debt Service Fund experienced a decrease in fund balance of \$321,565 during 2012, representing a decrease in fund balance of 41.55% from 2011. The decrease, however, was due to using \$480,000 in debt service fund reserves to retire general obligation debt early. The Capital Projects Fund experienced a decrease in fund balance of \$631,667 during 2012 due to ongoing construction activities.

Proprietary Funds

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

Unrestricted net assets of the Utility Fund at the end of the year amounted to \$9,888,201. Unrestricted net assets of the Golf Course Fund at the end of the year amounted to a deficit of \$67,845. The Utility Fund experienced an increase in net assets of \$7,120,228 during 2012, representing an increase in net assets of 13.86% from 2011. The Golf Course Fund experienced an increase in net assets of \$1,940,554 during 2012, representing an increase in net assets of 182.3% from 2011, due to transfers in from the General Fund.

General Fund Budgetary Highlights

Actual revenues were greater than budgeted revenues by \$249,340. This is mostly attributable to the increase in property and sale tax revenues as well as development fees over projections. Actual expenditures were below final budgeted expenditures by \$945,600, mainly due to better than budget performance across the board for expenditures in most departments, but primarily police, public works, and capital projects.

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, 2012, amounts to \$284,266,213 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure and system improvements (including streets and drainage infrastructure) and machinery and equipment.

CITY OF LEANDER’S CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	1,734,940	1,734,940	2,331,833	2,331,833	4,066,773	4,066,773
Construction in progress	12,465,376	21,201,420	8,052,344	7,742,193	20,517,720	28,943,613
Intangible	-	-	91,180,000	91,180,000	91,180,000	91,180,000
Buildings and improvements	18,871,651	14,120,128	1,350,034	666,844	20,221,685	14,786,972
Machinery and equipment	7,977,727	7,304,775	1,622,887	1,526,929	9,600,614	8,831,704
Infrastructure and system	53,111,769	41,905,054	119,520,177	72,657,546	172,631,946	114,562,600
Less: accumulated depreciation	(17,076,759)	(14,520,237)	(16,875,766)	(14,832,456)	(33,952,525)	(29,352,693)
Total capital assets	<u>77,084,704</u>	<u>71,746,080</u>	<u>207,181,509</u>	<u>161,272,889</u>	<u>284,266,213</u>	<u>233,018,969</u>

Additional information regarding the City’s capital assets can be found in Note 5 on pages 29 - 30 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 \$52,315,000, which the City expects to retire through the Debt Service Fund. The City has long-term bonded debt outstanding of \$147,790,000 and a note payable of \$10,800,000 at September 30, 2012, in the Utility Fund. Additional information on the City’s long-term debt can be found in Note 7 on pages 30 - 35 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City adopted a tax rate of \$0.67042 (\$0.43592 for maintenance and operations and \$0.23450 for interest and sinking) for fiscal year 2013.
- The number of water accounts increased to 9,734 from 2011 to 2012, an increase of 2.85%. This trend in growth is expected to continue.
- In 2007, the Cities of Leander, Round Rock and Cedar Park created the Brushy Creek Regional Utility Authority (BCRUA) for purposes of providing for the long-term water supply needs of each of the communities. The BCRUA issued debt to fund Phase I of the construction of the regional water treatment plant in the summer of 2009. Construction is substantially complete and the plant began operation in July 2012.
- In 2010, the City joined the Brushy Creek Regional Wastewater System which the original member Cities of Austin, Cedar Park and Round Rock purchased from Lower Colorado River Authority (LCRA) in 2009 in order to discharge wastewater from their individual wastewater collection systems into the Regional Wastewater System, serve the wastewater needs of the Cities, achieve efficiencies of cost and operation, and protect and preserve the environment of the Brushy Creek watershed.
- In January 2012, the City purchased the Sandy Creek Water Treatment Plant from the Lower Colorado River Authority for \$36,620,318. The City estimates its savings to be over \$13,600,000 over the next 25 years.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF LEANDER, TEXAS

Statement of Net Assets

As of September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,755,397	\$ 9,408,470	\$ 23,163,867
Receivables (net of allowance)			
Taxes	814,124	-	814,124
Accounts	432,422	1,602,713	2,035,135
Due from other governments	460	95,726	96,186
Inventory	-	25,241	25,241
Prepaid items	12,325	-	12,325
Restricted cash and investments	-	6,168,181	6,168,181
Deferred charges	837,614	568,602	1,406,216
Capital assets, net:			
Nondepreciable	14,200,316	101,564,176	115,764,492
Depreciable	62,884,388	105,617,333	168,501,721
Total assets	<u>92,937,046</u>	<u>225,050,442</u>	<u>317,987,488</u>
LIABILITIES			
Accounts payable	947,825	1,447,202	2,395,027
Accrued liabilities	223,712	39,149	262,861
Accrued interest payable	251,996	985,287	1,237,283
Deposits and escrow	965,506	1,116,907	2,082,413
Unearned revenue	339,632	387,500	727,132
Noncurrent liabilities:			
Due within one year	1,818,775	2,816,846	4,635,621
Due in more than one year	51,292,449	156,747,677	208,040,126
Total liabilities	<u>55,839,895</u>	<u>163,540,568</u>	<u>219,380,463</u>
NET ASSETS			
Invested in capital assets, net of related debt	28,836,149	50,603,415	79,439,564
Restricted for capital projects	601,023	934,548	1,535,571
Restricted for debt service	452,414	151,555	603,969
Unrestricted	7,207,565	9,820,356	17,027,921
Total net assets	<u>\$ 37,097,151</u>	<u>\$ 61,509,874</u>	<u>\$ 98,607,025</u>

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

CITY OF LEANDER, TEXAS
Statement of Activities
For the Year Ended September 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 4,897,344	\$ 1,357,488	\$ 11,150	\$ -
Public safety	8,395,681	841,808	123,648	-
Public works	2,811,994	2,332,375	1,504	6,997,133
Parks and recreation	1,891,799	103,365	2,391	39,600
Interest on long term debt	2,010,249	-	-	-
Total governmental activities	<u>20,007,067</u>	<u>4,635,036</u>	<u>138,693</u>	<u>7,036,733</u>
Business-type activities:				
Utility services	14,028,183	15,153,387	-	7,224,234
Golf course	1,345,920	1,098,221	-	683,189
Total business-type activities	<u>15,374,103</u>	<u>16,251,608</u>	<u>-</u>	<u>7,907,423</u>
Total primary government	<u><u>\$35,381,170</u></u>	<u><u>\$ 20,886,644</u></u>	<u><u>\$ 138,693</u></u>	<u><u>\$ 14,944,156</u></u>

General revenues:

