



**CITY OF LEANDER, TEXAS**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED SEPTEMBER 30, 2010**

**CITY OF LEANDER, TEXAS**

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**CITY OF LEANDER, TEXAS**

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# **FINANCIAL SECTION**

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

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leander, Texas, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Leander, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leander, Texas, as of September 30, 2010, and the respective changes in financial position, and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of the financial statements for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Paxillo, Brown & Hill, LLP*

February 1, 2011

**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, 2010. It should be read in conjunction with the accompanying basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2010, by \$76,451,192 (net assets). Of this amount, \$11,062,041 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$980,405 for the year ended September 30, 2010. Most of this increase is due to increased property and sales tax revenue.
- As of September 30, 2010, the City's governmental funds reported combined ending fund balances of \$15,971,877, a decrease of \$861,656 in comparison with the prior fiscal year. Most of the decrease is attributable to capital outlay expenditures of \$7,803,615.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,864,915 or 33.92% of total General Fund expenditures.
- As of the close of the current fiscal year, the City's proprietary funds reported combined ending net assets of \$49,117,772 a decrease of \$1,787,262 in comparison with the prior year. Most of the decrease is attributable to a reduction in capital contributions from impact fees and developers.
- Contract revenue bonds were issued in the current year by the Brushy Creek Regional Utility Authority to finance the water and treatment distribution project. The Brushy Creek Regional Utility Authority is a joint venture between the City of Leander, Round Rock and Cedar Park. The City of Leander's obligation for the contract revenue bonds is \$91.2 million. This project is expected to be completed in fiscal year 2012.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

## Government-wide Financial Statements

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

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

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

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

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

The government wide financial statements can be found on pages 13 – 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 22.

- **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 – 52 of this report.

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Leander, assets exceeded liabilities by \$76,451,192 at the close of the most recent fiscal year.

The largest portion of the City's net assets (74.19%) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure and system improvements) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## CITY OF LEANDER'S NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 19,206,396	\$ 21,390,101	\$ 13,239,397	\$ 21,975,372	\$ 32,445,793	\$ 43,365,473
Capital assets	<u>67,333,707</u>	<u>61,404,350</u>	<u>159,309,201</u>	<u>141,477,740</u>	<u>226,642,908</u>	<u>202,882,090</u>
Total assets	<u>86,540,103</u>	<u>82,794,451</u>	<u>172,548,598</u>	<u>163,453,112</u>	<u>259,088,701</u>	<u>246,247,563</u>
Long-term liabilities	57,330,908	55,623,787	120,898,039	110,663,247	178,228,947	166,287,034
Other liabilities	<u>1,875,775</u>	<u>2,604,911</u>	<u>2,532,787</u>	<u>1,884,831</u>	<u>4,408,562</u>	<u>4,489,742</u>
Total liabilities	<u>59,206,683</u>	<u>58,228,698</u>	<u>123,430,826</u>	<u>112,548,078</u>	<u>182,637,509</u>	<u>170,776,776</u>
Net assets:						
Invested in capital assets, net of related debt	19,250,441	16,167,318	37,470,373	38,967,933	56,720,814	55,135,251
Restricted	1,363,164	1,961,146	7,305,173	3,531,102	8,668,337	5,492,248
Unrestricted	<u>6,719,815</u>	<u>6,437,289</u>	<u>4,342,226</u>	<u>8,405,999</u>	<u>11,062,041</u>	<u>14,843,288</u>
Total net assets	<u>\$ 27,333,420</u>	<u>\$ 24,565,753</u>	<u>\$ 49,117,772</u>	<u>\$ 50,905,034</u>	<u>\$ 76,451,192</u>	<u>\$ 75,470,787</u>

An additional portion of the City of Leander's net assets (11.34%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$11,062,041) may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City's net assets increased by \$980,405 during the current fiscal year. Almost all of this increase is due to increased property and sales tax revenue.

