



City of
Leander

State of Texas

ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2015

CITY OF LEANDER, TEXAS

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CITY OF LEANDER, TEXAS

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FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Leander, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Brushy Creek Regional Utility Authority, which represent 2.5 percent, 4 percent, and 23.3 percent, respectively, of the assets, net position, and expenses of the Utility Fund, and 2.5 percent, 4 percent, and 21.7 percent, respectively, of the assets, net position, and expenses of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Brushy Creek Regional Utility Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leander, Texas, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Governmental Accounting Standards (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, and the schedule of contributions on pages 4 – 12 and 63 – 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Leander, Texas' basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2016, on our consideration of the City of Leander, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Leander, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
February 12, 2016

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the City of Leander, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred inflows of the City exceeded its liabilities and deferred outflows at the close of the fiscal year ended September 30, 2015, by \$214,165,419 (net position). Of this amount, \$48,791,654 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$44,521,982 for the year ended September 30, 2015. Most of this increase is due to increased capital contributions from developers.
- As of September 30, 2015, the City's governmental funds reported combined ending fund balances of \$35,459,556, an increase of \$23,267,854 in comparison with the prior fiscal year due to the issuance of Combination Tax and Revenue Certificates of Obligation, Series 2015 in the amount of \$24,040,000.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,261,050 or 31.71% of total General Fund expenditures.
- As of the close of the current fiscal year, the City's proprietary funds reported combined ending net position of \$107,441,991 an increase of \$17,344,469 in comparison with the prior year. Most of the increase is attributable to an increase in capital contributions from impact fees and developers.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

The government wide financial statements can be found on pages 13 – 15 of this report.

Fund Financial Statements

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

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

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

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

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget on page 63.

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

The City’s fund financial statements can be found on pages 16 – 26 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 27 – 62 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Leander, assets and deferred outflows exceeded liabilities and deferred inflows by \$214,165,419 at the close of the most recent fiscal year.

The largest portion of the City’s net position (74.16%) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure and system improvements) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF LEANDER’S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other asset \$	40,283,641	\$ 15,091,304	\$ 26,882,641	\$ 19,461,534	\$ 67,166,282	\$ 34,552,838
Capital assets	<u>146,682,395</u>	<u>118,191,845</u>	<u>146,771,057</u>	<u>137,697,740</u>	<u>293,453,452</u>	<u>255,889,585</u>
Total assets	<u>186,966,036</u>	<u>133,283,149</u>	<u>173,653,698</u>	<u>157,159,274</u>	<u>360,619,734</u>	<u>290,442,423</u>
Deferred outflows of resources	<u>3,148,948</u>	<u>2,197,263</u>	<u>898,441</u>	<u>808,193</u>	<u>4,047,389</u>	<u>3,005,456</u>
Long-term liabilities	74,097,624	46,964,784	63,789,755	65,316,584	137,887,379	112,281,368
Other liabilities	<u>9,293,932</u>	<u>6,817,201</u>	<u>3,320,393</u>	<u>2,792,844</u>	<u>12,614,325</u>	<u>9,610,045</u>
Total liabilities	<u>83,391,556</u>	<u>53,781,985</u>	<u>67,110,148</u>	<u>68,109,428</u>	<u>150,501,704</u>	<u>121,891,413</u>
Net position:						
Net investment in capital assets	75,165,140	70,405,900	83,664,281	72,182,492	158,829,421	142,588,392
Restricted	2,730,185	2,478,503	3,814,159	2,023,278	6,544,344	4,501,781
Unrestricted	<u>28,828,103</u>	<u>8,814,024</u>	<u>19,963,551</u>	<u>15,652,269</u>	<u>48,791,654</u>	<u>24,466,293</u>
Total net position \$	<u>106,723,428</u>	<u>81,698,427</u>	<u>107,441,991</u>	<u>89,858,039</u>	<u>214,165,419</u>	<u>171,556,466</u>

An additional portion of the City of Leander’s net position (3.06%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$48,791,654, may be used to meet the City’s ongoing obligations to citizens and creditors.

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

The City’s net position increased by \$44,521,982 during the current fiscal year. Almost all of this increase is due to increased capital contributions from developers.

CITY OF LEANDER’S CHANGES IN NET POSITION

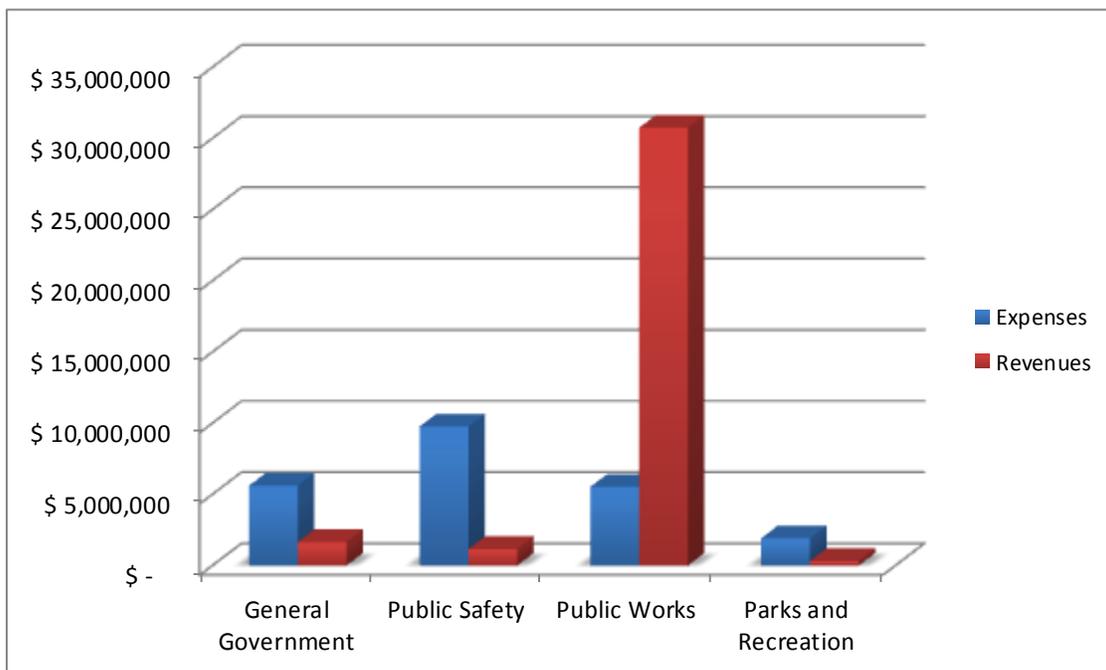
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 9,120,578	\$ 8,705,342	\$ 20,529,669	\$ 19,398,358	\$ 29,650,247	\$ 28,103,700
Operating grants and contributions	406,539	250,483	-	-	406,539	250,483
Capital contributions	22,994,334	24,919,776	17,677,158	20,513,967	40,671,492	45,433,743
General revenues:						
Property taxes	16,417,155	14,051,596	-	-	16,417,155	14,051,596
Other taxes	5,284,487	4,447,294	-	-	5,284,487	4,447,294
Investment earnings	(9,966)	31,219	26,407	28,838	16,441	60,057
Other income	202,676	89,086	250,500	-	453,176	89,086
Total revenues	<u>54,415,803</u>	<u>52,494,796</u>	<u>38,483,734</u>	<u>39,941,163</u>	<u>92,899,537</u>	<u>92,435,959</u>
Expenses:						
General government	6,652,020	5,604,655	-	-	6,652,020	5,604,655
Public safety	10,859,060	9,765,484	-	-	10,859,060	9,765,484
Public works	5,997,440	5,528,657	-	-	5,997,440	5,528,657
Parks and recreation	2,173,112	1,909,440	-	-	2,173,112	1,909,440
Interest on long-term debt	2,652,214	1,980,197	-	-	2,652,214	1,980,197
Utility services	-	-	18,636,171	17,895,837	18,636,171	17,895,837
Golf course	-	-	1,407,538	1,393,780	1,407,538	1,393,780
Total expenses	<u>28,333,846</u>	<u>24,788,433</u>	<u>20,043,709</u>	<u>19,289,617</u>	<u>48,377,555</u>	<u>44,078,050</u>
Increases in net position						
before transfers	26,081,957	27,706,363	18,440,025	20,651,546	44,521,982	48,357,909
Transfers	<u>1,095,556</u>	<u>1,107,800</u>	<u>(1,095,556)</u>	<u>(1,107,800)</u>	<u>-</u>	<u>-</u>
Change in net position	27,177,513	28,814,163	17,344,469	19,543,746	44,521,982	48,357,909
Net position, beginning	<u>81,698,427</u>	<u>53,304,299</u>	<u>89,858,039</u>	<u>70,850,835</u>	<u>171,556,466</u>	<u>124,155,134</u>
Prior period adjustment	<u>(2,152,512)</u>	<u>(420,035)</u>	<u>239,483</u>	<u>(536,542)</u>	<u>(1,913,029)</u>	<u>(956,577)</u>
Net position, ending	<u>\$ 106,723,428</u>	<u>\$ 81,698,427</u>	<u>\$ 107,441,991</u>	<u>\$ 89,858,039</u>	<u>\$ 214,165,419</u>	<u>\$ 171,556,466</u>