Taxes

 Property

 Sales

 Franchise

 Mixed beverage

Interest income

Other income

Transfers

 Total general revenues and transfers

Change in net assets

Net assets - beginning, restated

Net assets - 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
\$ (3,528,706)	\$ -	\$ (3,528,706)
(7,430,225)	-	(7,430,225)
6,519,018	-	6,519,018
(1,746,443)	-	(1,746,443)
(2,010,249)	-	(2,010,249)
<u>(8,196,605)</u>	<u>-</u>	<u>(8,196,605)</u>
-	8,349,438	8,349,438
-	435,490	435,490
<u>-</u>	<u>8,784,928</u>	<u>8,784,928</u>
<u>(8,196,605)</u>	<u>8,784,928</u>	<u>588,323</u>
12,027,326	-	12,027,326
2,195,692	-	2,195,692
1,193,411	-	1,193,411
5,266	-	5,266
70,977	109,854	180,831
47,961	21,000	68,961
(145,000)	145,000	-
<u>15,395,633</u>	<u>275,854</u>	<u>15,671,487</u>
7,199,028	9,060,782	16,259,810
29,898,123	52,449,092	82,347,215
<u>\$ 37,097,151</u>	<u>\$ 61,509,874</u>	<u>\$ 98,607,025</u>

CITY OF LEANDER, TEXAS

Balance Sheet

Governmental Funds

As of September 30, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 6,346,130	\$ 454,001	\$ 5,101,803	\$ 1,853,463	\$ 13,755,397
Taxes receivable, net	745,539	68,585	-	-	814,124
Other receivables, net	432,422	-	-	-	432,422
Due from other governments	460	-	-	-	460
Prepaid items	12,325	-	-	-	12,325
Total assets	<u>\$ 7,536,876</u>	<u>\$ 522,586</u>	<u>\$ 5,101,803</u>	<u>\$ 1,853,463</u>	<u>\$ 15,014,728</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 619,954	1,587	\$ 298,578	\$ 27,706	\$ 947,825
Accrued wages	184,254	-	-	-	184,254
Other accrued expenses	39,458	-	-	-	39,458
Deposits in escrow	965,506	-	-	-	965,506
Deferred revenue	793,908	68,585	-	-	862,493
Total liabilities	<u>2,603,080</u>	<u>70,172</u>	<u>298,578</u>	<u>27,706</u>	<u>2,999,536</u>
Fund Balances:					
Nonspendable	12,325	-	-	-	12,325
Restricted	-	452,414	4,803,225	316,993	5,572,632
Committed	205,963	-	-	1,508,764	1,714,727
Unassigned	4,715,508	-	-	-	4,715,508
Total fund balances	<u>4,933,796</u>	<u>452,414</u>	<u>4,803,225</u>	<u>1,825,757</u>	<u>12,015,192</u>
Total liabilities and fund balances	<u>\$ 7,536,876</u>	<u>\$ 522,586</u>	<u>\$ 5,101,803</u>	<u>\$ 1,853,463</u>	<u>\$ 15,014,728</u>

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

CITY OF LEANDER, TEXAS
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 As of September 30, 2012

Fund balances of governmental funds	\$ 12,015,192
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	77,084,704
Bonds payable and capital leases payable are not due and payable in the current period and therefore have not been included in the fund financial statements.	(52,450,757)
Accrued liabilities for compensated absences and net pension obligation are not due and payable in the current period and therefore have not been included in the fund financial statements.	(660,467)
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.	(251,996)
Bond issuance costs are recorded as expenditures when paid in the fund financial statements but are capitalized and amortized in the government-wide financial statements.	837,614
Revenues from property taxes and fines are deferred in the fund financial statements until they are considered available to fund current expenditures, but such revenues are recognized in the government-wide financial statements.	<u>522,861</u>
Net assets of governmental activities	<u><u>\$ 37,097,151</u></u>

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

CITY OF LEANDER, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2012

REVENUES	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Taxes:					
Property tax	\$ 7,863,341	\$ 3,974,388	\$ -	\$ 207,018	\$ 12,044,747
Franchise tax	1,193,411	-	-	-	1,193,411
Sales tax	2,195,692	-	-	-	2,195,692
Mixed beverage tax	5,266	-	-	-	5,266
Licenses and permits	1,808,788	-	-	883,193	2,691,981
Grant/intergovernmental	484,154	-	576	-	484,730
Fines and forfeitures	312,511	-	-	86,440	398,951
Interest income	5,771	58,155	5,494	1,557	70,977
Charges for services	1,318,653	-	-	39,947	1,358,600
Donations/contributions	42,319	-	1,009,014	391	1,051,724
Other income	92,839	9	928	-	93,776
Total revenues	15,322,745	4,032,552	1,016,012	1,218,546	21,589,855
EXPENDITURES					
Current					
General government	4,578,844	-	-	140,480	4,719,324
Public safety	7,462,583	-	-	84,036	7,546,619
Public works	1,576,734	-	-	-	1,576,734
Parks and recreation	1,408,012	-	-	27,635	1,435,647
Debt service					
Principal retirement	134,437	2,800,000	-	-	2,934,437
Interest	13,904	2,039,598	-	-	2,053,502
Bond issuance costs/agent fees	-	383,265	-	-	383,265
Capital outlay	215,462	-	1,797,679	215,895	2,229,036
Total expenditures	15,389,976	5,222,863	1,797,679	468,046	22,878,564
Excess (deficiency) of revenues over expenditures	(67,231)	(1,190,311)	(781,667)	750,500	(1,288,709)
OTHER FINANCING SOURCES (USES)					
Bond proceeds		23,795,000			23,795,000
Premium on bond issuance		1,195,451			1,195,451
Payment to bond refunding escrow agent		(24,601,705)			(24,601,705)
Transfers in	1,360,000	480,000	150,000	15,000	2,005,000
Transfers out	(2,000,000)			(150,000)	(2,150,000)
Total other financing sources and uses	(640,000)	868,746	150,000	(135,000)	243,746
Net change in fund balances	(707,231)	(321,565)	(631,667)	615,500	(1,044,963)
Fund balances - beginning, restated	5,641,027	773,979	5,434,892	1,210,257	13,060,155
Fund balances - ending	\$ 4,933,796	\$ 452,414	\$ 4,803,225	\$ 1,825,757	\$ 12,015,192

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

CITY OF LEANDER, TEXAS
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2012

Net change in fund balances --total governmental funds (\$ 1,044,963)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$2,240,871) is exceeded by depreciation expense (\$2,556,522). (315,651)

The City received street and drainage infrastructure contributed by developers. 5,654,275

Bond issue costs are expended in the fund financial statements when paid, but are capitalized and amortized in the government-wide financial statements. (194,562)

Deferred losses on refunding and premiums are amortized over the life of the bonds in the government-wide financial statements. (391,851)