## CITY OF LEANDER'S CHANGES IN NET ASSETS

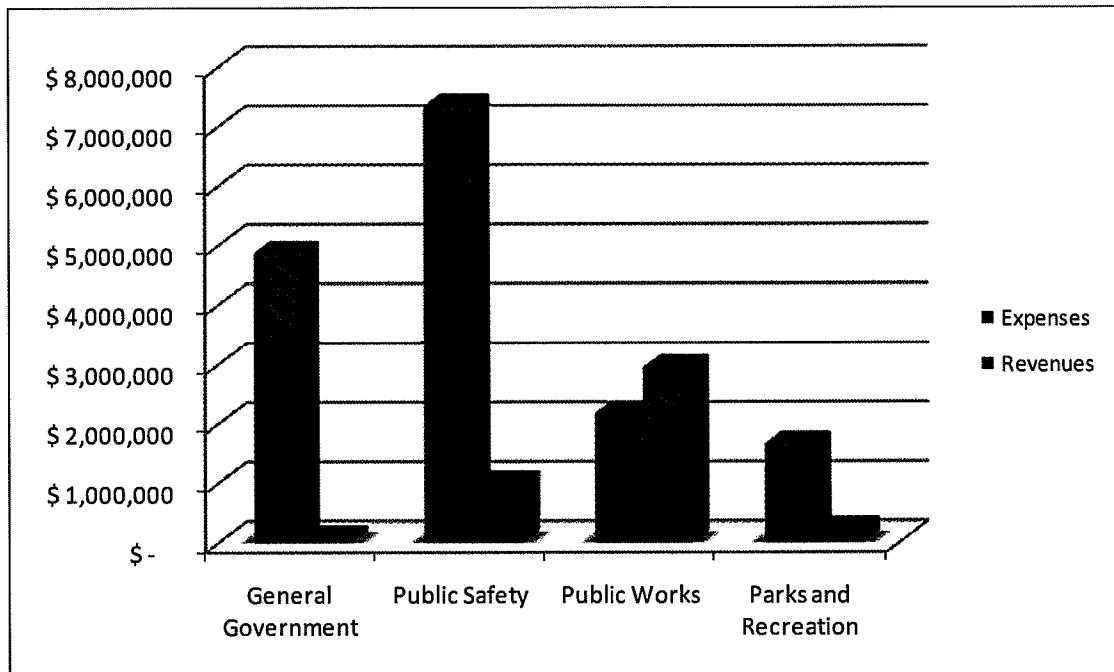
	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 3,205,954	\$ 3,035,615	\$ 13,150,870	\$ 12,913,476	\$ 16,356,824	\$ 15,949,091
Operating grants and contributions	793,783	556,736	-	-	793,783	556,736
Capital grants and contributions	257,840	453,025	1,952,480	1,836,837	2,210,320	2,289,862
<b>General revenues:</b>						
Property taxes	10,190,609	9,782,437	-	-	10,190,609	9,782,437
Other taxes	3,124,543	2,906,914	-	-	3,124,543	2,906,914
Interest income	69,903	204,360	41,555	74,470	111,458	278,830
Other income	393,349	119,719	-	-	393,349	119,719
<b>Total revenues</b>	<b>18,035,981</b>	<b>17,058,806</b>	<b>15,144,905</b>	<b>14,824,783</b>	<b>33,180,886</b>	<b>31,883,589</b>
<b>Expenses:</b>						
General government	4,879,082	5,242,051	-	-	4,879,082	5,242,051
Public safety	7,356,304	6,655,381	-	-	7,356,304	6,655,381
Public works	2,178,798	2,372,785	-	-	2,178,798	2,372,785
Parks and recreation	1,663,351	1,710,236	-	-	1,663,351	1,710,236
Interest on long-term deb	2,506,380	2,693,319	-	-	2,506,380	2,693,319
Utility services	-	-	12,378,191	11,422,469	12,378,191	11,422,469
Golf course	-	-	1,238,375	1,249,147	1,238,375	1,249,147
<b>Total expenses</b>	<b>18,583,915</b>	<b>18,673,772</b>	<b>13,616,566</b>	<b>12,671,616</b>	<b>32,200,481</b>	<b>31,345,388</b>
<b>Increases in net assets before transfers</b>	<b>( 547,934)</b>	<b>( 1,614,966)</b>	<b>1,528,339</b>	<b>2,153,167</b>	<b>980,405</b>	<b>538,201</b>
<b>Transfers</b>	<b>3,315,601</b>	<b>3,521,092</b>	<b>( 3,315,601)</b>	<b>( 3,521,092)</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>2,767,667</b>	<b>1,906,126</b>	<b>( 1,787,262)</b>	<b>( 1,367,925)</b>	<b>980,405</b>	<b>538,201</b>
<b>Net assets, beginning</b>	<b>24,565,753</b>	<b>22,659,627</b>	<b>50,905,034</b>	<b>45,041,618</b>	<b>75,470,787</b>	<b>67,701,245</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,231,341</b>	<b>-</b>	<b>7,231,341</b>
<b>Net assets, ending</b>	<b>\$ 27,333,420</b>	<b>\$ 24,565,753</b>	<b>\$ 49,117,772</b>	<b>\$ 50,905,034</b>	<b>\$ 76,451,192</b>	<b>\$ 75,470,787</b>