Governmental Activities

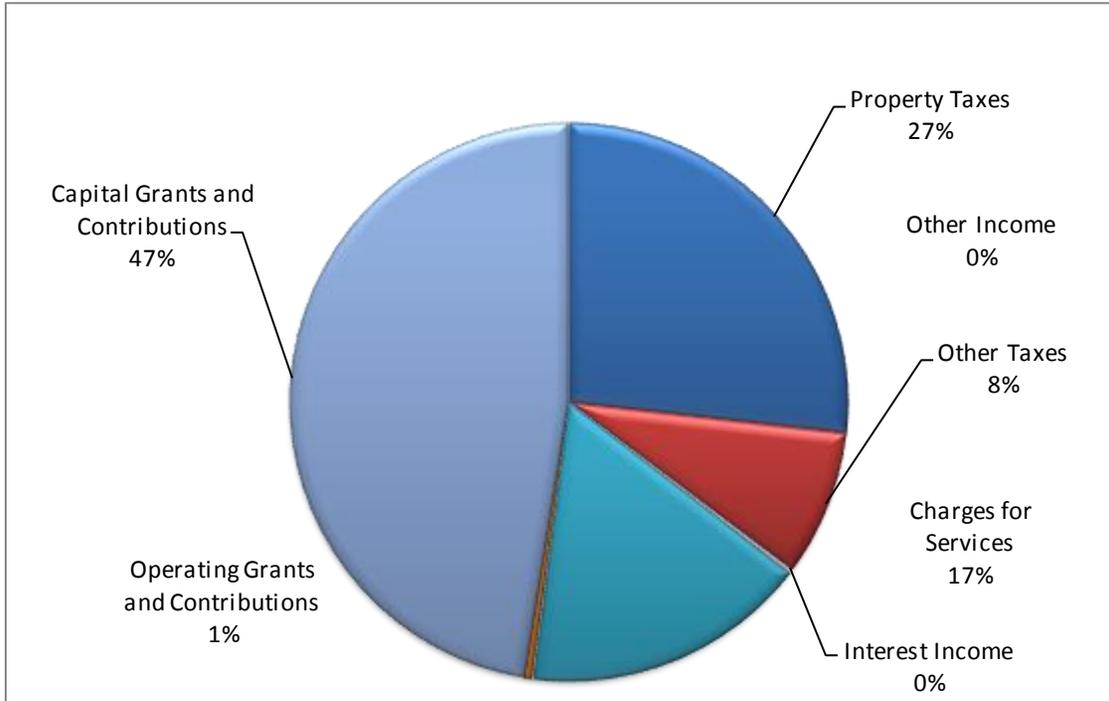
Governmental activities increased the City of Leander's net position by \$27,177,513. Key elements of this increase are as follows:

- Capital grants and contributions provided 42.26% of the City's governmental revenues. These include streets and drainage infrastructure contributed by developers and capital grants.
- Tax revenues (property, sales, franchise) provided 39.88% of the City's governmental revenues. Tax revenues increased by \$3,202,752 or 17.31% over 2014.

Expenses and Program Revenues – Governmental Activities



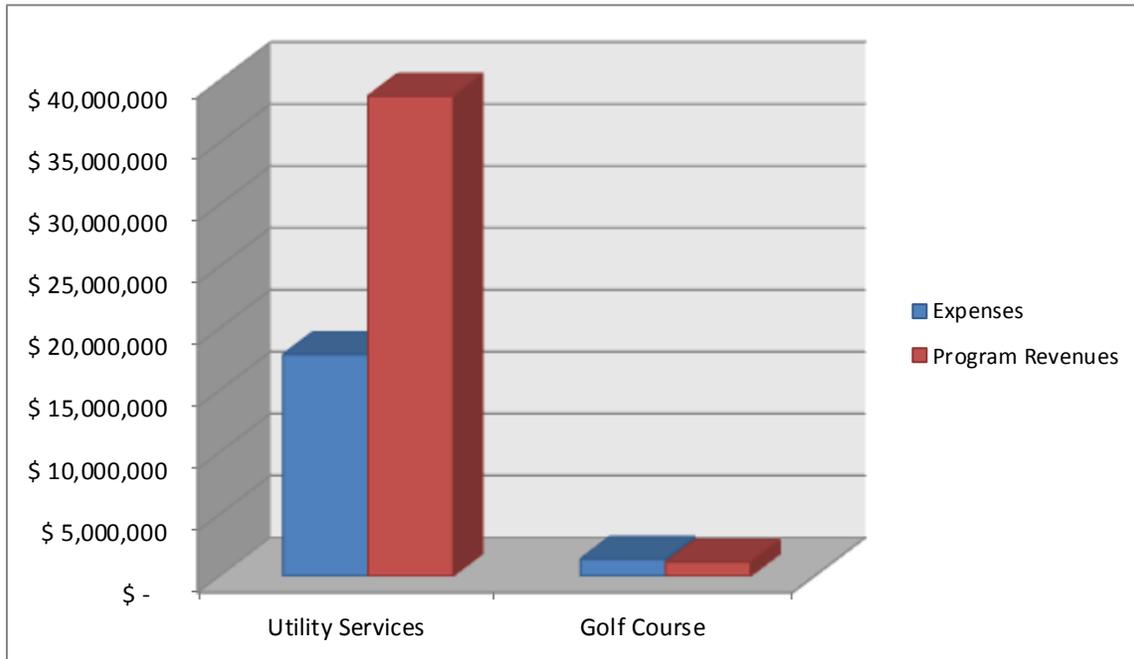
Revenues by Source – Governmental Activities



Business-type Activities

Business-type activities increased the City of Leander's net position by \$17,344,469. Key elements of this decrease are as follows.

- Capital grants and contributions provided 45.93% 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 2015. However, future rates are sensitive to future growth rates.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported a combined fund balance of \$35,459,556 an increase of \$23,267,854 in comparison of the prior year. Most of the increase is attributable to an increase in building and development-related fees, and sales tax revenue, partially offset by an increase in capital outlay expenditures in the current year.

The General Fund is the chief operating fund of the City of Leander. At the end of the current fiscal year, unassigned fund balance was \$7,261,050. 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 31.71% and 45.04%, respectively, of General Fund expenditures.

The fund balance of the City of Leander's General Fund increased \$328,919 during the current fiscal year. The key factor in this increase was better than budget performance across the board for revenues and expenditures in most departments.

The Debt Service Fund experienced an increase in fund balance of \$491,713 during 2015, representing an increase in fund balance of 57.96% from 2014.

The Capital Projects Fund experienced an increase in fund balance of \$22,275,264 during 2015, primarily due to the issuance of Combination Tax and Revenue Certificates of Obligation, Series 2015 in the amount of \$24,040,000.

Proprietary Funds

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

Unrestricted net position of the Utility Fund at the end of the year amounted to \$20,167,987. Unrestricted net position of the Golf Course Fund at the end of the year amounted to a deficit of \$204,436. The Utility Fund experienced an increase in net position of \$17,390,381 during 2015, representing an increase in net position of 20.01% from 2014. The Golf Course Fund experienced a decrease in net position of \$45,912 during 2015, representing a decrease in net position of 1.64% from 2014, due to depreciation expense.

General Fund Budgetary Highlights

Actual revenues were greater than budgeted revenues by \$2,582,584. This is mostly attributable to the increase in building and development-related fees and sales tax revenues over projections. Actual expenditures were below final budgeted expenditures by \$949,529, mainly due to less actual capital expenditures than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Leander's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$293,453,452 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure and system improvements (including streets and drainage infrastructure) and machinery and equipment.

CITY OF LEANDER'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 4,477,512	\$ 1,972,490	\$ 2,331,833	\$ 2,331,833	\$ 6,809,345	\$ 4,304,323
Construction in progress	10,229,194	20,623,222	6,739,127	5,571,758	16,968,321	26,194,980
Buildings and improvements	18,896,394	18,871,651	1,375,034	1,350,034	20,271,428	20,221,685
Machinery and equipment	10,649,899	8,913,441	1,786,100	1,753,250	12,435,999	10,666,691
Infrastructure and system	129,508,167	90,742,680	160,177,975	149,122,394	289,686,142	239,865,074
Less: accumulated depreciatic	(27,078,771)	(22,931,639)	(25,639,012)	(22,431,529)	(52,717,783)	(45,363,168)
Total capital assets	\$ 146,682,395	\$ 118,191,845	\$ 146,771,057	\$ 137,697,740	\$ 293,453,452	\$ 255,889,585

Additional information regarding the City's capital assets can be found in Note II B on pages 40 – 41 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 \$66,880,000 and a note payable of \$406,854, which the City expects to retire through the Debt Service Fund. The City has long-term bonded debt outstanding of \$52,855,604 (including bond premiums) and a note payable of \$10,139,738 at September 30, 2015, in the Utility Fund.

Additional information on the City of Leander's long-term debt can be found in Note II D on pages 42 – 47 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City adopted a tax rate of \$0.63292 (\$0.40364 for maintenance and operations and \$0.22928 for interest and sinking) for fiscal year 2016.
- The average number of water accounts increased by 785 to 12,284 in 2015 from 11,499 in 2014, an increase of 6.83%. This trend in growth is expected to continue.
- In 2015, the City approved thirty-nine (39) final plats which included 1,919 single-family lots.

REQUESTS FOR INFORMATION

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

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**BASIC
FINANCIAL STATEMENTS**

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CITY OF LEANDER, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 37,199,166	\$ 5,155,202	\$ 42,354,368
Receivables (net of allowance)			
Taxes	1,195,658	-	1,195,658
Accounts	644,329	3,230,084	3,874,413
Due from other governments	2,208,234	97,442	2,305,676
Internal balances	(999,397)	999,397	-
Inventory	-	38,345	38,345
Prepaid items	35,651	-	35,651
Restricted cash and investments	-	13,065,488	13,065,488
Investment in joint venture	-	4,296,683	4,296,683
Capital assets:			
Non-depreciable	14,706,706	9,070,960	23,777,666
Depreciable	<u>131,975,689</u>	<u>137,700,097</u>	<u>269,675,786</u>
Total assets	<u>186,966,036</u>	<u>173,653,698</u>	<u>360,619,734</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to pensions	1,074,917	189,989	1,264,906
Deferred charge on refunding	<u>2,074,031</u>	<u>708,452</u>	<u>2,782,483</u>
Total deferred outflows of resources	<u>3,148,948</u>	<u>898,441</u>	<u>4,047,389</u>
LIABILITIES			
Accounts payable	1,901,702	1,066,979	2,968,681
Accrued liabilities	1,217,318	533,154	1,750,472
Customer deposits	4,227	1,454,746	1,458,973
Deposits in escrow	2,086,443	265,514	2,351,957
Unearned revenue	246	-	246
Noncurrent liabilities:			
Due within one year	4,083,996	3,295,535	7,379,531
Due in more than one year	<u>74,097,624</u>	<u>60,494,220</u>	<u>134,591,844</u>
Total liabilities	<u>83,391,556</u>	<u>67,110,148</u>	<u>150,501,704</u>
NET POSITION			
Net investment in capital assets	75,165,140	83,664,281	158,829,421
Restricted for:			
Capital projects	-	3,664,188	3,664,188
Debt service	544,526	149,971	694,497
Public broadcasting	468,820	-	468,820
Traffic impact analysis	542,484	-	542,484
Court security	95,873	-	95,873
Court technology	25,508	-	25,508
Parks	735,399	-	735,399
Police	75,501	-	75,501
Traffic enforcement	187,737	-	187,737
Hotel/motel taxes	476	-	476
TIRZ #1 projects	53,861	-	53,861
Unrestricted	<u>28,828,103</u>	<u>19,963,551</u>	<u>48,791,654</u>
Total net position	<u>\$ 106,723,428</u>	<u>\$ 107,441,991</u>	<u>\$ 214,165,419</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, 2015