Proceeds from issuance of bonds are recorded as other financing sources in the fund financial statements but increases liabilities in the government-wide financial statements. (23,795,000)

Principal payments on bonds payable of \$2,800,000, refunded bonds of \$24,295,000, and principal paid on capital leases payable of \$134,437 are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. 27,229,437

Additions to liabilities for compensated absences and net pension obligation are not shown in the fund financial statements. The net effect of the current year's increase is to decrease net assets. (92,875)

Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The decrease in interest accrual from 2011 to 2012 increases net assets. 43,253

Revenues from property taxes and fines are deferred in the fund financial statements until they are considered available to fund current expenditures, but such revenues are recognized in the government-wide statements. The effect of recognizing deferred tax and fines revenue of \$522,861 and removing prior year's deferred tax and fines recognized of \$415,896 is to increase net assets. 106,965

Change in net assets of governmental activities \$ 7,199,028

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

CITY OF LEANDER, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property tax	\$ 7,540,000	\$ 7,661,500	\$ 7,863,341	\$ 201,841
Franchise tax	1,167,500	1,167,500	1,193,411	25,911
Sales tax	1,965,000	2,150,000	2,195,692	45,692
Mixed beverage tax	7,500	7,500	5,266	(2,234)
Licenses and permits	1,263,621	1,313,621	1,808,788	495,167
Grants/intergovernmental	491,275	514,775	484,154	(30,621)
Fines and forfeitures	410,020	410,020	312,511	(97,509)
Interest income	10,000	10,000	5,771	(4,229)
Charges for services	1,311,675	1,649,109	1,318,653	(330,456)
Donations/contributions	39,000	39,000	42,319	3,319
Other income	141,230	150,380	92,839	(57,541)
Total revenues	<u>14,346,821</u>	<u>15,073,405</u>	<u>15,322,745</u>	<u>249,340</u>
EXPENDITURES				
Current				
General government	4,659,270	5,051,446	4,578,844	472,602
Public safety	7,550,167	7,694,221	7,462,583	231,638
Public works- streets/engineering	1,583,651	1,804,371	1,576,734	227,637
Parks and recreation	1,398,697	1,403,047	1,408,012	(4,965)
Debt service				
Principal retirement	185,189	185,189	134,437	50,752
Interest	-	-	13,904	(13,904)
Capital outlay	166,052	197,302	215,462	(18,160)
Total expenditures	<u>15,543,026</u>	<u>16,335,576</u>	<u>15,389,976</u>	<u>945,600</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,196,205)</u>	<u>(1,262,171)</u>	<u>(67,231)</u>	<u>1,194,940</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,360,000	1,360,000	1,360,000	-
Transfers out	(365,000)	(2,337,434)	(2,000,000)	337,434
Total other financing sources and uses	<u>995,000</u>	<u>(977,434)</u>	<u>(640,000)</u>	<u>337,434</u>
Net change in fund balances	(201,205)	(2,239,605)	(707,231)	1,532,374
Fund balances - beginning, restated	5,641,027	5,641,027	5,641,027	-
Fund balances - ending	<u>\$ 5,439,822</u>	<u>\$ 3,401,422</u>	<u>\$ 4,933,796</u>	<u>\$ 1,532,374</u>

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

CITY OF LEANDER, TEXAS

Statement of Net Assets

Proprietary Funds

As of September 30, 2012

	Business-type Activities - Enterprise Funds		
	Utility Fund	Golf Course Fund	Total Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 9,406,066	\$ 2,404	\$ 9,408,470
Accounts receivable, net	1,601,025	1,688	1,602,713
Due from other governments	95,726	-	95,726
Inventory	-	25,241	25,241
Restricted cash and cash equivalents	6,168,181	-	6,168,181
Total current assets	<u>17,270,998</u>	<u>29,333</u>	<u>17,300,331</u>
Noncurrent assets			
Bond issuance costs, net	568,602	-	568,602
Capital assets, net:			
Nondepreciable property	99,478,591	2,085,585	101,564,176
Depreciable property	104,590,701	1,026,632	105,617,333
Total noncurrent assets	<u>204,637,894</u>	<u>3,112,217</u>	<u>207,750,111</u>
Total assets	<u>221,908,892</u>	<u>3,141,550</u>	<u>225,050,442</u>
LIABILITIES			
Current liabilities			
Accounts payable	1,419,540	27,662	1,447,202
Accrued liabilities	23,849	15,300	39,149
Accrued interest payable	985,287	-	985,287
Customer deposits	1,116,907	-	1,116,907
Unearned revenue	387,500	-	387,500
Compensated absences payable - current	3,056	3,233	6,289
Note and bonds payable - current	2,715,141	-	2,715,141
Capital lease obligations - current	64,548	30,868	95,416
Total current liabilities	<u>6,715,828</u>	<u>77,063</u>	<u>6,792,891</u>
Noncurrent liabilities			
Net pension obligation	19,896	21,888	41,784
Compensated absences payable	27,508	29,095	56,603
Note payable	10,373,593	-	10,373,593
Bonds payable	146,261,894	-	146,261,894
Capital lease obligations	5,516	8,287	13,803
Total noncurrent liabilities	<u>156,688,407</u>	<u>59,270</u>	<u>156,747,677</u>
Total liabilities	<u>163,404,235</u>	<u>136,333</u>	<u>163,540,568</u>
NET ASSETS			
Invested in capital assets, net of related debt	47,530,353	3,073,062	50,603,415
Restricted for capital projects	934,548	-	934,548
Restricted for debt service	151,555	-	151,555
Unrestricted	9,888,201	(67,845)	9,820,356
Total net assets	<u>\$ 58,504,657</u>	<u>\$ 3,005,217</u>	<u>\$ 61,509,874</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, 2012

	Business-type Activities - Enterprise Funds		Total Enterprise Funds
	Utility Fund	Golf Course Fund	
OPERATING REVENUES			
Charges for sales and services	\$ 15,094,175	\$ 1,098,221	\$ 16,192,396
Other revenue	59,212		59,212
Total operating revenues	<u>15,153,387</u>	<u>1,098,221</u>	<u>16,251,608</u>
OPERATING EXPENSES			
Utility operations	10,258,939	-	10,258,939
Golf course operations	-	1,291,576	1,291,576
Depreciation and amortization	1,991,010	54,344	2,045,354
Total operating expenses	<u>12,249,949</u>	<u>1,345,920</u>	<u>13,595,869</u>
Operating income (loss)	2,903,438	(247,699)	2,655,739
NONOPERATING REVENUES (EXPENSES)			
Proceeds from the sale of assets	21,000		21,000
Interest income	109,790	64	109,854
Interest expense and fees	(1,778,234)	-	(1,778,234)
Total nonoperating revenue (expenses)	<u>(1,647,444)</u>	<u>64</u>	<u>(1,647,380)</u>
Income before contributions and transfers	1,255,994	(247,635)	1,008,359
Capital contributions from developers	5,203,979	683,189	5,887,168
Capital contributions from impact fees	2,020,255	-	2,020,255
Transfers in	-	1,505,000	1,505,000
Transfers out	<u>(1,360,000)</u>	<u>-</u>	<u>(1,360,000)</u>
Change in net assets	7,120,228	1,940,554	9,060,782
Total net assets - beginning	<u>51,384,429</u>	<u>1,064,663</u>	<u>52,449,092</u>
Total net assets - ending	<u>\$ 58,504,657</u>	<u>\$ 3,005,217</u>	<u>\$ 61,509,874</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, 2012