### Governmental Activities

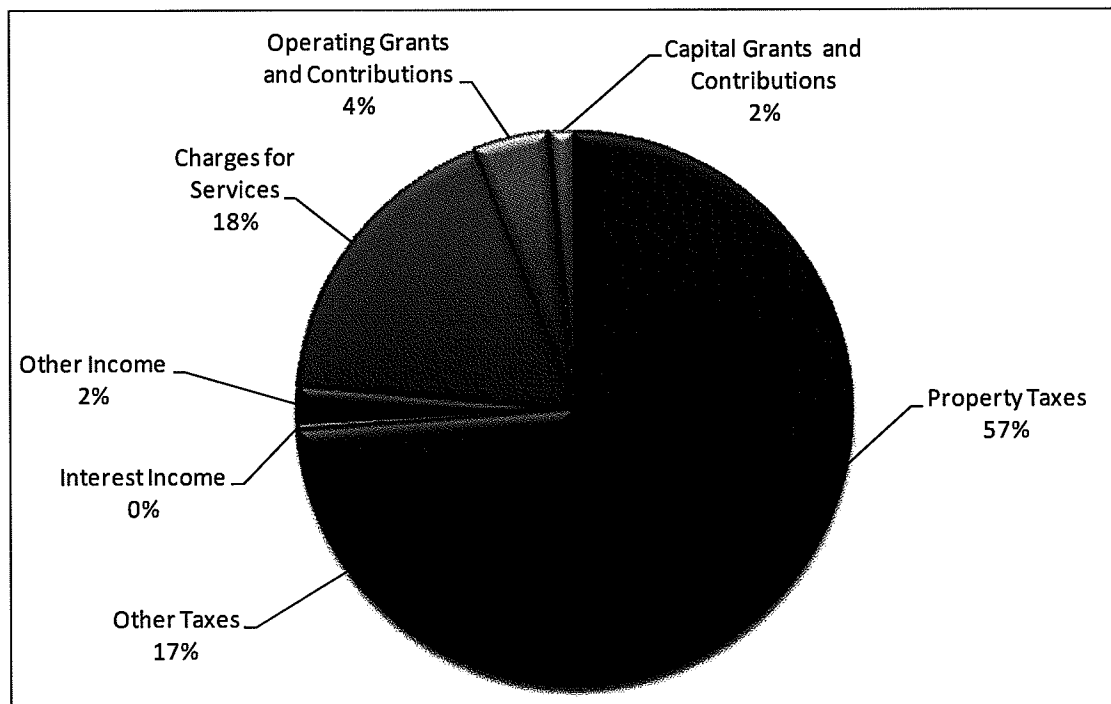
Governmental activities increased the City of Leander's net assets by \$2,767,667. Key elements of this increase are as follows:

- Capital grants and contributions provided 1.43% of the City's governmental revenues. These include streets and drainage infrastructure contributed by developers and capital grants.
- Tax revenues (property, sales, franchise) provided 73.79% of the City's governmental revenues. Tax revenues increased by \$408,172 or 4.17% over 2009.

## Expenses and Program Revenues – Governmental Activities



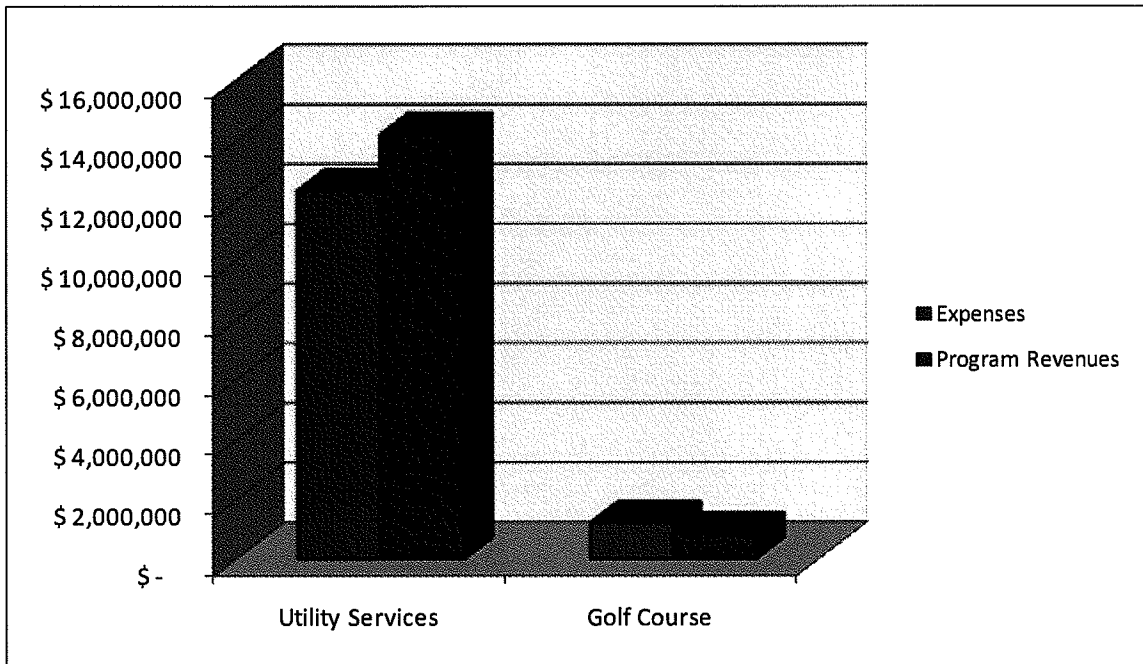
## Revenues by Source – Governmental Activities