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 6,652,020	\$ 1,948,326	\$ 46,644	\$ -
Public safety	10,859,060	955,832	259,946	8,900
Public works	5,997,440	6,128,861	45,512	21,857,025
Parks and recreation	2,173,112	87,559	54,437	1,128,409
Interest and fiscal charges	2,652,214	-	-	-
Total governmental activities	<u>28,333,846</u>	<u>9,120,578</u>	<u>406,539</u>	<u>22,994,334</u>
Business-type activities:				
Utility services	18,636,171	19,470,343	-	17,652,158
Golf course	1,407,538	1,059,326	-	25,000
Total business-type activities	<u>20,043,709</u>	<u>20,529,669</u>	<u>-</u>	<u>17,677,158</u>
Total primary government	<u>\$ 48,377,555</u>	<u>\$ 29,650,247</u>	<u>\$ 406,539</u>	<u>\$ 40,671,492</u>
General revenues:				
Taxes:				
Property				
Sales				
Franchise				
Mixed beverage				
Investment earnings				
Gain on sale of capital assets				
Other				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Prior period adjustment				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$(4,657,050)	\$ -	\$(4,657,050)
(9,634,382)	-	(9,634,382)
22,033,958	-	22,033,958
(902,707)	-	(902,707)
(2,652,214)	-	(2,652,214)
4,187,605	-	4,187,605
-	18,486,330	18,486,330
-	(323,212)	(323,212)
-	18,163,118	18,163,118
4,187,605	18,163,118	22,350,723
16,417,155	-	16,417,155
3,469,477	-	3,469,477
1,806,357	-	1,806,357
8,653	-	8,653
(9,966)	26,407	16,441
14,265	250,500	264,765
188,411	-	188,411
1,095,556	(1,095,556)	-
22,989,908	(818,649)	22,171,259
27,177,513	17,344,469	44,521,982
81,698,427	89,858,039	171,556,466
(2,152,512)	239,483	(1,913,029)
\$ 106,723,428	\$ 107,441,991	\$ 214,165,419

CITY OF LEANDER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS			
Cash and investments	\$ 12,592,518	\$ 1,330,574	\$ 21,384,407
Taxes receivable, net of allowance	1,118,144	77,514	-
Due from other governments	228,998	-	1,969,011
Other receivables, net of allowance	644,329	-	-
Prepaid items	35,651	-	-
Due from other funds	26,177	-	-
Total assets	<u>14,645,817</u>	<u>1,408,088</u>	<u>23,353,418</u>
LIABILITIES			
Accounts payable	1,480,341	-	332,487
Due to other funds	-	-	999,397
Accrued liabilities	353,756	-	-
Customer deposits	2,747	-	-
Deposits in escrow	2,086,443	-	-
Unearned revenue	246	-	-
Total liabilities	<u>3,923,533</u>	<u>-</u>	<u>1,331,884</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	113,100	67,946	-
Unavailable revenue-court fines and fees	296,665	-	-
Total deferred inflows of resources	<u>409,765</u>	<u>67,946</u>	<u>-</u>
FUND BALANCES			
Nonspendable-prepaid items	35,651	-	-
Restricted for:			
Debt service	-	1,340,142	-
Public broadcasting	468,820	-	-
Traffic impact analysis	-	-	-
Court security	-	-	-
Court technology	-	-	-
Parks	-	-	-
Police	-	-	-
Traffic enforcement	-	-	-
Hotel/motel taxes	-	-	-
TIRZ #1 projects	-	-	-
Committed:			
Bryson Farmstead	23,965	-	-
Leander clean up	8,221	-	-
Fire rescue	-	-	-
Parks	-	-	-
Public arts	-	-	-
Assigned:			
Equipment and vehicles	608,812	-	-
Subsequent year's budget	1,906,000	-	-
Unassigned	7,261,050	-	22,021,534
Total fund balances	<u>10,312,519</u>	<u>1,340,142</u>	<u>22,021,534</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,645,817</u>	<u>\$ 1,408,088</u>	<u>\$ 23,353,418</u>

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

<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 1,891,667	\$ 37,199,166
-	1,195,658
10,225	2,208,234
-	644,329
-	35,651
-	26,177
<u>1,901,892</u>	<u>41,309,215</u>
88,874	1,901,702
26,177	1,025,574
-	353,756
1,480	4,227
-	2,086,443
-	246
<u>116,531</u>	<u>5,371,948</u>
-	181,046
-	296,665
-	477,711
-	35,651
-	1,340,142
-	468,820
542,484	542,484
95,873	95,873
25,508	25,508
735,399	735,399
75,501	75,501
187,737	187,737
476	476
53,861	53,861
-	23,965
-	8,221
25,012	25,012
19,279	19,279
24,231	24,231
-	608,812
-	1,906,000
-	29,282,584
<u>1,785,361</u>	<u>35,459,556</u>
<u>\$ 1,901,892</u>	<u>\$ 41,309,215</u>

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CITY OF LEANDER, TEXAS

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

SEPTEMBER 30, 2015

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

Fund balances of governmental funds		\$ 35,459,556
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		146,682,395
Long-term liabilities (net pension liability, bonds payable, notes payable, and etc.) are not due and payable in the current period and therefore have not been included in the fund financial statements. Also, the loss on refunding of bonds, the premium on issuance of bonds and deferred resource outflows related to the net pension liability are not reported in the funds.		
Principal on bonds payable	(66,880,000)	
Principal on PPFC tax pledge	(406,854)	
Premium on bonds	(6,304,432)	
Net pension liability	(3,890,631)	
Deferred resources related to pensions	1,074,917	
Net OPEB obligation	(82,940)	
Compensated absences	(616,763)	
Deferred loss on refunding	<u>2,074,031</u>	
		(75,032,672)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due.		(863,562)
Revenues from property taxes and fines are deferred inflows of resources in the fund financial statements, but such revenues are recognized in the government-wide financial statements.		<u>477,711</u>
Net position of governmental activities		\$ <u>106,723,428</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, 2015

	General	Debt Service	Capital Projects
REVENUES			
Taxes:			
Property	\$ 10,334,995	\$ 5,861,669	\$ -
Franchise	1,806,357	-	-
Sales	3,469,477	-	-
Mixed beverage	8,653	-	-
Licenses, permits and fees	5,745,258	-	-
Intergovernmental	523,212	-	2,147,131
Fines and forfeitures	356,075	-	-
Charges for services	2,477,350	-	-
Donations and contributions	46,219	-	-
Investment earnings	26,156	2,455	(41,830)
Other	187,013	-	-
Total revenues	24,980,765	5,864,124	2,105,301
EXPENDITURES			
Current:			
General government	6,528,618	-	-
Public safety	9,623,599	-	-
Public works	3,148,837	-	-
Parks and recreation	1,721,096	-	-
Debt service:			
Principal retirement	-	3,704,396	-
Interest and other	-	1,789,429	314,632
Capital outlay	1,874,291	-	8,946,823
Total expenditures	22,896,441	5,493,825	9,261,455
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,084,324	370,299	(7,156,154)
OTHER FINANCING SOURCES (USES)			
Issuance of bonds	-	2,955,000	23,185,000
Premium on bond issuance	-	-	4,221,173
Transfers in	1,490,000	87,370	2,048,000
Transfers out	(3,259,670)	-	(22,755)
Payment to escrow agent	-	(2,920,956)	-
Sale of capital assets	14,265	-	-
Total other financing sources and uses	(1,755,405)	121,414	29,431,418
NET CHANGE IN FUND BALANCES	328,919	491,713	22,275,264
FUND BALANCES, BEGINNING	9,823,477	848,429	(253,730)
PRIOR PERIOD ADJUSTMENT	160,123	-	-
FUND BALANCES, ENDING	\$ 10,312,519	\$ 1,340,142	\$ 22,021,534

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

<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 191,606	\$ 16,388,270
-	1,806,357
-	3,469,477
-	8,653
635,551	6,380,809
45,512	2,715,855
101,500	457,575
60,443	2,537,793
235,259	281,478
3,253	(9,966)
<u>1,398</u>	<u>188,411</u>
<u>1,274,522</u>	<u>34,224,712</u>
16,186	6,544,804
101,403	9,725,002
-	3,148,837
26,514	1,747,610
-	3,704,396
-	2,104,061
<u>1,711,072</u>	<u>12,532,186</u>
<u>1,855,175</u>	<u>39,506,896</u>
(<u>580,653</u>)	(<u>5,282,184</u>)
-	26,140,000
-	4,221,173
989,811	4,615,181
(237,200)	(3,519,625)
-	(2,920,956)
-	14,265
<u>752,611</u>	<u>28,550,038</u>
171,958	23,267,854
1,527,660	11,945,836
<u>85,743</u>	<u>245,866</u>
<u>\$ 1,785,361</u>	<u>\$ 35,459,556</u>

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CITY OF LEANDER, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

Net change in fund balances - total governmental funds	\$	23,267,854
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		28,490,550
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(23,731,310)
Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated balances liability	(198,943)
Net OPEB obligation	(<u>41,486</u>)
	(240,429)
Certain pension expenditures are not expensed in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows related to the pension liability were amortized.		2,516
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.	(552,664)
Revenues from property taxes and fines that do not provide current financial resources are not reported as revenues in the funds.	(<u>59,004</u>)
Change in net position of governmental activities	\$	<u><u>27,177,513</u></u>