	Business-type Activities - Enterprise Funds		Total Enterprise Funds
	Utility Fund	Golf Course Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 15,904,772	\$ 1,099,249	\$ 17,004,021
Payments to employees	(638,207)	(588,430)	(1,226,637)
Payments to suppliers	(8,566,361)	(678,938)	(9,245,299)
Net cash provided (used) by operating activities	<u>6,700,204</u>	<u>(168,119)</u>	<u>6,532,085</u>
CASH FLOWS FROM NONCAPITAL			
Transfer (to) from other funds	(1,360,000)	1,505,000	145,000
Payments to/from other funds	428,885	(1,306,706)	(877,821)
Net cash provided (used) by noncapital financing activities	<u>(931,115)</u>	<u>198,294</u>	<u>(732,821)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the sale of assets	21,000	-	21,000
Capital contributions- impact fees and others	2,171,445	-	2,171,445
Acquisition of capital assets	(42,215,951)	-	(42,215,951)
Principal paid on long-term debt	(966,562)	(28,990)	(995,552)
Proceeds from the issuance of debt	39,105,000	-	39,105,000
Interest paid on long-term debt	(1,593,664)	-	(1,593,664)
Bond issuance costs paid on long-term debt	(247,087)	-	(247,087)
Premiums received on long-term debt	666,575	-	666,575
Net cash used by capital and related financing activities	<u>(3,059,244)</u>	<u>(28,990)</u>	<u>(3,088,234)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on pooled investments	109,790	64	109,854
Net cash provided by investing activities	<u>109,790</u>	<u>64</u>	<u>109,854</u>
Net increase in cash and cash equivalents	2,819,635	1,249	2,820,884
Cash and cash equivalents - beginning of year	<u>12,754,612</u>	<u>1,155</u>	<u>12,755,767</u>
Cash and cash equivalents - end of the year	<u>\$ 15,574,247</u>	<u>\$ 2,404</u>	<u>\$ 15,576,651</u>
Reported as:			
Cash and cash equivalents	\$ 9,406,066	\$ 2,404	\$ 9,408,470
Restricted cash and cash equivalents	6,168,181	-	6,168,181
	<u>\$ 15,574,247</u>	<u>\$ 2,404</u>	<u>\$ 15,576,651</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, 2012

	Business-type Activities - Enterprise Funds		Total
	Utility Fund	Golf Course Fund	Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET			
CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 2,903,438	\$ (247,699)	\$ 2,655,739
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,991,010	54,344	2,045,354
(Increase) decrease in accounts receivable	776,510	1,028	777,538
(Increase) decrease in inventory	-	23,070	23,070
Increase (decrease) in customer deposits	61,675	-	61,675
Increase (decrease) in accounts payable	1,031,668	(11,616)	1,020,052
Increase (decrease) in accrued liabilities	22,703	12,754	35,457
Increase (decrease) in unearned revenue	(86,800)	-	(86,800)
Net cash provided (used) by operating activities	\$ 6,700,204	\$ (168,119)	\$ 6,532,085
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Infrastructure contributed by developers	\$ 5,052,789	\$ 683,189	\$ 5,735,978

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

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 1: Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

B. Government-Wide and Fund Financial Statements

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

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

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 1: Summary of Significant Accounting Policies – continued

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when the liability has matured and payment is due.

Property taxes, sales taxes, franchise taxes, interest revenue and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, if available. Grant revenues are recognized only as grant expenditures are incurred to the extent that the expenditures are allowable and eligible for reimbursement. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

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

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

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

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

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

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

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 1: Summary of Significant Accounting Policies – continued

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

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

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

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

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

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

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

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

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 1: Summary of Significant Accounting Policies – continued

Taxes are levied by the City Council based on the appraised values received from each CAD. The Williamson and Travis County Tax Assessors bill and collect the taxes levied.

The City is permitted by the State of Texas to levy taxes up to \$2.50 per \$100 of assessed valuation for general government services and for the payment of principal and interest on general long-term debt. The combined current tax rate to finance general government services, including debt service, for the fiscal year ended September 30, 2012, was \$.67042 per \$100 of assessed valuation.

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

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest expense was capitalized in the Utility Fund in 2012.

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

Intangible assets consist of reserved capacity of the Brushy Creek Regional Utility Authority, a regional water treatment and distribution system. The water treatment and distribution system has not been placed into service as of September 30, 2012.

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

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

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

Bond issuance costs – Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources.

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 1: Summary of Significant Accounting Policies – continued

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as Nonspendable at September 30, 2012 are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

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

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

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

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

Note 2: Stewardship, Compliance, and Accountability

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

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

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 3: Deposits and Investments

Cash and Cash Investments

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

Custodial credit risk – deposits. At September 30, 2012, all of the City's deposits were covered by federal depository insurance and pledged securities held by the City's depository agent in the City's name.

Investments

The City's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). These policies authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) certificates of deposit by state and national banks doing business in Texas that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor or, (b) secured by obligations in a manner and amount provided by law for deposits of the City; (3) money market mutual funds that are (a) registered and regulated by the Securities and Exchange Commission, (b) have a dollar weighted average stated maturity of 90 days or less, (c) rated AAA by at least one nationally recognized rating service, and (d) seek to maintain a net asset value of \$1.00 per share; (4) constant-dollar, Texas local government investment pools, which (a) meet the requirements of PFIA, (b) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, (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, 2012, the City had the following investments:

Investment Type	Fair Value	Percentage of Total	Credit Rating	Investment Maturity Less than 1 Year
Texas Term	\$ 1,045,219	5.60%	AAAf	\$ 1,045,219
TexSTAR	4,163,809	22.32%	AAAm	4,163,809
TexPool	12,204,977	65.41%	AAAm	12,204,977
Certificate of Deposits	1,245,000	6.67%	N/A	1,245,000
Total Portfolio	\$ 18,659,005	100.00%		\$ 18,659,005

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

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 3: Deposits and Investments – continued

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

The Texas Term Local Government Investment Pool (TexasTERM) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexasTERM is administered by PFM Asset Management LLC, who also serves as the investment advisor.