## Business-type Activities

Business-type activities decreased the City of Leander's net assets by \$1,787,262. Key elements of this decrease are as follows.

- Capital grants and contributions provided 12.89% of the City's business-type revenues. This includes water and wastewater infrastructure contributed by developers as well as water and wastewater impact fees.



## 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, unreserved 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 \$15,971,877 a decrease of \$861,656 in comparison of the prior year. Most of the decrease is attributable to capital outlay expenditures of \$7,803,615.

The General Fund is the chief operating fund of the City of Leander. At the end of the current fiscal year, unreserved fund balance was \$4,864,915. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 33.92% of total General Fund expenditures.

The fund balance of the City of Leander's General Fund increased \$631,011 during the current fiscal year. The key factor in this increase was better than budget performance across the board for expenditures in most departments, partially offset by higher than anticipated payroll costs in the Fire Department.

The Debt Service Fund experienced a decrease in fund balance of \$1,611,698 during 2010, representing a decrease in fund balance of 73.41% from 2009. The Capital Projects Fund experienced a decrease in fund balance of \$473,487 during 2010 due to ongoing construction activities. Discuss issuance of refunding and new construction bonds.

### **Proprietary Funds**

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

Unrestricted net assets of the Utility Fund at the end of the year amounted to \$5,660,718. Unrestricted net assets of the Golf Course Fund at the end of the year amounted to a deficit of \$1,318,492. The Utility Fund experienced a decrease in net assets of \$1,497,000 during 2010, representing a decrease in net assets of 6.59% from 2009. The Golf Course Fund experienced a decrease in net assets of \$290,262 during 2010, representing a decrease in net assets of 20.87% from 2009. Discuss reasons for decreases.

### **General Fund Budgetary Highlights**

Actual revenues were less than budgeted revenues by \$23,362. This is mostly attributable to the decrease in building permits over projections. Actual expenditures were below final budgeted expenditures by \$728,652, mainly due to better than budget performance across the board for expenditures in most departments, partially offset by higher than anticipated payroll costs in the Fire Department.

## **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, 2010, amounts to \$226,642,908 (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	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,734,940	\$ 1,675,990	\$ 2,331,833	\$ 2,321,892	\$ 4,066,773	\$ 3,997,882
Construction in progress	16,573,020	8,988,437	5,130,544	4,513,445	21,703,564	13,501,882
Intangible	-	-	91,180,000	91,180,000	91,180,000	91,180,000
Buildings and improvements	13,977,567	13,909,338	666,844	666,844	14,644,411	14,576,182
Machinery and equipment	7,172,065	6,893,755	1,429,359	1,278,165	8,601,424	8,171,920
Infrastructure and system	40,024,831	39,736,009	71,893,449	53,517,619	111,918,280	93,253,628
Less: accumulated depreciation	( 12,148,716)	( 9,799,179)	( 13,322,828)	( 12,000,225)	( 25,471,544)	( 21,799,404)
<b>Total capital assets</b>	<b>\$ 67,333,707</b>	<b>\$ 61,404,350</b>	<b>\$ 159,309,201</b>	<b>\$ 141,477,740</b>	<b>\$ 226,642,908</b>	<b>\$ 202,882,090</b>

Additional information regarding the City's capital assets can be found in Note IV B on pages 39 – 40 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 \$56,810,000, which the City expects to retire through the Debt Service Fund. The City has long-term bonded debt outstanding of \$120,505,000 and a note payable of \$10,800,000 at September 30, 2010, in the Utility Fund.

The City of Leander's total bonded debt and note payable increased by \$11,600,000 (7.00%) during the current fiscal year. This increase is primarily related to the issuance of contract revenue bonds by the Brushy Creek Regional Utility Authority, in which the City is obligated to pay \$91.2 million.