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

CITY OF LEANDER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Business-type Activities - Enterprise Funds		Total
	Utility	Non-Major Golf Course	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,139,803	\$ 15,399	\$ 5,155,202
Accounts receivable, net	3,223,339	6,745	3,230,084
Due from other governments	97,442	-	97,442
Due from other funds	999,397	-	999,397
Inventory	-	38,345	38,345
Restricted cash and cash equivalents	13,065,488	-	13,065,488
Total current assets	<u>22,525,469</u>	<u>60,489</u>	<u>22,585,958</u>
Non-current assets:			
Investment in joint venture	4,296,683	-	4,296,683
Capital assets, net:			
Non-depreciable	6,985,375	2,085,585	9,070,960
Depreciable	136,815,481	884,616	137,700,097
Total capital assets	<u>143,800,856</u>	<u>2,970,201</u>	<u>146,771,057</u>
Total non-current assets	<u>148,097,539</u>	<u>2,970,201</u>	<u>151,067,740</u>
Total assets	<u>170,623,008</u>	<u>3,030,690</u>	<u>173,653,698</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to pensions	127,502	62,487	189,989
Deferred charge on refunding	708,452	-	708,452
Total deferred outflows of resources	<u>835,954</u>	<u>62,487</u>	<u>898,441</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,018,990	47,989	1,066,979
Accrued liabilities	512,623	20,531	533,154
Customer deposits	1,454,746	-	1,454,746
Deposits in escrow	265,514	-	265,514
Compensated absences payable	12,513	6,798	19,311
Bonds payable	2,806,572	-	2,806,572
Note payable	465,947	-	465,947
Capital lease obligation	-	3,705	3,705
Total current liabilities	<u>6,536,905</u>	<u>79,023</u>	<u>6,615,928</u>
Non-current liabilities:			
Net pension liability	461,491	226,167	687,658
Net OPEB obligation	9,987	5,532	15,519
Compensated absences payable	37,538	20,395	57,933
Note payable	9,673,791	-	9,673,791
Bonds payable	50,049,032	-	50,049,032
Capital leases obligation	-	10,287	10,287
Total non-current liabilities	<u>60,231,839</u>	<u>262,381</u>	<u>60,494,220</u>
Total liabilities	<u>66,768,744</u>	<u>341,404</u>	<u>67,110,148</u>
NET POSITION			
Net investment in capital assets	80,708,072	2,956,209	83,664,281
Restricted for:			
Capital projects	3,664,188	-	3,664,188
Debt service	149,971	-	149,971
Unrestricted	20,167,987	(204,436)	19,963,551
Total net position	<u>\$ 104,690,218</u>	<u>\$ 2,751,773</u>	<u>\$ 107,441,991</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 POSITION**

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities Enterprise Funds		
	Utility	Non-Major Golf Course	Total
OPERATING REVENUE			
Charges for sales and services	\$ 19,438,680	\$ 1,056,656	\$ 20,495,336
Other	31,663	2,670	34,333
Total operating revenues	<u>19,470,343</u>	<u>1,059,326</u>	<u>20,529,669</u>
OPERATING EXPENSES			
Personnel services	1,548,184	838,705	2,386,889
Supplies and maintenance	1,981,873	342,586	2,324,459
Services and other	9,911,740	156,226	10,067,966
Depreciation	3,164,586	70,021	3,234,607
Total operating expenses	<u>16,606,383</u>	<u>1,407,538</u>	<u>18,013,921</u>
OPERATING INCOME (LOSS)	<u>2,863,960</u>	<u>(348,212)</u>	<u>2,515,748</u>
NONOPERATING REVENUES (EXPENSES)			
Proceeds from the sale of assets	250,500	-	250,500
Investment earnings	26,407	-	26,407
Interest expense and fees	<u>(2,029,788)</u>	<u>-</u>	<u>(2,029,788)</u>
Total nonoperating revenues (expenses)	<u>(1,752,881)</u>	<u>-</u>	<u>(1,752,881)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>1,111,079</u>	<u>(348,212)</u>	<u>762,867</u>
CAPITAL CONTRIBUTIONS			
Contributions from developers	8,869,177	25,000	8,894,177
Impact fees	<u>8,782,981</u>	<u>-</u>	<u>8,782,981</u>
Total capital contributions	<u>17,652,158</u>	<u>25,000</u>	<u>17,677,158</u>
TRANSFERS IN	59,200	277,300	336,500
TRANSFERS OUT	<u>(1,432,056)</u>	<u>-</u>	<u>(1,432,056)</u>
CHANGE IN NET POSITION	17,390,381	<u>(45,912)</u>	17,344,469
NET POSITION, BEGINNING	86,925,376	2,932,663	89,858,039
PRIOR PERIOD ADJUSTMENT	<u>374,461</u>	<u>(134,978)</u>	<u>239,483</u>
NET POSITION, ENDING	<u>\$ 104,690,218</u>	<u>\$ 2,751,773</u>	<u>\$ 107,441,991</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, 2015

	Business-type Activities		Totals
	Enterprise Funds		
	Utility	Non-Major Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 18,959,964	\$ 1,055,460	\$ 20,015,424
Payments to employees	(1,509,488)	(838,640)	(2,348,128)
Payments to suppliers	(13,038,376)	(488,009)	(13,526,385)
Net cash provided (used) by operating activities	<u>4,412,100</u>	<u>(271,189)</u>	<u>4,140,911</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	59,200	277,300	336,500
Transfers to other funds	(1,432,056)	-	(1,432,056)
Cash paid to other funds	(940,197)	-	(940,197)
Net cash provided (used) by noncapital financing activities	<u>(2,313,053)</u>	<u>277,300</u>	<u>(2,035,753)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	8,596,309	-	8,596,309
Acquisition of capital assets	(3,438,748)	-	(3,438,748)
Disposal of capital assets	250,500	-	250,500
Principal paid on long-term debt	(3,037,375)	(5,206)	(3,042,581)
Interest paid on long-term debt	(2,082,573)	-	(2,082,573)
Proceeds from capital debt	<u>1,010,665</u>	<u>-</u>	<u>1,010,665</u>
Net cash provided (used) by capital and related financing activities	<u>1,298,778</u>	<u>(5,206)</u>	<u>1,293,572</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings received	<u>26,407</u>	<u>-</u>	<u>26,407</u>
Net cash provided by investing activities	<u>26,407</u>	<u>-</u>	<u>26,407</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,424,232	905	3,425,137
CASH AND CASH EQUIVALENTS, BEGINNING	<u>14,781,059</u>	<u>14,494</u>	<u>14,795,553</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>18,205,291</u>	<u>15,399</u>	<u>18,220,690</u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	5,139,803	15,399	5,155,202
Restricted cash and cash equivalents	<u>13,065,488</u>	<u>-</u>	<u>13,065,488</u>
Total cash and cash equivalents	<u>\$ 18,205,291</u>	<u>\$ 15,399</u>	<u>\$ 18,220,690</u>

CITY OF LEANDER, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities Enterprise Funds		
	Utility	Non-Major Golf Course	Totals
	<u> </u>	<u> </u>	<u> </u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 2,863,960	\$(348,212)	\$ 2,515,748
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	3,164,586	70,021	3,234,607
(Increase) decrease in accounts receivable	(892,022)	(3,866)	(895,888)
(Increase) decrease in inventory	-	(7,871)	(7,871)
(Increase) decrease in due from other governments	236,767	-	236,767
(Increase) decrease in investment in joint venture	(1,711,241)	-	(1,711,241)
(Increase) decrease in deferred outflow related to pensions	(30,478)	(21,180)	(51,658)
Increase (decrease) in accounts payable	566,478	18,674	585,152
Increase (decrease) in accrued liabilities	9,238	(45)	9,193
Increase (decrease) in customer deposits	144,876	-	144,876
Increase (decrease) in net pension liability	4,959	21,033	25,992
Increase (decrease) in net OPEB obligation	42,918	2,287	45,205
Increase (decrease) in compensated absences	<u>12,059</u>	<u>(2,030)</u>	<u>10,029</u>
Net cash provided (used) by operating activities	<u>4,412,100</u>	<u>(271,189)</u>	<u>4,140,911</u>
NONCASH CAPITAL AND FINANCING ACTIVITIES			
Infrastructure contributed by developers	8,844,177	-	8,844,177

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

CITY OF LEANDER, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Agency Fund
	Oak Creek PID
ASSETS	
Cash and investments	\$ <u>2,425,332</u>
Total assets	<u>2,425,332</u>
LIABILITIES	
Due to others	<u>2,425,332</u>
Total liabilities	\$ <u><u>2,425,332</u></u>

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

CITY OF LEANDER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major Enterprise Fund:

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

The City reports the following non-major Enterprise Fund:

The **Golf Course Fund** accounts for the City's golf course activity.

Additionally, the City reports the following Agency Fund:

The **Oak Creek PID Fund** accounts for bond proceeds, assessments and disbursements as an agent of the Public Improvement District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, interest revenue and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measureable and available only when cash is received by the City.

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

Cash and Investments

For purposes of the statement of cash flows for the proprietary fund types, the City considers all highly liquid investments (including restricted assets) to be cash equivalents.

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

Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method and consists of golf course goods for sale. The cost of such inventory is recorded as an expense at the point of sale.

Restricted Assets

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

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectible. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible. The property tax receivable allowance is based on historical collection rate percentages. The City recognizes penalties and interest due on delinquent taxes receivable as a component of delinquent taxes receivable.

Joint Venture

Investment in joint venture represents an equity interest in the Brushy Creek Regional Utility Authority (BCRUA), a regional water treatment and distribution system. The investment amounts represents the City's share in the joint venture' net position at year-end.

Capital Assets

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

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

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest expense was capitalized in the enterprise funds in fiscal year 2015.

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

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

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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

Net Position

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

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Fund Balance Policies

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

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

E. Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues*.

Property Taxes

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

The tax rate for the October 1, 2014, levy was \$.65292 (\$.41864 for general government and \$.23428 for debt service) per \$100 of assessed valuation.

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

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

Compensated Absences

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Use of Estimates

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

Prior Period Adjustments

During the current year, it was determined that the City should have recognized \$126,993 of contribution revenue in a previous period. Additionally, \$41,250 of permit revenue was recognized in a previous period, before it was earned by the City. As a result, beginning fund balance in the Traffic Impact Analysis fund and the Parks Dedication fund was restated by \$126,993 and \$41,250, respectively, as of October 1, 2014.

Additionally, as a result of an enhanced method of calculating the unbilled utility receivable, the City increased both the General Fund and Utility Fund beginning fund balance by recognizing \$160,123 and \$677,540 revenue from previous periods.

The GASB has issued Statement No. 68, "*Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*," which became effective for fiscal year 2015. This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date.

The implementation of Statement No. 68 resulted restatement of beginning net position for the elimination of the previously reported net pension obligation, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying these changes results in the adjustments below along with other prior period adjustments mentioned above.