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

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

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

Restricted Assets

As of September 30, 2012, the City held restricted cash and investments of \$6,168,181, for the following purposes:

Utility - construction	\$	5,010,899
Utility - customer deposits		1,005,727
Utility - debt service		<u>151,555</u>
Total restricted cash and investments	\$	<u><u>6,168,181</u></u>

Note 4: Receivables

Receivables as of September 30, 2012 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Utility</u>	<u>Golf</u>	<u>Total</u>
Receivables:					
Taxes	\$ 755,304	\$ 84,414	\$ -	\$ -	\$ 839,718
Accounts	<u>1,802,654</u>	<u>-</u>	<u>2,315,174</u>	<u>1,688</u>	<u>4,119,516</u>
Gross receivables	2,557,958	84,414	2,315,174	1,688	4,959,234
Less: allowance for uncollectibles	<u>(1,379,997)</u>	<u>(15,829)</u>	<u>(714,149)</u>	<u>-</u>	<u>(2,109,975)</u>
Net total receivables	<u><u>\$ 1,177,961</u></u>	<u><u>\$ 68,585</u></u>	<u><u>\$ 1,601,025</u></u>	<u><u>\$ 1,688</u></u>	<u><u>\$ 2,849,259</u></u>

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 5: Capital Assets

A summary of changes in capital assets follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,734,940	\$ -	\$ -	\$ 1,734,940
Construction in progress	<u>21,201,420</u>	<u>2,032,646</u>	<u>(10,768,690)</u>	<u>12,465,376</u>
Total capital assets not being depreciated	<u>22,936,360</u>	<u>2,032,646</u>	<u>(10,768,690)</u>	<u>14,200,316</u>
Capital assets, being depreciated:				
Buildings and improvements	14,120,128	4,751,523	-	18,871,651
Equipment	7,304,775	672,952	-	7,977,727
Infrastructure	<u>41,905,054</u>	<u>11,206,715</u>	<u>-</u>	<u>53,111,769</u>
Total capital assets being depreciated	<u>63,329,957</u>	<u>16,631,190</u>	<u>-</u>	<u>79,961,147</u>
Less accumulated depreciation:				
Buildings and improvements	(3,597,704)	(712,373)	-	(4,310,077)
Equipment	(4,297,022)	(656,137)	-	(4,953,159)
Infrastructure	<u>(6,625,511)</u>	<u>(1,188,012)</u>	<u>-</u>	<u>(7,813,523)</u>
Total accumulated depreciation	<u>(14,520,237)</u>	<u>(2,556,522)</u>	<u>-</u>	<u>(17,076,759)</u>
Capital assets, net	<u>\$ 71,746,080</u>	<u>\$ 16,107,314</u>	<u>\$ (10,768,690)</u>	<u>\$ 77,084,704</u>
	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,331,833	\$ -	\$ -	\$ 2,331,833
Construction in progress	7,742,193	41,876,857	(41,566,707)	8,052,343
Intangible	<u>91,180,000</u>	<u>-</u>	<u>-</u>	<u>91,180,000</u>
Total capital assets not being depreciated	<u>101,254,026</u>	<u>41,876,857</u>	<u>(41,566,707)</u>	<u>101,564,176</u>
Capital assets, being depreciated:				
Buildings and improvements	666,844	683,190	-	1,350,034
Equipment	1,526,929	95,958	-	1,622,887
Infrastructure	<u>72,657,546</u>	<u>46,862,632</u>	<u>-</u>	<u>119,520,178</u>
Total capital assets being depreciated	<u>74,851,319</u>	<u>47,641,780</u>	<u>-</u>	<u>122,493,099</u>
Less accumulated depreciation:				
Buildings and improvements	(368,116)	(36,722)	-	(404,838)
Equipment	(771,395)	(66,369)	-	(837,764)
Infrastructure	<u>(13,692,945)</u>	<u>(1,940,219)</u>	<u>-</u>	<u>(15,633,164)</u>
Total accumulated depreciation	<u>(14,832,456)</u>	<u>(2,043,310)</u>	<u>-</u>	<u>(16,875,766)</u>
Capital assets, net	<u>\$ 161,272,889</u>	<u>\$ 87,475,327</u>	<u>\$ (41,566,707)</u>	<u>\$ 207,181,509</u>

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 5: Capital Assets – continued

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

Governmental Activities		
General government	\$	84,664
Public safety		793,867
Public works		1,226,340
Parks and recreation		451,651
	\$	<u>2,556,522</u>
Business-type Activities		
Utility services	\$	1,994,685
Golf course		48,625
	\$	<u>2,043,310</u>

Note 6: Interfund Transfers

Transfer From	Transfer To	Amount	Purpose
General Fund	Golf Course Fund	\$ 1,505,000	To retire interfund loan
General Fund	Debt Service	480,000	To retire principal
General Fund	Nonmajor governmental funds	15,000	Traffic Enforcement Fund
Nonmajor governmental funds	Capital Projects Funds	150,000	Subsidize capital projects
Utility Fund	General Fund	1,360,000	Indirect cost recovery, debt service, and franchise fee
		<u>\$ 3,510,000</u>	

Note 7: Long-term Debt

The following is a summary of long-term debt transactions of the City for the fiscal year ended September 30, 2012:

	Balance October 1	Issued	Retirements/ Refunding	Balance September 30	Due Within One Year
Governmental activities					
Bonds	\$ 55,615,000	\$ 23,795,000	\$ (27,095,000)	\$ 52,315,000	\$ 1,705,000
Premium	1,522,603	1,195,452	(158,699)	2,559,356	158,699
Deferred loss on refunding	(1,854,545)	(795,994)	151,092	(2,499,447)	(151,092)
Net bonds payable	<u>55,283,058</u>	<u>24,194,458</u>	<u>(27,102,607)</u>	<u>52,374,909</u>	<u>1,712,607</u>
Capital leases	210,285	-	(134,437)	75,848	72,855
Net pension obligation	253,930	73,407	-	327,337	-
Compensated absences	313,662	19,468	-	333,130	33,313
Total governmental activity					
Long-term liabilities	<u>\$ 56,060,935</u>	<u>\$ 24,287,333</u>	<u>\$ (27,237,044)</u>	<u>\$ 53,111,224</u>	<u>\$ 1,818,775</u>

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 7: Long-term Debt – continued