Additional information on the City of Leander's long-term debt can be found in Note IV D on pages 41 – 47 of this report.

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

- The City adopted a tax rate of \$0.65042 (\$0.438180) for maintenance and operations and \$0.212240 for interest and sinking) for fiscal year 2011.
- The number of water accounts increased to 9,207 from 2009 to 2010, an increase of 2.31%. This trend in growth is expected to continue.
- In 2007, the Cities of Leander, Round Rock and Cedar Park created the Brushy Creek Regional Utility Authority (BCRUA) for purposes of providing for the long-term water supply needs of each of the communities. The BRCUA issued debt to fund Phase I of the construction of the regional water treatment plant in the summer of 2009. Construction is underway and the plant should be in operation in 2012.
- The new Leander Park & Ride will be the northern starting point for Capital Metro's Commuter Rail service slated to begin in 2010. This facility will anchor the City's 2,200-acre Transit Oriented Development District.

## **REQUESTS FOR INFORMATION**

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

**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF LEANDER, TEXAS**

**STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 15,451,660	\$ 2,904,578	\$ 18,356,238
Receivables (net of allowance)			
Taxes	739,863	-	739,863
Accounts	566,145	1,826,699	2,392,844
Due from other governments	62,995	2,045,323	2,108,318
Internal balances	1,271,619	( 1,271,619)	-
Inventory	-	32,599	32,599
Prepaid items	432	-	432
Restricted cash and investments	-	5,871,076	5,871,076
Restricted due from other governments	-	1,446,030	1,446,030
Deferred charges	1,113,682	384,711	1,498,393
Capital assets:			
Land	1,734,940	2,331,833	4,066,773
Construction in progress	16,573,020	5,130,544	21,703,564
Intangible	-	91,180,000	91,180,000
Buildings and improvements	13,977,567	666,844	14,644,411
Machinery and equipment	7,172,065	1,429,359	8,601,424
Infrastructure and system	40,024,831	71,893,449	111,918,280
Less: accumulated depreciation	<u>( 12,148,716)</u>	<u>( 13,322,828)</u>	<u>( 25,471,544)</u>
Total assets	<u>86,540,103</u>	<u>172,548,598</u>	<u>259,088,701</u>
<b>LIABILITIES</b>			
Accounts payable	1,014,426	319,945	1,334,371
Accrued liabilities	518,973	53,799	572,772
Accrued interest	280,862	630,774	911,636
Customer deposits	-	1,002,819	1,002,819
Unearned revenue	61,514	525,450	586,964
Noncurrent liabilities:			
Due within one year	1,391,309	210,357	1,601,666
Due in more than one year	<u>55,939,599</u>	<u>120,687,682</u>	<u>176,627,281</u>
Total liabilities	<u>59,206,683</u>	<u>123,430,826</u>	<u>182,637,509</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	19,250,441	37,470,373	56,720,814
Restricted for:			
Capital projects	711,181	5,707,955	6,419,136
Public safety	120,161	-	120,161
Economic development	159,047	-	159,047
Debt service	372,775	1,597,218	1,969,993
Unrestricted	<u>6,719,815</u>	<u>4,342,226</u>	<u>11,062,041</u>
Total net assets	<u>\$ 27,333,420</u>	<u>\$ 49,117,772</u>	<u>\$ 76,451,192</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, 2010

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities:				
General government	\$ 4,879,082	\$ 68,522	\$ 14,983	\$ -
Public safety	7,356,304	669,690	333,505	-
Public works	2,178,798	2,399,192	435,201	112,740
Parks and recreation	1,663,351	68,550	10,094	145,100
Interest and fiscal charges	<u>2,506,380</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>18,583,915</u>	<u>3,205,954</u>	<u>793,783</u>	<u>257,840</u>
Business-type activities:				
Utility services	12,378,191	12,303,671	-	1,952,480
Golf course	<u>1,238,375</u>	<u>847,199</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>13,616,566</u>	<u>13,150,870</u>	<u>-</u>	<u>1,952,480</u>
 Total primary government	 <u>\$ 32,200,481</u>	 <u>\$ 16,356,824</u>	 <u>\$ 793,783</u>	 <u>\$ 2,210,320</u>
General revenues:				
Taxes:				
Property				
Sales				
Franchise				
Mixed beverage				
Interest				
Other				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$( 4,795,577)	\$ -	\$( 4,795,577)
( 6,353,109)	-	( 6,353,109)
768,335	-	768,335
( 1,439,607)	-	( 1,439,607)
( 2,506,380)	-	( 2,506,380)
<u>( 14,326,338)</u>	<u>-</u>	<u>( 14,326,338)</u>
-	1,877,960	1,877,960
<u>-</u>	<u>( 391,176)</u>	<u>( 391,176)</u>
<u>-</u>	<u>1,486,784</u>	<u>1,486,784</u>
<u>( 14,326,338)</u>	<u>1,486,784</u>	<u>( 12,839,554)</u>
10,190,609	-	10,190,609
1,948,789	-	1,948,789
1,169,109	-	1,169,109
6,645	-	6,645
69,903	41,555	111,458
393,349	-	393,349
<u>3,315,601</u>	<u>( 3,315,601)</u>	<u>-</u>
<u>17,094,005</u>	<u>( 3,274,046)</u>	<u>13,819,959</u>
2,767,667	( 1,787,262)	980,405
<u>24,565,753</u>	<u>50,905,034</u>	<u>75,470,787</u>
<u>\$ 27,333,420</u>	<u>\$ 49,117,772</u>	<u>\$ 76,451,192</u>