	Fund Level					
	Government-wide Statement of Activities		Statement of Revenues, Expenses and Changes in Net Position-Proprietary Funds		Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	
	Governmental Activities	Business-type Activities	Utility Fund	Golf Course Fund	General Fund	Other Governmental Funds
Net position at September 30, 2014, as previously reported	\$ 81,698,427	\$ 89,858,039	\$ 86,925,376	\$ 2,932,663	\$ 9,823,477	\$ 1,527,660
Recording of contribution revenue	126,993	-	-	-	-	126,993
Recording of permit revenue	(41,250)	-	-	-	-	(41,250)
Unbilled revenue	160,123	677,540	677,540	-	160,123	-
Elimination of net pension obligation as of September 30, 2014	419,852	60,057	31,208	28,849	-	-
Recording of net pension liability as of September 30, 2014	(3,528,806)	(623,707)	(418,573)	(205,134)	-	-
Deferral for pension contributions made after the measurement date	710,576	125,593	84,286	41,307	-	-
Net position at September 30, 2014, as restated	<u>\$ 79,545,915</u>	<u>\$ 90,097,522</u>	<u>\$ 87,299,837</u>	<u>\$ 2,797,685</u>	<u>\$ 9,983,600</u>	<u>\$ 1,613,403</u>

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash and Investments

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

The City's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). These policies authorize the City to invest in (1) obligations of United States or its agencies and instrumentalities, (2) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than AA or its equivalent, with a stated final maturity not to exceed two years, (3) 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, (4) money market funds that are (a) registered and regulated by the Securities and Exchange Commission, (b) have a dollar weighted average stated maturity 90 days or less, (c) rated AAA by at least one nationally recognized rating service, and (d) seek to maintain a net position value of \$1.00 per share, (5) constant-dollar Texas local government investment pools which (a) meet the requirements of PFIA, (b) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, and (c) are authorized by resolution or ordinance by the City Council, (6) 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, (7) FDIC insured "brokered certificates of deposit" securities from a bank in any US state, delivered versus payment to the City's safekeeping agent, not to exceed one year to maturity. Before purchase, the Investment Officer must verify the FDIC status of the bank (at www.fdic.gov) to assure that the bank is FDIC insured.

As of September 30, 2015, the City had the following investments:

Investment Type	Maturity Date	Fair Value	Weighted Average Maturity (Days)	Rating
Texas Term	NA	\$ 1,047,476	47.4	AAAf
TexStar	NA	1,108,796	39.0	AAAm
TexPool	NA	14,382,644	40.0	AAAm
Marysville OH WSTWTR Treatment	12/1/2015	251,016	62.0	AA
Duluth, MN ISD	2/1/2016	528,014	124.0	Aa2
Spring, TX ISD	2/15/2016	395,015	138.0	AAA
Tompkins County, NY	2/15/2016	656,507	138.0	Aa1
Mississippi St Dev Bank SPL	4/1/2016	553,619	184.0	Aa3
Suffolk County, NY REF	4/29/2016	1,757,109	212.0	SP-1
Bentonville, AR ISD	6/1/2016	945,201	245.0	Aa2
Holbrook, MA	6/15/2016	826,120	259.0	AA-
Oklahoma ST Capital IMPT	7/1/2016	339,251	289.0	AA
Canadaigua NY City ISD	7/15/2016	311,015	289.0	Aa3
Lebanon, IN CCOMNTY SCH CORP	7/15/2016	216,073	289.0	AA+
Leander, TX ISD	8/15/2016	497,515	228.0	AAA
Federal Home Loan Bank	10/14/2016	3,506,314	380.0	AA+
Total Fair Value		<u>\$27,321,685</u>		

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

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

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

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

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

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2015, the City's deposit balance was covered by FDIC or with securities held by the pledging financial institution in the City's name.

Credit Risk. State law and City policy limit investments to those rated no lower than AA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2015, the City's investments were rated by Standard & Poor's with ratings as noted above.

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

Restricted Cash and Investments

As of September 30, 2015, the City held restricted cash and investments of \$13,065,488 for the following purposes:

Proprietary Funds:	
Utility - construction	\$ 12,915,517
Utility - debt service	<u>149,971</u>
Total proprietary funds - restricted cash and investments	<u>13,065,488</u>
Total restricted cash and investments	<u>\$ 13,065,488</u>

Receivables

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

	General	Debt Service	Utility	Golf Course	Total
Receivables:					
Property taxes	\$ 130,895	\$ 78,203	\$ -	\$ -	\$ 209,098
Franchise fees, sales and use tax	988,504	-	-	-	988,504
Accounts	431,796	-	4,179,057	6,745	4,617,598
Court fines	<u>1,882,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,882,865</u>
Gross receivables	3,434,060	78,203	4,179,057	6,745	7,698,065
Less: allowance for uncollectible	<u>(1,671,587)</u>	<u>(689)</u>	<u>(955,718)</u>	<u>-</u>	<u>(2,627,994)</u>
Net total receivables	<u>\$ 1,762,473</u>	<u>\$ 77,514</u>	<u>\$ 3,223,339</u>	<u>\$ 6,745</u>	<u>\$ 5,070,071</u>

B. Capital Assets

Capital assets activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Reclassifications/ Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,972,490	\$ 2,502,022	\$ -	\$ 4,474,512
Construction in progress	20,623,222	8,807,449	(19,201,477)	10,229,194
Total assets not being depreciated	<u>22,595,712</u>	<u>11,309,471</u>	<u>(19,201,477)</u>	<u>14,703,706</u>
Capital assets, being depreciated:				
Buildings and improvements	18,871,651	24,743	-	18,896,394
Machinery and equipment	8,913,441	1,869,172	(132,714)	10,649,899
Infrastructure	90,742,680	38,765,487	-	129,508,167
Total capital assets being depreciated	<u>118,527,772</u>	<u>40,659,402</u>	<u>(132,714)</u>	<u>159,054,460</u>
Less accumulated depreciation:				
Buildings and improvements	(5,829,245)	(759,996)	-	(6,589,241)
Machinery and equipment	(5,997,995)	(766,412)	132,714	(6,631,693)
Infrastructure	(11,104,399)	(2,753,438)	-	(13,857,837)
Total accumulated depreciation	<u>(22,931,639)</u>	<u>(4,279,846)</u>	<u>132,714</u>	<u>(27,078,771)</u>
Total capital assets being depreciated, net	<u>95,596,133</u>	<u>36,379,556</u>	<u>-</u>	<u>131,975,689</u>
Government activities capital assets, net	<u>\$ 118,191,845</u>	<u>\$ 47,689,027</u>	<u>\$(19,201,477)</u>	<u>\$ 146,679,395</u>
	Beginning Balance	Increases	Reclassifications/ Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,331,833	\$ -	\$ -	\$ 2,331,833
Construction in progress	5,571,758	3,349,184	(2,181,815)	6,739,127
Total assets not being depreciated	<u>7,903,591</u>	<u>3,349,184</u>	<u>(2,181,815)</u>	<u>9,070,960</u>
Capital assets, being depreciated:				
Buildings and improvements	1,350,034	25,000	-	1,375,034
Machinery and equipment	1,753,250	59,974	(27,124)	1,786,100
Infrastructure	149,122,394	11,055,581	-	160,177,975
Total capital assets being depreciated	<u>152,225,678</u>	<u>11,140,555</u>	<u>(27,124)</u>	<u>163,339,109</u>
Less accumulated depreciation:				
Buildings and improvements	(512,440)	(54,427)	-	(566,867)
Machinery and equipment	(989,754)	(87,202)	27,124	(1,049,832)
Infrastructure	(20,929,335)	(3,092,978)	-	(24,022,313)
Total accumulated depreciation	<u>(22,431,529)</u>	<u>(3,234,607)</u>	<u>27,124</u>	<u>(25,639,012)</u>
Total capital assets being depreciated, net	<u>129,794,149</u>	<u>7,905,948</u>	<u>-</u>	<u>137,700,097</u>
Business-type activities capital assets, net	<u>\$ 137,697,740</u>	<u>\$ 11,255,132</u>	<u>\$(2,181,815)</u>	<u>\$ 146,771,057</u>

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

Governmental activities:	
General government	\$ 78,417
Public safety	983,992
Public works	2,805,867
Parks and recreation	<u>411,570</u>
Total depreciation expense - governmental activities	<u>4,279,846</u>
Business-type activities:	
Utility services	3,164,586
Golf course	<u>70,021</u>
Total depreciation expense - business-type activities	<u>\$ 3,234,607</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2015, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 26,177
Utility	Capital projects	<u>999,397</u>
		<u>\$ 1,025,574</u>

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

The composition of interfund transfers for the year ended September 30, 2015, is as follows:

Interfund Transfers:

	<u>Transfers Out</u>				<u>Totals</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Utility</u>	<u>Other Governmental</u>	
Transfers in:					
General	\$ -	\$ -	\$ 1,360,000	\$ 130,000	\$ 1,490,000
Debt service	87,370	-	-	-	87,370
Capital projects	2,000,000	-	-	48,000	2,048,000
Other governmental	895,000	22,755	72,056	-	989,811
Utility	-	-	-	59,200	59,200
Golf course	<u>277,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>277,300</u>
Total transfers out	<u>\$ 3,259,670</u>	<u>\$ 22,755</u>	<u>\$ 1,432,056</u>	<u>\$ 237,200</u>	<u>\$ 4,951,681</u>

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

D. Long-term Debt

The following is a summary of long-term debt transactions of the City for the fiscal year ended September 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 47,255,000	\$ 26,140,000	\$ 6,515,000	\$ 66,880,000	\$ 3,480,000
Premium on bonds	2,241,958	4,221,173	158,699	6,304,432	369,758
PPFC tax pledge	486,250	-	79,396	406,854	80,047
Net pension liability	419,852	3,890,631	419,852	3,890,631	-
Net OPEB obligation	41,454	41,486	-	82,940	-
Compensated absences	417,820	596,455	397,512	616,763	154,191
Governmental activity long-term liabilities	<u>50,862,334</u>	<u>34,889,745</u>	<u>7,570,459</u>	<u>78,181,620</u>	<u>4,083,996</u>
Business-type activities:					
Revenue bonds	53,081,000	855,000	2,585,000	51,351,000	2,659,000
Premium on bonds	1,488,727	155,665	139,788	1,504,604	147,572
Note payable	10,592,113	-	452,375	10,139,738	465,947
Capital leases	19,199	-	5,207	13,992	3,705
Net pension liability	60,057	687,658	60,057	687,658	-
Net OPEB obligation	8,273	7,246	-	15,519	-
Compensated absences	67,215	93,930	83,901	77,244	19,311
Business-type activity long-term liabilities	<u>\$ 65,316,584</u>	<u>\$ 1,799,499</u>	<u>\$ 3,326,328</u>	<u>\$ 63,789,755</u>	<u>\$ 3,295,535</u>