	Balance October 1	Issued	Retirements/ Refunding	Balance September 30	Due Within One Year
Business-type Activities					
Bonds	\$ 18,410,000	\$ 48,950,000	\$ (10,750,000)	\$ 56,610,000	\$ 1,753,000
Premium	666,682	1,202,378	(100,757)	1,768,303	100,757
Deferred loss on refunding	(536,895)	(535,803)	65,023	(1,007,675)	(65,023)
Net bonds payable	<u>18,539,787</u>	<u>49,616,575</u>	<u>(10,785,734)</u>	<u>57,370,628</u>	<u>1,788,734</u>
Contract revenue bonds	91,180,000	-	-	91,180,000	500,000
Note payable	10,800,000	-	-	10,800,000	426,407
Capital leases	199,771	-	(90,552)	109,219	95,416
Net pension obligation	28,551	13,233	-	41,784	-
Compensated absences	<u>47,288</u>	<u>15,604</u>	<u>-</u>	<u>62,892</u>	<u>6,289</u>
Total Business-type Activity					
Long-term liabilities	<u>\$ 120,795,397</u>	<u>\$ 49,645,412</u>	<u>\$ (10,876,286)</u>	<u>\$ 159,564,523</u>	<u>\$ 2,816,846</u>

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

Governmental Activities

A summary of Tax-Supported General Obligation Debt outstanding at September 30, 2012 follows:

\$4,245,000 Series 2005 General Obligation Refunding Bonds, due in annual installments of \$25,000 to \$350,000 through August 15, 2025; interest at 4.0% to 4.25%.	\$ 3,280,000
\$21,210,000 Series 2007 General Obligation Refunding Bonds, due in annual installments of \$1,015,000 and \$195,000 through August 15, 2017; interest at 3.95% to 4.00%.	1,210,000
\$4,630,000 Series 2009 Refunding Bonds, due in annual installments of \$125,000 to \$1,010,000 through August 15, 2017; interest at 3.00% to 3.25%.	3,805,000
\$20,505,000 Series 2010 General Obligation and Refunding Bonds, due in annual installments of \$265,000 to \$3,370,000 through August 15, 2030; interest at 2.00% to 4.00%.	20,505,000
\$19,165,000 (\$12,920,000 allocated to tax supported debt) Series 2012-A Refunding Bonds, due in annual installments of \$1,620,000 to \$2,070,000 through August 15, 2027; interest at 3.00% to 5.00%.	12,920,000
\$14,310,000 (\$10,875,000 allocated to tax supported debt) Series 2012 Refunding Bonds, due in annual installments of \$280,000 to \$1,170,000 through August 15, 2024; interest at 2.00% to 5.00%.	<u>10,595,000</u>
Total general obligation bonds	<u>\$ 52,315,000</u>

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 7: Long-term Debt – continued

The annual requirements to retire general long-term debt, including interest, as of September 30, 2012 are as follows:

Year Ending September 30	General Obligation Bonds		Total Requirements
	Principal	Interest	
2013	\$ 1,705,000	\$ 1,967,035	\$ 3,672,035
2014	2,145,000	1,921,885	4,066,885
2015	3,555,000	1,863,611	5,418,611
2016	4,705,000	1,740,835	6,445,835
2017	3,975,000	1,570,593	5,545,593
2018-2022	19,970,000	5,563,300	25,533,300
2023-2027	14,855,000	1,817,440	16,672,440
2028-2030	1,405,000	113,800	1,518,800
Totals	\$ 52,315,000	\$ 16,558,499	\$ 68,873,499

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.

Business-type Activities

Revenue Bonds:

A summary of Revenue Debt outstanding at September 30, 2012 follows:

\$2,155,000 Series 2003 Waterworks and Sewer Revenue Refunding Bonds, due in annual installments of \$75,000 to \$155,000 through February 15, 2023; interest at 4.32%.	\$ 1,300,000
\$7,150,000 Series 2010 Refunding Bonds, due in annual installments of \$745,000 to \$1,525,000 through August 15, 2020, interest 2.0% to 4.0%.	7,150,000
\$36,270,000 Series 2012 Combination Tax & Revenue Certificates of Obligation, due in annual installments of \$735,000 to \$2,190,000 through August 15, 2036; interest at 2% to 5%.	35,535,000
\$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%.	3,000,000
\$19,165,000 (\$6,245,000 allocated to revenue supported debt) Series 2012-A Refunding Bonds, due in annual installments of \$530,000 to \$740,000 through August 15, 2027; interest at 3.00% to 5.00%.	6,245,000
\$14,310,000 (\$3,435,000 allocated to revenue supported debt) Series 2012 Refunding Bonds, due in annual installments of \$5,000 to \$720,000 through August 15, 2024; interest at 2.00% to 5.00%.	<u>3,380,000</u>
Total revenue bonds	<u>\$ 56,610,000</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 \$144,338 at September 30, 2012. The City has \$151,555 in their bond reserve fund at September 30, 2012.

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 7: Long-term Debt – continued

The annual requirements to retire revenue bonds, including interest, as of September 30, 2012 are as follows:

Year Ending September 30	Revenue Bonds		Total Requirements
	Principal	Interest	
2013	\$ 1,753,000	\$ 2,154,708	\$ 3,907,708
2014	1,776,000	2,123,078	3,899,078
2015	2,585,000	2,061,486	4,646,486
2016	2,659,000	1,995,349	4,654,349
2017	3,007,000	1,926,769	4,933,769
2018-2022	16,090,000	7,882,504	23,972,504
2023-2027	12,475,000	4,979,615	17,454,615
2028-2032	9,270,000	2,771,675	12,041,675
2033-2036	6,995,000	716,250	7,711,250
Total	\$ 56,610,000	\$ 26,611,434	\$ 83,221,434

In fiscal year 2012, the City issued \$19,165,000 in General Obligation Refunding Bonds, with interest rates ranging from 3.0% to 5.0% to refund a portion of its outstanding debt for debt service savings. The portion of the debt that represents refunded bonds were the Series 2007 General Obligation Refunding Bonds and the 2007 Combination Tax and Revenue Certificates of Obligation, totaling \$19,980,000 and carried remaining interest rates ranging from 4.0% to 4.6%, both maturing in 2027. The aggregate difference between the refunding debt and the refunded debt resulted in a cash flow savings of \$1,348,304. As a result of the refunding, the City obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$1,607,738.

Also in fiscal year 2012, the City issued \$14,310,000 in General Obligation Refunding Bonds, with interest rates ranging from 2.0% to 5.0%. The portion of the debt that represents refunded bonds were the Series 2002 Combination Tax and Revenue Certificates of Obligation, 2002 Limited Tax Refunding Bonds, 2004 Combination Tax and Revenue Certificates of Obligation, 2004A Combination Tax and Revenue Certificates of Obligation, 2006 Combination Tax and Revenue Certificates of Obligation, and the 2006 General Obligation Refunding Bonds, totaling \$14,160,000 and carried remaining interest rates ranging from 3.80% to 5.125% with maturity dates in 2017 through 2024. The aggregate difference between the refunding debt and the refunded debt resulted in a cash flow savings of \$1,384,725. As a result of the refunding, the City obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$1,108,409.