**CITY OF LEANDER, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**AS OF SEPTEMBER 30, 2010**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>ASSETS</b>			
Cash and investments	\$ 3,852,277	\$ 569,206	\$ 10,037,786
Taxes receivable, net of allowance	655,432	84,431	-
Due from other governments	55,847	-	7,148
Other receivables, net of allowance	566,145	-	-
Prepaid items	432	-	-
Due from other funds	<u>1,273,586</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 6,403,719</u>	 <u>\$ 653,637</u>	 <u>\$ 10,044,934</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 519,740	\$ -	\$ 494,046
Accrued wages	396,014	-	-
Due to other funds	-	-	-
Other accrued liabilities	122,959	-	-
Deferred revenue	<u>500,091</u>	<u>69,811</u>	<u>17,536</u>
Total liabilities	<u>1,538,804</u>	<u>69,811</u>	<u>511,582</u>
Fund balances:			
Reserved for:			
Debt service	-	583,826	-
Capital projects	-	-	9,533,352
Unreserved, undesignated reported in:			
General fund	4,864,915	-	-
Special revenue fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>4,864,915</u>	<u>583,826</u>	<u>9,533,352</u>
 Total liabilities and fund balances	 <u>\$ 6,403,719</u>	 <u>\$ 653,637</u>	 <u>\$ 10,044,934</u>

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

<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 992,391	\$ 15,451,660
-	739,863
-	62,995
-	566,145
-	432
-	1,273,586
<u>\$ 992,391</u>	<u>\$ 18,094,681</u>
\$ 640	\$ 1,014,426
-	396,014
1,967	1,967
-	122,959
-	587,438
2,607	2,122,804
-	583,826
-	9,533,352
-	4,864,915
989,784	989,784
989,784	15,971,877
<u>\$ 992,391</u>	<u>\$ 18,094,681</u>

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**CITY OF LEANDER, TEXAS**

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

**SEPTEMBER 30, 2010**

Fund balances of governmental funds	\$ 15,971,877
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	67,333,707
Bonds payable and capital leases payable are not due and payable in the current period and therefore have not been included in the fund financial statements.	( 56,776,649)
Accrued liabilities for compensated absences and net pension obligation are not due and payable in the current period and therefore have not been included in the fund financial statements.	( 554,259)
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.	( 280,862)
Bond issuance costs are recorded as expenditures when paid in the fund financial statements but are capitalized and amortized in the government-wide financial statements.	1,113,682
Revenues from property taxes and fines are deferred in the fund financial statements until they are considered available to fund current expenditures, but such revenues are recognized in the government-wide financial statements.	<u>525,924</u>
Net assets of governmental activities	\$ <u>27,333,420</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, 2010**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>REVENUES</b>			
Taxes:			
Property	\$ 5,046,040	\$ 4,959,540	\$ -
Franchise	1,169,109	-	-
Sales	1,948,789	-	-
Mixed beverage	6,645	-	-
Licenses, permits and fees	1,077,256	-	-
Intergovernmental	604,130	-	21,793
Fines and forfeitures	349,653	-	-
Charges for services	1,251,813	-	-
Interest	17,504	36,866	14,462
Donations/contributions	47,547	-	90,947
Other	92,206	-	301,143
Total revenues	<u>11,610,692</u>	<u>4,996,406</u>	<u>428,345</u>
<b>EXPENDITURES</b>			
Current:			
General government	4,686,636	-	28,161
Public safety	6,566,480	-	-
Public works	1,283,815	-	-
Parks and recreation	1,195,964	-	-
Debt service:			
Principal retirement	199,584	3,130,000	-
Interest and fiscal charges	22,114	2,663,423	117,717
Capital outlay	386,319	-	7,221,837
Total expenditures	<u>14,340,912</u>	<u>5,793,423</u>	<u>7,367,715</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 2,730,220)</u>	<u>( 797,017)</u>	<u>( 6,939,370)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	3,439,917	-	38,166
Transfers out	( 336,815)	-	-
Sale of capital assets	4,607	-	-
Issuance of bonds	-	18,825,000	6,310,000
Payment to bond refunding escrow agent	-	( 21,124,704)	-
Premium on bond issuance	-	1,485,023	117,717
Issuance of capital lease	253,522	-	-
Total other financing sources and uses	<u>3,361,231</u>	<u>( 814,681)</u>	<u>6,465,883</u>
<b>NET CHANGE IN FUND BALANCES</b>	631,011	( 1,611,698)	( 473,487)
<b>FUND BALANCES, BEGINNING</b>	<u>4,233,904</u>	<u>2,195,524</u>	<u>10,006,839</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 4,864,915</u>	<u>\$ 583,826</u>	<u>\$ 9,533,352</u>