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

General Obligation Debt

The annual requirements to retire general obligation bonds, including interest, as of September 30, 2015, are as follows:

Year Ending September 30,	Principal	Interest	Total
2016	\$ 3,480,000	\$ 3,238,871	\$ 6,718,871
2017	4,640,000	2,588,825	7,228,825
2018	4,835,000	2,431,025	7,266,025
2019	5,075,000	2,249,450	7,324,450
2020	5,165,000	2,058,050	7,223,050
2021-2025	22,720,000	7,432,250	30,152,250
2026-2030	12,785,000	3,467,050	16,252,050
2031-2035	<u>8,180,000</u>	<u>1,267,000</u>	<u>9,447,000</u>
Total	<u>\$ 66,880,000</u>	<u>\$ 24,732,521</u>	<u>\$ 91,612,521</u>

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

A summary of tax-supported general obligation debt outstanding at September 30, 2015, follows:

\$4,630,000 Series 2009 Refunding Bonds, due in annual installments of \$125,000 to \$1,010,000 through August 15, 2017; interest at 2.25% to 3.5%.	\$ 1,220,000
\$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%.	18,455,000
\$19,165,000 (\$12,920,000 allocated to tax supported debt) Series 2012-A Refunding Bonds, due in annual installments of \$1,620,000 to \$2,070,000 through August 15, 2027; interest at 3.00% to 5.00%.	12,920,000
\$14,310,000 (\$10,925,000 allocated to tax supported debt) Series 2012 Refunding Bonds, due in annual installments of \$280,000 to \$1,170,000 through August 15, 2024; interest at 2.00% to 2.5%.	8,420,000
\$2,955,000 Series 2014 General Obligation Refunding Bonds, due in annual installments of \$25,000 to \$350,000 through August 15, 2024; interest at 4.00% to 4.25%.	2,680,000
\$24,040,000 (\$23,185,000 allocated to tax supported debt) Series 2015 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$815,000 to \$1,800,000 through August 15, 2035; interest at 3.00% to 5.00%.	<u>23,185,000</u>
Total general obligation bonds	<u>\$ 66,880,000</u>

Advance Refunding

The City issued \$2,995,000 in general obligation refunding bonds with the interest rate set at 2.0%. This bond refunded the General Obligation bond, Series 2005, which had interest rates ranging from 4.0% to 4.25%. The net proceeds of \$2,920,656 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the General Obligation bond, Series 2005, is considered defeased and the liability for this bond has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$30,656. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City advance refunded the General Obligation bond, Series 2005, to reduce its total debt service payments \$349,535 and to obtain an economic gain of \$325,970.

Note Payable

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

The annual requirements to retire the note payable, including interest, as of September 30, 2015, are as follows:

Year Ending September 30,	Principal	Interest	Total
2016	\$ 80,047	\$ 6,672	\$ 86,719
2017	80,705	5,360	86,065
2018	81,365	4,036	85,401
2019	82,032	2,702	84,734
2020	<u>82,705</u>	<u>1,356</u>	<u>84,061</u>
Total	<u>\$ 406,854</u>	<u>\$ 20,126</u>	<u>\$ 426,980</u>

Revenue Debt

A summary of revenue debt outstanding at September 30, 2015, follows:

\$2,155,000 Series 2003 Waterworks and Sewer Revenue Refunding Bonds, due in annual installments of \$75,000 to \$155,000 through February 15, 2023; interest at 4.23%.	\$ 925,000
\$7,150,000 Series 2010 Refunding Bonds, due in annual installments of \$745,000 to \$1,525,000 through August 15, 2020, interest 2.00% - 4.00%	6,405,000
\$19,165,000 (\$6,245,000 allocated to revenue supported debt) Series 2012-A Refunding Bonds, due in annual installments of \$530,000 to \$740,000 through August 15, 2027, interest 3.00% - 5.00%	6,245,000
14,310,000 (\$3,385,000 allocated to revenue supported debt) Series 2012 Refunding Bonds, due in annual installments of \$5,000 to \$720,000 through August 15, 2024 interest at 2.00% - 5.00%	3,365,000
\$3,000,000 Series 2012 Tax Notes, due in annual installments of \$583,000 to \$617,000 through July 1, 2017; interest at 1.42%	1,226,000
\$36,270,000 Series 2012 Combination Tax & Revenue Certificates of Obligation, due in annual installments of \$735,000 to \$2,190,000 through August 15, 2036; interest at 2.00%-5.00%	32,330,000
\$24,040,000 (\$855,000 allocated to revenue supported debt) Series 2015 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$30,000 to \$65,000 through August 15, 2035; interest at 3.00% to 5.00%.	<u>855,000</u>
Total revenue bonds	<u>\$ 51,351,000</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 \$133,540 at September 30, 2015. The City has \$151,828 in their bond reserve fund at September 30, 2015.

The annual requirements to retire revenue bonds, including interest, as of September 30, 2015, are as follows:

Year Ending September 30,	Principal	Interest	Total
2016	\$ 2,659,000	\$ 2,054,493	\$ 4,713,493
2017	3,037,000	1,966,419	5,003,419
2018	3,410,000	1,866,319	5,276,319
2019	3,465,000	1,746,656	5,211,656
2020	4,055,000	1,614,680	5,669,680
2021-2025	13,250,000	6,225,317	19,475,317
2026-2030	10,240,000	3,683,340	13,923,340
2031-2035	9,855,000	1,583,138	11,438,138
2036	<u>1,380,000</u>	<u>62,100</u>	<u>1,442,100</u>
Total	<u>\$ 51,351,000</u>	<u>\$ 20,802,462</u>	<u>\$ 72,153,462</u>

Note Payable

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

Year Ending September 30,	Principal	Interest	Total
2016	\$ 465,947	\$ 304,192	\$ 770,139
2017	479,925	290,214	770,139
2018	494,323	275,816	770,139
2019	509,152	260,986	770,138
2020	524,427	245,712	770,139
2021-2025	2,867,782	982,912	3,850,694
2026-2030	3,324,545	526,149	3,850,694
2031-2032	<u>1,473,637</u>	<u>66,640</u>	<u>1,540,277</u>
Total	<u>\$ 10,139,738</u>	<u>\$ 2,952,621</u>	<u>\$ 13,092,359</u>

Capital Leases

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

The assets acquired through capital leases are as follows:

	Business-type Activities
Equipment	\$ <u>45,599</u>
Total Assets	<u>45,599</u>
Less: accumulated depreciation	(<u>17,490</u>)
Net value	\$ <u><u>28,109</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015, were as follows:

Year Ending September 30,	Business-type Activities
2016	\$ 4,198
2017	4,198
2018	4,198
2019	<u>2,450</u>
Total minimum lease payments	15,044
Less: amount representing interest	(<u>1,052</u>)
Present value of minimum lease payments	\$ <u><u>13,992</u></u>

E. DEFINED BENEFIT PENSION POLICIES

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.org.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service from November 1, 1984 to December 31, 1985; January 1, 1986 to December 31, 1998; and January 1, 1999 to present are 100%, 150%, and 200%, respectively, of the employee's accumulated contributions.

Beginning in 1999, the City granted an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1999, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating
Annuity increase to retirees	50% of CPI Repeating

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to but not yet receiving benefits	80
Active employees	<u>196</u>
	<u><u>313</u></u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.9% and 11.19% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$1,256,450, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 19,301,265	\$ 15,148,751	\$ 4,152,514
Changes for the year:			
Service cost	1,575,854	-	1,575,854
Interest	1,387,951	-	1,387,951
Difference between expected and actual experience	148,537	-	148,537
Contributions - employer	-	1,108,677	(1,108,677)
Contributions - employee	-	720,678	(720,678)
Net investment income	-	867,004	(867,004)
Benefit payments, including refunds of employee contributions	(522,639)	(522,639)	-
Administrative expense	-	(9,048)	9,048
Other changes	-	(744)	744
Net changes	<u>2,589,703</u>	<u>2,163,928</u>	<u>425,775</u>
Balance at 12/31/2014	<u>\$ 21,890,968</u>	<u>\$ 17,312,679</u>	<u>\$ 4,578,289</u>

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) of 1-percentage-higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$ 8,531,612	\$ 4,578,289	\$ 1,419,531

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at www.tmrs.org.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$1,253,351.

At September 30, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$ 126,374
Difference between projected and actual investment earnings	154,727
Contributions subsequent to the measurement date	<u>983,805</u>
Total	<u>\$ 1,264,906</u>

\$983,805 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year Ending December 31,</u>	
2015	\$ 60,845
2016	60,845
2017	60,845
2018	60,844
2019	22,163
Thereafter	15,559

Subsequent Event

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be a large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change.

F. Other Postemployment Benefit Plans

Retiree Health Plan

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

The retiree pays 70% of the COBRA medical contribution rate plus 100% of the dental rate for the coverage tier elected. The City pays the balance of the contribution. All active employees who retire directly from the City and meet the eligibility criteria may participate.

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

Funding Policy - The City’s annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement No. 45. The ARC represents an amount that is projected to recognize the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2013, as required by GASB. The City’s annual OPEB cost for the fiscal year ending September 30, 2015, is as follows:

Annual required contribution	\$ 64,655
Interest on OPEB obligation	497
Adjustment to ARC	(1,492)
Annual OPEB cost	63,660
Net estimated employer contributions	(14,928)
Increase in net OPEB obligation	48,732
Net OPEB obligation, beginning of year	49,727
Net OPEB obligation, end of year	<u>\$ 98,459</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation End of Year</u>
9/30/2015	\$ 63,660	\$ 14,928	23.4%	\$ 98,459

Funded Status and Funding Progress - The funded status of the City’s retiree health care plan, as of the most recent actuarial valuation date is as follows:

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

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

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

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

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

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

Supplemental Death Benefits

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

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

Contributions - The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the fiscal year ended 2013, 2014 and 2015 are \$12,296, \$14,323, and \$14,855 respectively, which equaled the required contributions each year.