Contract Revenue Debt:

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

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

The annual requirements to retire contract revenue debt, including interest, as of September 30, 2012, are as follows:

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 7: Long-term Debt – continued

Year Ending September 30	Contract Revenue Debt		Total Requirements
	Principal	Interest	
2013	\$ 500,000	\$ 4,285,481	\$ 4,785,481
2014	1,000,000	4,272,361	5,272,361
2015	1,500,000	4,243,721	5,743,721
2016	1,850,000	4,197,311	6,047,311
2017	2,175,000	4,136,187	6,311,187
2018-2022	12,720,000	19,365,340	32,085,340
2023-2027	16,435,000	16,302,384	32,737,384
2028-2032	21,220,000	11,899,173	33,119,173
2033-2037	27,405,000	5,941,207	33,346,207
2038	6,375,000	324,105	6,699,105
Total	\$ 91,180,000	\$ 74,967,270	\$ 166,147,270

Note Payable:

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

Year Ending September 30	Notes Payable		Total Requirements
	Principal	Interest	
2013	\$ 426,407	\$ 343,732	\$ 770,139
2014	439,199	330,939	770,138
2015	452,375	317,763	770,138
2016	465,947	304,192	770,139
2017	479,925	290,214	770,139
2018-2022	2,624,427	1,226,267	3,850,694
2023-2027	3,042,430	808,264	3,850,694
2028-2032	3,527,010	323,683	3,850,693
Less interest to be accrued in fiscal years 2011 and 2012	11,457,720	\$ 3,945,054	\$ 15,402,774
	(657,720)		
Total	\$ 10,800,000		

Capital Leases

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

Assets acquired through capital leases are as follows:

Assets	Governmental Activities	Business-type Activities
Machinery and Equipment	\$ 690,064	\$ 300,859
Less: Accumulated Depreciation	(454,439)	(76,663)
Total	\$ 235,625	\$ 224,196

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 7: Long-term Debt – continued

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012, are as follows:

Year Ended September 30	Governmental Activities	Business-type Activities
2013	\$ 75,415	\$ 99,545
2014	3,004	12,453
2015	-	1,666
Total minimum lease payments	78,419	113,664
Less amount representing interest	(2,571)	(4,445)
Present value of minimum lease payments	\$ 75,848	\$ 109,219

Note 8: Retirement Plan

Plan Description

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

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

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

	Plan Year 2011	Plan Year 2012
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

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

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 8: Retirement Plan – continued

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

Annual required contribution (ARC)	\$	1,074,155
Interest on Net Pension obligation		19,773
Adjustment to ARC		(16,997)
Annual Pension Cost (expense)		1,076,931
Contributions made		(990,291)
Increase (decrease) in net pension obligation		86,640
Net Pension Obligation - as of beginning of year		282,481
Net Pension Obligation - as of end of year	\$	369,121

Trend Information				
For Year Ending	Annual Pension Cost	Net Employer Contribution	Percentage of APC Contributed	Net Pension Obligation
9/30/2010	\$ 861,706	\$ 753,564	87.5%	\$ 176,016
9/30/2011	994,643	888,178	89.3%	282,481
9/30/2012	1,076,931	990,291	92.0%	369,121

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit Level Percent of	Projected Unit Credit Level Percent of	Projected Unit Credit Level Percent of
Amortization Method	Payroll	Payroll	Payroll
GASB 25 Equivalent	28.3 Years - Closed	27.5 Years - Closed	26.5 Years - Closed
Single Amortization Period	Period	Period	Period
Amortization Period for new			
Gains/Losses	30 years	30 years	30 years
	10-year smoothed	10-year smoothed	10-year smoothed
Asset Valuation Method	Market	Market	Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	7.0%
	Varies by age and	Varies by age and	Varies by age and
Projected Salary Increases*	service	service	service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-living Adjustments	2.1%	2.1%	2.1%

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 8: Retirement Plan – continued

Funded Status and Funding Progress

The funded status as of December 31, 2011, the most recent actuarial valuation date is presented as follows:

Schedule of Actuarial Liabilities and Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(A)/(B)	(D) = (B) - (A)	(E)	(D)/(E)
12/31/2009	\$ 6,474,611	\$ 10,523,377	61.5%	\$ 4,048,766	\$ 7,612,960	53.2%
12/31/2010	8,546,238	14,074,172	60.7%	5,527,934	8,160,788	67.7%
12/31/2011	10,253,804	15,622,749	65.6%	5,368,945	8,581,463	62.6%

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

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

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12- month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to the TMRS SDBF for the years ended 2012, 2011 and 2010 were \$13,550, \$14,740, and \$14,295, respectively, which equaled the required contribution each year.

Note 9: Commitments

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

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 9: Commitments – continued

These charges were to be considered operating expenses of Leander's water works and sanitary sewer systems, as LCRA and BRA intended to own and operate the Water System as capital improvements on behalf of Leander. Total charges paid in fiscal year 2012 to LCRA under this contract totaled \$3,112,108.

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

Note 10: Risk Management

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

Note 11: Joint Venture

Brushy Creek Regional Utility Authority

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

The City has contributed \$9,361,431 and the Lower Colorado River Authority has contributed \$5,197,976 on behalf of the City to the BCRUA as of September 30, 2012, for land acquisition, construction, and engineering costs. Contributions in the amount of \$9,190,678 will be reimbursed by the BCRUA to the City. The City will not be reimbursed for the legal fees contributed in the amount of \$170,753. The City has collected \$9,179,457 as of September 30, 2012 and a due from other governments in the amount of \$11,221 is reported in the Utility Fund.

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

Brushy Creek Regional Wastewater System

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

CITY OF LEANDER, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2012

Note 12: Subsequent Pronouncements

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and 34*. This Statement modifies the criteria for inclusion of component units in the financial reporting entity. This Statement also clarifies the reporting of equity interests in legally separate organizations. The City will reassess its accounting and financial reporting for potential component units and interests in joint ventures when this Statement is implemented. The provisions of this Statement are effective for periods beginning after June 15, 2012.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows and inflows of resources, which Concepts Statement No. 4 introduced and defined those elements as consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. This Statement amends the net assets reporting requirements of Statement No. 34 by incorporating deferred inflows and outflows into the definitions of the required components of residual measure and by renaming that measure as net position, rather than net assets. This Statement will require the City to assess the reporting of deferred inflows and outflows to which this Statement is applicable. The provisions of this Statement are effective for periods beginning after December 15, 2011.