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

<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 173,268	\$ 10,178,848
-	1,169,109
-	1,948,789
-	6,645
330,765	1,408,021
118,659	744,582
19,503	369,156
22,578	1,274,391
1,071	69,903
-	138,494
-	<u>393,349</u>
<u>665,844</u>	<u>17,701,287</u>
28,073	4,742,870
24,127	6,590,607
-	1,283,815
-	1,195,964
-	3,329,584
-	2,803,254
195,459	<u>7,803,615</u>
<u>247,659</u>	<u>27,749,709</u>
<u>418,185</u>	<u>( 10,048,422)</u>
200,855	3,678,938
( 26,522)	( 363,337)
-	4,607
-	25,135,000
-	( 21,124,704)
-	1,602,740
-	<u>253,522</u>
<u>174,333</u>	<u>9,186,766</u>
592,518	( 861,656)
<u>397,266</u>	<u>16,833,533</u>
<u>\$ 989,784</u>	<u>\$ 15,971,877</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, 2010**

Net change in fund balances - total governmental funds	\$( 861,656)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Current year capital outlay is an expenditure in the fund statements, but is shown as increases in capital assets in the government-wide financial statements. The effect of removing 2010 capital outlay is to increase net assets.	8,278,894
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The effect of recording current year depreciation is to decrease net assets.	( 2,349,537)
Bond issue costs are expended in the fund financial statements when paid, but are capitalized and amortized in the government-wide financial statements.	( 135,894)
Issuance of refunding bonds and capital leases payable are reported as other financing sources and uses in the fund financial statements but are shown as increases or decreases in long-term debt in the government-wide financial statements.	( 5,431,240)
Amortization of deferred loss on refunding.	( 18,313)
Long-term debt principal payments on bonds payable of \$3,130,000 and capital leases payable of \$199,584 are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	3,329,584
Compensated absences and net pension obligations that are not due and payable are not reported in the fund financial statements. The net effect of the current year's change in compensated absences and net pension obligations.	( 94,206)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The decrease in interest accrual from 2009 to 2010 increases net assets.	15,763
Revenues from property taxes and fines are deferred in the fund financial statements until they are considered available to fund current expenditures, but such revenues are recognized in the government-wide statements.	<u>34,272</u>
Change in net assets of governmental activities	<u>\$ 2,767,667</u>

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

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**CITY OF LEANDER, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Property	\$ 5,190,470	\$ 5,190,470	\$ 5,046,040	\$( 144,430)
Franchise	930,180	930,180	1,169,109	238,929
Sales	1,750,000	1,814,000	1,948,789	134,789
Mixed beverage	5,800	5,800	6,645	845
Licenses and permits	1,246,260	1,246,260	1,077,256	( 169,004)
Intergovernmental	717,056	719,382	604,130	( 115,252)
Fines and forfeitures	427,510	417,510	349,653	( 67,857)
Charges for services	1,196,853	1,196,853	1,251,813	54,960
Interest	34,000	34,000	17,504	( 16,496)
Donations/contributions	12,000	12,000	47,547	35,547
Other	54,697	67,599	92,206	24,607
Total revenues	<u>11,564,826</u>	<u>11,634,054</u>	<u>11,610,692</u>	<u>( 23,362)</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,016,631	5,064,111	4,686,636	377,475
Public safety	7,003,400	7,003,400	6,566,480	436,920
Public works	1,394,016	1,403,984	1,283,815	120,169
Parks and recreation	1,315,665	1,329,854	1,195,964	133,890
Debt service:				
Principal retirement	227,915	227,915	199,584	28,331
Interest and fiscal charges	-	-	22,114	( 22,114)
Capital outlay	40,300	40,300	386,319	( 346,019)
Total expenditures	<u>14,997,927</u>	<u>15,069,564</u>	<u>14,340,912</u>	<u>728,652</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 3,433,101)</u>	<u>( 3,435,510)</u>	<u>( 2,730,220)</u>	<u>705,290</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,533,101	3,533,101	3,439,917	( 93,184)
Transfers out	( 100,000)	( 300,855)	( 336,815)	( 35,960)
Sale of capital assets	-	-	4,607	4,607
Issuance of capital lease	-	-	253,522	253,522
Total other financing sources and uses	<u>3,433,101</u>	<u>3,232,246</u>	<u>3,361,231</u>	<u>128,985</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	( 203,264)	631,011	834,275
<b>FUND BALANCES, BEGINNING</b>	<u>4,233,904</u>	<u>4,233,904</u>	<u>4,233,904</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 4,233,904</u>	<u>\$ 4,030,640</u>	<u>\$ 4,864,915</u>	<u>\$ 834,275</u>