G. Risk Management

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

H. Commitments

Water System Project

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

On January 5, 2012, the City purchased the Sandy Creek water treatment plant and related infrastructure from the LCRA. Consequently, the only charges paid by the City to the LCRA are for raw water, both that actually withdrawn and that remaining as stored under permit. Total charges paid in fiscal year 2015 to LCRA under this contract totaled \$2,307,608.

Brushy Creek Regional Wastewater System

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

In June 2010, the cities of Round Rock, Austin and Cedar Park sold a share of the BCRWWS assets for the collection system to the City of Leander, and all parties entered into the amended and restated master contract for the financing, construction, ownership, and operation of the Brushy Creek Regional Wastewater System. The joint venture agreement does not provide an explicit contractual formula for outlining the City's claim to assets. It is deemed to be a joint venture with no equity interest and, accordingly, no amounts are reported in the accompanying financial statements for equity interest.

The City has capitalized its portion of cost related to the Brushy Creek Regional Wastewater System. In June 2010, the City purchased reserved capacity in the System components for \$10,800,000 which was financed with a note payable to mature in fiscal year 2032. The BRA is contracted to provide operation of the System, for which each of the cities is billed relative to their System usage. For the current fiscal year, Leander's share of expenses for the operation of the regional facilities was \$396,168.

Economic Development Agreements

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

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

- For 15 years from the date of the approval of the final plat of the initial project phase, the developer will receive a rebate of 60% of the water impact fees paid to the City for water connections made within the property.

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

In July 2012, the developer assigned the rights to the agreement to the Travis County Municipal Utility District (MUD) #19, #20 and #21 upon its creation and approval by the Texas Commission on Environmental Quality (TCEQ). By agreement each MUD has a maximum bond limit of \$74,182,000, \$88,113,000 and \$56,717,000, respectively. The tax rebate period shall end on the earlier of a) December 31st twenty-five (25) years after the date of issuance of the last series of District Bonds (excluding refunding bonds) or b) the date that the sum of the tax rebate payments equals the reimbursable costs. As of year-end, only Travis County MUD #21 has been created. As of year-end the city has \$189,564, set aside as an escrow liability in the water and wastewater fund.

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

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

In December 2013, the developer assigned the rights to the agreement to the Leander TODD Municipal Utility District (MUD) #1 of Williamson County. It is estimated that the MUDs construction cost will be \$101 million. As of year-end the City has set aside funds in an escrow liability in the amount of \$76,843.

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

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

The TIRZ and RB 270 Partnership, entered into an agreement for the TIRZ to reimburse certain developer expenses required to construct and widen County Road 269 just east of US 183A to US Hwy 183, which was later amended to include an additional \$200,000 contributed by the developer to facilitate funding of a segment of County Road 273 between FM 2243 and San Gabriel Parkway. The reimbursable amount is \$569,912. Contingent on the developer complying with the agreement, a portion of the TIRZ revenues are payable to the developer each year. The amount payable to the developer each year or set aside in an escrow account is 80% of the property tax increment receipts from the subject property and 2.5% of the tax increment receipts that result from assessments and taxes collected on the remainder of all real property within the TIRZ outside the subject property referenced in the agreement. The City has paid the developer \$19,315, as of year-end.

The TIRZ and Transit Village Investments, Ltd., entered into an agreement for the TIRZ to reimburse certain developer expenses required to construct and widen County Road 269 just east of US 183A to US Hwy 183, which was later amended to include an additional \$200,000 contributed by the developer to facilitate funding of a segment of County Road 273 between FM 2243 and San Gabriel Parkway. The reimbursable amount is \$1,197,052. Contingent on the developer complying with the agreement, a portion of the TIRZ revenues are payable to the developer each year. The amount payable to the developer each year or set aside in an escrow account is 80% of the property tax increment receipts from the subject property and 2.5% of the tax increment receipts that result from assessments and taxes collected on the remainder of all real property within the TIRZ outside the subject property referenced in the agreement. The City has paid the developer \$19,534, as of year-end.

Construction Commitments

Outstanding construction commitments are as follows at year-end:

	Award	Remaining Commitment
Governmental activities:		
Bagdad Sidewalks	\$ 99,000	\$ 21,877
Benbrook Ranch Regional Ball Fields	1,922,212	410,707
Benbrook Ranch Regional Ball Fields	303,505	22,650
East Street	136,000	22,455
Fire Station #4	246,078	159,950
Hero Way East Waterline	124,975	37,187
Kauffman Loop EST & Pump Station	142,924	119,739
North Bagdad Improvements	261,582	119,533
Ronald Reagan 24" Waterline Ext	266,399	11,113
Ronald Reagan Waterline #2	1,214,279	875,412
Veteran's Park	97,000	28,939
Crystal Falls/183 Turn Lane	49,400	7,050
Police CAD	<u>537,429</u>	<u>34,307</u>
	<u>5,400,783</u>	<u>1,870,919</u>
Business-type activities:		
Hero Way Waterline	104,900	2,656
Hero Way Waterline	717,534	48,132
Ridgmar Landing Waterline	<u>1,036,409</u>	<u>64,527</u>
	<u>\$ 1,858,843</u>	<u>\$ 115,315</u>

Oak Creek Public Improvement District – Special Assessment Debt

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

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

I. Joint Venture

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

The City accounts for this partnership as a joint venture. The City's equity interest is calculated in accordance with the agreement with BCRUA. The City shares in the operating results of this joint venture so the City adjusts its equity interest by the amount of its participating share of the joint venture's change in net position. Separate financial statements can be obtained by contacting the Board of Directors of the BCRUA at 221 E. Main Street, Round Rock, Texas 78664. Condensed financial statements for BCRUA are as follows:

Statement of Net Position

September 30, 2015

	<u>BCRUA</u>	<u>Leander's Interest</u>
Assets		
Cash and cash equivalents	\$ 11,498,844	\$ 5,209,316
Receivables, net	115,160	85,594
Restricted cash and cash equivalents	25,327,238	11,637,598
Due from other funds	56,325	5,341
Capital assets	<u>160,746,875</u>	<u>77,514,940</u>
Total assets	<u>197,744,442</u>	<u>94,452,789</u>
Liabilities		
Accounts payable	991,742	446,902
Retainage payable	1,582,268	747,830
Due to partner cities	133,407	97,030
Accrued interest	1,341,828	684,344
Due to other funds	56,325	-
Bonds payable	<u>172,885,000</u>	<u>88,180,000</u>
Total liabilities	<u>176,990,570</u>	<u>90,156,106</u>
Net Position	<u>\$ 20,753,872</u>	<u>\$ 4,296,683</u>

Statement of Activities and Changes in Net Position

For the Year Ended September 30, 2015

	BCRUA	Leander's Interest
Operating revenues	\$ 821,883	\$ 384,850
Operating expenses	(8,940,700)	(4,523,752)
Nonoperating income	<u>192,985</u>	<u>98,805</u>
Income before contributions	<u>(7,925,832)</u>	<u>(4,040,097)</u>
Capital contributions	11,271,265	5,751,338
Change in net position	<u>3,345,433</u>	<u>1,711,241</u>
Net position, beginning	<u>17,408,439</u>	<u>2,585,442</u>
Net position, ending	<u>\$ 20,753,872</u>	<u>\$ 4,296,683</u>

In July 2009, the BCRUA issued \$182 million of Contract Revenue Bonds, which were purchased by the Texas Water Development Board. These Bonds were issued to finance the Brushy Creek Regional Water Treatment and Distribution Project in accordance with the bylaws of the BCRUA. The City is obligated to repay \$91.2 million of these Bonds, which is based on its reserved capacity of 47.22%. These Bonds are included in BCRUA financial statements, which the City report its investment in the joint venture (BCRUA) in its financial statements. The City of Round Rock, Texas and Cedar Park, Texas are obligated to repay the remaining \$90.8 million of the Bonds.

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

Year Ending September 30,	Principal	Interest	Total
2016	1,850,000	4,197,311	6,047,311
2017	2,175,000	4,136,187	6,311,187
2018	2,290,000	4,059,975	6,349,975
2019	2,410,000	3,976,069	6,386,069
2020	2,540,000	3,882,513	6,422,513
2021-2025	14,835,000	17,676,445	32,511,445
2026-2030	19,155,000	13,840,884	32,995,884
2031-2035	24,740,000	8,515,751	33,255,751
2036-2038	<u>18,185,000</u>	<u>1,880,572</u>	<u>20,065,572</u>
Total	<u>\$ 88,180,000</u>	<u>\$ 62,165,707</u>	<u>\$ 150,345,707</u>

J. Future Financial Reporting Requirements

The GASB has issued the following statement which will become effective in future years.

Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*” – This statement changes the focus of accounting of postemployment benefits other than pensions from whether an entity is responsible for funding the benefits over time to a point-in-time liability that is reflected on the employer’s financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the City in fiscal year 2018.

Statement No. 77, “*Tax Abatement Disclosures*” – This statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding these commitments. This statement will become effective for the City in fiscal year 2017.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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

GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 10,130,000	\$ 10,250,000	\$ 10,334,995	\$ 84,995
Franchise	1,292,700	1,292,700	1,806,357	513,657
Sales	2,900,000	3,600,000	3,469,477	(130,523)
Mixed beverage	5,500	5,500	8,653	3,153
Licenses and permits	3,816,135	3,939,885	5,745,258	1,805,373
Intergovernmental	516,751	541,751	523,212	(18,539)
Fines and forfeitures	460,500	460,500	356,075	(104,425)
Charges for services	2,146,900	2,214,900	2,477,350	262,450
Interest	8,500	8,500	26,156	17,656
Donations/contributions	41,000	41,000	46,219	5,219
Other	42,615	43,445	187,013	143,568
Total revenues	21,360,601	22,398,181	24,980,765	2,582,584
EXPENDITURES				
Current:				
General government	6,974,827	6,849,777	6,528,618	321,159
Public safety	9,877,764	9,981,764	9,623,599	358,165
Public works	3,203,766	3,249,596	3,148,837	100,759
Parks and recreation	1,820,177	1,820,177	1,721,096	99,081
Capital outlay	1,755,606	1,944,656	1,874,291	70,365
Total expenditures	23,632,140	23,845,970	22,896,441	949,529
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,271,539)	(1,447,789)	2,084,324	3,532,113
OTHER FINANCING SOURCES (USES)				
Transfers in	1,490,000	1,490,000	1,490,000	-
Transfers out	(1,004,371)	(3,281,671)	(3,259,670)	22,001
Sale of capital assets	5,000	5,000	14,265	9,265
Total other financing sources and uses	490,629	(1,786,671)	(1,755,405)	31,266
NET CHANGE IN FUND BALANCES	(1,780,910)	(3,234,460)	328,919	3,563,379
FUND BALANCES, BEGINNING	9,823,477	9,823,477	9,823,477	-
PRIOR PERIOD ADJUSTMENT	-	-	160,123	160,123
FUND BALANCES, ENDING	\$ 8,042,567	\$ 6,589,017	\$ 10,312,519	\$ 3,723,502