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

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

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

Note 13: Prior Period Adjustment

A one percent fee collected from the cable companies as part of franchise fees is required to be set aside for Public-Educational-Governmental (PEG) programming and can only be spent for those purposes. The funds are required to be held separately from the regular franchise fee collected from the companies. During fiscal year 2012 it was noted that these revenues had been recognized as revenue in prior years rather than being deferred until plans are made for their use. As a result, fund balance in the General Fund and net assets of governmental activities were overstated by \$158,060. A prior period adjustment was made to reduce General Fund fund balance and net assets of governmental activities by \$158,060 at October 1, 2011.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LEANDER, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds
As of September 30, 2012

	Court Security Fund	Court Technology Fund	Parks Dedication Fund	Police Special Revenue Fund
ASSETS				
Cash and investments	\$ 23,602	\$ 17,697	\$ 46,296	22,110
Total assets	\$ 23,602	\$ 17,697	\$ 46,296	\$ 22,110
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	-	\$ -	\$ -
Total liabilities	-	-	-	-
 Fund Balances:				
Restricted	23,602	17,697		
Committed			46,296	22,110
Total fund balances	23,602	17,697	46,296	22,110
 Total liabilities and fund balances				
	\$ 23,602	\$ 17,697	\$ 46,296	\$ 22,110

Police Forfeitures Fund	Fire Rescue Fund	Step Fund	TIRZ #1 Fund	Public Arts Fund
\$ 3,515	\$ 37,549	34,753	\$ 240,655	\$ 5,521
<u>\$ 3,515</u>	<u>\$ 37,549</u>	<u>\$ 34,753</u>	<u>\$ 240,655</u>	<u>\$ 5,521</u>
\$ -	9,920	\$ -	\$ 3,737	391
-	<u>9,920</u>	-	<u>3,737</u>	<u>391</u>
3,515	27,629	34,753	236,918	5,130
<u>3,515</u>	<u>27,629</u>	<u>34,753</u>	<u>236,918</u>	<u>5,130</u>
<u>\$ 3,515</u>	<u>\$ 37,549</u>	<u>\$ 34,753</u>	<u>\$ 240,655</u>	<u>\$ 5,521</u>

CITY OF LEANDER, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds - Continued
As of September 30, 2012

	CID/HRT Fund	Hotel Occupancy Fund	Traffic Impact Analysis Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 35	\$ 473	\$ 1,421,257	\$ 1,853,463
Total assets	<u>\$ 35</u>	<u>\$ 473</u>	<u>\$ 1,421,257</u>	<u>\$ 1,853,463</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	13,658	\$ 27,706
Total liabilities	<u>-</u>	<u>-</u>	<u>13,658</u>	<u>27,706</u>
Fund Balances:				
Restricted	35	473		316,993
Committed			1,407,599	1,508,764
Total fund balances	<u>35</u>	<u>473</u>	<u>1,407,599</u>	<u>1,825,757</u>
Total liabilities and fund balances	<u>\$ 35</u>	<u>\$ 473</u>	<u>\$ 1,421,257</u>	<u>\$ 1,853,463</u>

CITY OF LEANDER, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2012

	Court Security Fund	Court Technology Fund	Parks Dedication Fund	Police Special Revenue Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	39,600	-
Intergovernmental	-	-	-	-
Fines and forfeitures	9,636	12,848	-	-
Charges for services	-	-	-	11,800
Contributions	-	-	-	-
Interest	18	10	32	12
Total revenues	<u>9,654</u>	<u>12,858</u>	<u>39,632</u>	<u>11,812</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	4,465	9,523	-	-
Parks and recreation	-	-	21,490	-
Capital outlay	-	-	-	-
Total expenditures	<u>4,465</u>	<u>9,523</u>	<u>21,490</u>	<u>-</u>
Excess of revenues over expenditures	<u>5,189</u>	<u>3,335</u>	<u>18,142</u>	<u>11,812</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,189	3,335	18,142	11,812
Fund balances - beginning	<u>18,413</u>	<u>14,362</u>	<u>28,154</u>	<u>10,298</u>
Fund balances - ending	<u>\$ 23,602</u>	<u>\$ 17,697</u>	<u>\$ 46,296</u>	<u>\$ 22,110</u>

Police Forfeitures Fund	Fire Rescue Fund	Step Fund	TIRZ #1 Fund	Public Arts Fund
\$ -	\$ -	\$ -	\$ 206,962	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	63,956	-	-
-	28,147	-	-	-
-	-	-	-	391
3	25	18	473	6
<u>3</u>	<u>28,172</u>	<u>63,974</u>	<u>207,435</u>	<u>397</u>
-	-	-	140,480	-
-	25,827	44,221	-	-
-	-	-	-	6,145
-	-	-	22,252	-
<u>-</u>	<u>25,827</u>	<u>44,221</u>	<u>162,732</u>	<u>6,145</u>
<u>3</u>	<u>2,345</u>	<u>19,753</u>	<u>44,703</u>	<u>(5,748)</u>
-	-	15,000	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>	<u>-</u>
-	-	15,000	(150,000)	-
3	2,345	34,753	(105,297)	(5,748)
<u>3,512</u>	<u>25,284</u>	<u>-</u>	<u>342,215</u>	<u>10,878</u>
<u>\$ 3,515</u>	<u>\$ 27,629</u>	<u>\$ 34,753</u>	<u>\$ 236,918</u>	<u>\$ 5,130</u>

CITY OF LEANDER, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Continued
For the Year Ended September 30, 2012

	CID/HRT Fund	Hotel Occupancy Fund	Traffic Impact Analysis Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ -	\$ 56	\$ -	\$ 207,018
Licenses, permits and fees	-	-	843,593	883,193
Intergovernmental	-	-	-	-
Fines and forfeitures	-	-	-	86,440
Charges for services	-	-	-	39,947
Contributions	-	-	-	391
Interest	-	1	959	1,557
Total revenues	<u>-</u>	<u>57</u>	<u>844,552</u>	<u>1,218,546</u>
EXPENDITURES				
Current				
General government	-	-	-	140,480
Public safety	-	-	-	84,036
Parks and recreation	-	-	-	27,635
Capital outlay	-	-	193,643	215,895
Total expenditures	<u>-</u>	<u>-</u>	<u>193,643</u>	<u>468,046</u>
Excess of revenues over expenditures	<u>-</u>	<u>57</u>	<u>650,909</u>	<u>750,500</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	15,000
Transfers out	-	-	-	(150,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(135,000)</u>
Net change in fund balances	-	57	650,909	615,500
Fund balances - beginning	<u>35</u>	<u>416</u>	<u>756,690</u>	<u>1,210,257</u>
Fund balances - ending	<u>\$ 35</u>	<u>\$ 473</u>	<u>\$ 1,407,599</u>	<u>\$ 1,825,757</u>

COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Leander, Texas (the City), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 12, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Davis Kinard & Co, PC
Certified Public Accountants

Abilene, Texas
February 12, 2013