CITY OF LEANDER, TEXAS

NOTES TO BUDGETARY INFORMATION

SEPTEMBER 30, 2015

Budgetary Information

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

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

CITY OF LEANDER, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS**

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Plan Year	<u>2014</u>
A. Total pension liability	
Service Cost	\$ 1,575,854
Interest (on the Total Pension Liability)	1,387,951
Difference between expected and actual experience	148,537
Benefit payments, including refunds of employee contributions	<u>(522,639)</u>
Net change in total pension liability	2,589,703
Total pension liability - beginning	<u>19,301,265</u>
Total pension liability - ending (a)	<u>21,890,968</u>
B. Plan fiduciary net position	
Contributions - employer	1,108,677
Contributions - employee	720,678
Net investment income	867,004
Benefit payments, including refunds of employee contributions	(522,639)
Administrative expenses	(9,048)
Other	<u>(744)</u>
Net change in plan fiduciary net position	2,163,928
Plan fiduciary net position - beginning	<u>15,148,751</u>
Plan fiduciary net position - ending (b)	<u>17,312,679</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 4,578,289</u>
D. Plan fiduciary net position as a percentage of total pension liability	79.09%
E. Covered employee payroll	\$ 10,295,399
F. Net position liability as a percentage of covered employee payroll	44.47%

CITY OF LEANDER, TEXAS
SCHUEDLE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Fiscal Year	<u>2014</u>	<u>2015</u>
Actuarial determined contribution	\$ 1,106,661	\$ 1,256,450
Contributions in relation to the actuarially determined contribution	<u>1,106,661</u>	<u>1,256,450</u>
Contribution deficiency (excess)	-	-
Covered employee payroll	10,134,499	11,426,686
Contributions as a percentage of covered employee payroll	10.92%	11.00%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

Other Information There were no benefit changes during the year.

**COMBINING
FINANCIAL STATEMENTS**

CITY OF LEANDER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	<u>Traffic Impact Analysis</u>	<u>Court Security</u>	<u>Court Technology</u>	<u>Parks Dedication</u>	<u>Police Special Revenue</u>	<u>Police Forfeiture</u>
ASSETS						
Cash and investments	\$ 545,489	\$ 95,873	\$ 25,842	\$ 735,399	\$ 72,703	\$ 1,474
Due from other governments	-	-	-	-	-	-
Total assets	<u>545,489</u>	<u>95,873</u>	<u>25,842</u>	<u>735,399</u>	<u>72,703</u>	<u>1,474</u>
LIABILITIES						
Accounts payable	3,005	-	334	-	889	-
Due to other funds	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-
Total liabilities	<u>3,005</u>	<u>-</u>	<u>334</u>	<u>-</u>	<u>889</u>	<u>-</u>
FUND BALANCES						
Restricted for:						
Traffic impact analysis	542,484	-	-	-	-	-
Court security	-	95,873	-	-	-	-
Court technology	-	-	25,508	-	-	-
Parks	-	-	-	735,399	-	-
Police	-	-	-	-	71,814	1,474
Traffic enforcement	-	-	-	-	-	-
Promote economic development	-	-	-	-	-	-
TIRZ #1 projects	-	-	-	-	-	-
Committed:						
Fire rescue	-	-	-	-	-	-
Parks	-	-	-	-	-	-
Public arts	-	-	-	-	-	-
Total fund balances	<u>542,484</u>	<u>95,873</u>	<u>25,508</u>	<u>735,399</u>	<u>71,814</u>	<u>1,474</u>
Total liabilities and fund balances	<u>\$ 545,489</u>	<u>\$ 95,873</u>	<u>\$ 25,842</u>	<u>\$ 735,399</u>	<u>\$ 72,703</u>	<u>\$ 1,474</u>

<u>Fire Rescue</u>	<u>Step</u>	<u>TIRZ #1</u>	<u>Public Arts</u>	<u>CID/HRT</u>	<u>Hotel Occupancy</u>	<u>Parks Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 28,812	\$ 187,737	\$ 151,904	\$ 24,231	\$ -	\$ 476	\$ 21,727	\$ 1,891,667
-	-	-	-	10,225	-	-	10,225
<u>28,812</u>	<u>187,737</u>	<u>151,904</u>	<u>24,231</u>	<u>10,225</u>	<u>476</u>	<u>21,727</u>	<u>1,901,892</u>
3,800	-	76,843	-	3,035	-	968	88,874
-	-	21,200	-	4,977	-	-	26,177
-	-	-	-	-	-	1,480	1,480
<u>3,800</u>	<u>-</u>	<u>98,043</u>	<u>-</u>	<u>8,012</u>	<u>-</u>	<u>2,448</u>	<u>116,531</u>
-	-	-	-	-	-	-	542,484
-	-	-	-	-	-	-	95,873
-	-	-	-	-	-	-	25,508
-	-	-	-	-	-	-	735,399
-	-	-	-	2,213	-	-	75,501
-	187,737	-	-	-	-	-	187,737
-	-	-	-	-	476	-	476
-	-	53,861	-	-	-	-	53,861
25,012	-	-	-	-	-	-	25,012
-	-	-	-	-	-	19,279	19,279
-	-	-	24,231	-	-	-	24,231
<u>25,012</u>	<u>187,737</u>	<u>53,861</u>	<u>24,231</u>	<u>2,213</u>	<u>476</u>	<u>19,279</u>	<u>1,785,361</u>
<u>\$ 28,812</u>	<u>\$ 187,737</u>	<u>\$ 151,904</u>	<u>\$ 24,231</u>	<u>\$ 10,225</u>	<u>\$ 476</u>	<u>\$ 21,727</u>	<u>\$ 1,901,892</u>

CITY OF LEANDER, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Traffic Impact Analysis	Court Security	Court Technology	Parks Dedication	Police Special Revenue	Police Forfeiture
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	170,062	-	-	465,489	-	-
Intergovernmental	-	-	-	-	-	-
Fines and forfeitures	-	24,834	13,972	-	-	-
Charges for services	-	-	-	-	22,922	-
Contributions	174,084	-	-	60,944	-	-
Investment earnings	1,162	159	43	1,159	115	2
Other	-	-	-	-	-	1,398
Total revenues	<u>345,308</u>	<u>24,993</u>	<u>14,015</u>	<u>527,592</u>	<u>23,037</u>	<u>1,400</u>
EXPENDITURES						
Current:						
General government	1,192	-	5,444	-	-	-
Public safety	-	3,181	5,388	-	889	-
Parks and recreation	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Capital outlay	333,556	-	-	1,377,516	-	-
Total expenditures	<u>334,748</u>	<u>3,181</u>	<u>10,832</u>	<u>1,377,516</u>	<u>889</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,560</u>	<u>21,812</u>	<u>3,183</u>	<u>(849,924)</u>	<u>22,148</u>	<u>1,400</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	895,000	-	-
Transfers out	(48,000)	-	-	-	-	-
Total other financing sources (uses)	<u>(48,000)</u>	<u>-</u>	<u>-</u>	<u>895,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(37,440)</u>	<u>21,812</u>	<u>3,183</u>	<u>45,076</u>	<u>22,148</u>	<u>1,400</u>
FUND BALANCES, BEGINNING	452,931	74,061	22,325	731,573	49,666	74
PRIOR PERIOD ADJUSTMENT	<u>126,993</u>	<u>-</u>	<u>-</u>	<u>(41,250)</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 542,484</u>	<u>\$ 95,873</u>	<u>\$ 25,508</u>	<u>\$ 735,399</u>	<u>\$ 71,814</u>	<u>\$ 1,474</u>

<u>Fire Rescue</u>	<u>Step</u>	<u>TIRZ #1</u>	<u>Public Arts</u>	<u>CID/HRT</u>	<u>Hotel Occupancy</u>	<u>Parks Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 191,606	\$ -	\$ -	\$ -	\$ -	\$ 191,606
-	-	-	-	-	-	-	635,551
-	-	-	-	45,512	-	-	45,512
-	62,694	-	-	-	-	-	101,500
8,127	-	-	-	-	-	29,394	60,443
-	-	-	231	-	-	-	235,259
52	326	169	20	2	2	42	3,253
-	-	-	-	-	-	-	1,398
<u>8,179</u>	<u>63,020</u>	<u>191,775</u>	<u>251</u>	<u>45,514</u>	<u>2</u>	<u>29,436</u>	<u>1,274,522</u>
-	-	9,550	-	-	-	-	16,186
7,800	38,633	-	-	45,512	-	-	101,403
-	-	-	-	-	-	26,514	26,514
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,711,072
<u>7,800</u>	<u>38,633</u>	<u>9,550</u>	<u>-</u>	<u>45,512</u>	<u>-</u>	<u>26,514</u>	<u>1,855,175</u>
<u>379</u>	<u>24,387</u>	<u>182,225</u>	<u>251</u>	<u>2</u>	<u>2</u>	<u>2,922</u>	<u>(580,653)</u>
-	-	72,056	22,755	-	-	-	989,811
-	-	(189,200)	-	-	-	-	(237,200)
-	-	(117,144)	22,755	-	-	-	752,611
<u>379</u>	<u>24,387</u>	<u>65,081</u>	<u>23,006</u>	<u>2</u>	<u>2</u>	<u>2,922</u>	<u>171,958</u>
24,633	163,350	(11,220)	1,225	2,211	474	16,357	1,527,660
-	-	-	-	-	-	-	85,743
<u>\$ 25,012</u>	<u>\$ 187,737</u>	<u>\$ 53,861</u>	<u>\$ 24,231</u>	<u>\$ 2,213</u>	<u>\$ 476</u>	<u>\$ 19,279</u>	<u>\$ 1,785,361</u>

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COMPLIANCE SECTION

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leander, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Leander, Texas' basic financial statements, and have issued our report thereon dated February 12, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Waco, Texas
February 12, 2016