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

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**CITY OF LEANDER, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2010**

	Business-type Activities - Enterprise Funds		Totals
	Utility	Golf Course	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,884,836	\$ 19,742	\$ 2,904,578
Accounts receivable, net	1,826,174	525	1,826,699
Due from other governments	2,045,323	-	2,045,323
Inventory	-	32,599	32,599
Restricted cash and cash equivalents	5,871,076	-	5,871,076
Restricted due from other governments	1,446,030	-	1,446,030
Total current assets	<u>14,073,439</u>	<u>52,866</u>	<u>12,680,275</u>
Non-current assets:			
Deferred charges	373,270	11,441	384,711
Capital assets:			
Land	246,248	2,085,585	2,331,833
Construction in progress	5,130,544	-	5,130,544
Intangible	91,180,000	-	91,180,000
Buildings and improvements	83,386	583,458	666,844
Equipment	948,379	480,980	1,429,359
Infrastructure and system	71,763,968	129,481	71,893,449
Less accumulated depreciation	( 12,538,768)	( 784,060)	( 13,322,828)
Total capital assets	<u>156,813,757</u>	<u>2,495,444</u>	<u>159,309,201</u>
Total non-current assets	<u>157,187,027</u>	<u>2,506,885</u>	<u>159,693,912</u>
Total assets	<u>171,260,466</u>	<u>2,559,751</u>	<u>173,820,217</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	275,665	44,280	319,945
Accrued liabilities	22,105	31,694	53,799
Accrued interest	630,774	-	630,774
Customer deposits	1,002,819	-	1,002,819
Due to other funds	-	1,271,619	1,271,619
Unearned revenue	525,450	-	525,450
Compensated absences payable - current	2,379	545	2,924
Revenue bonds payable - current	144,745	-	144,745
Capital lease obligation-current	39,463	23,225	62,688
Total current liabilities	<u>2,643,400</u>	<u>1,371,363</u>	<u>4,014,763</u>
Non-current liabilities:			
Net pension obligation	3,520	10,561	14,081
Compensated absences payable	3,275	24,100	27,375
Note payable	10,800,000	-	10,800,000
Revenue bonds payable	109,696,873	-	109,696,873
Capital leases obligation	96,330	53,023	149,353
Total non-current liabilities	<u>120,599,998</u>	<u>87,684</u>	<u>120,687,682</u>
Total liabilities	<u>123,243,398</u>	<u>1,459,047</u>	<u>124,702,445</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	35,051,177	2,419,196	37,470,373
Restricted for capital projects	5,707,955	-	5,707,955
Restricted for debt service	1,597,218	-	1,597,218
Unrestricted	5,660,718	( 1,318,492)	4,342,226
Total net assets	<u>\$ 48,017,068</u>	<u>\$ 1,100,704</u>	<u>\$ 49,117,772</u>

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

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**CITY OF LEANDER, TEXAS**

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

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Business-type Activities Enterprise Funds		Totals
	Utility	Golf Course	
<b>OPERATING REVENUE</b>			
Charges for sales and services	\$ 12,303,671	\$ 847,199	\$ 13,150,870
Total operating revenues	<u>12,303,671</u>	<u>847,199</u>	<u>13,150,870</u>
<b>OPERATING EXPENSES</b>			
Utility operations	9,633,199	-	9,633,199
Golf course operations	-	1,194,968	1,194,968
Depreciation	<u>1,284,918</u>	<u>37,685</u>	<u>1,322,603</u>
Total operating expenses	<u>10,918,117</u>	<u>1,232,653</u>	<u>12,150,770</u>
<b>OPERATING LOSS</b>	<u>1,385,554</u>	<u>( 385,454)</u>	<u>1,000,100</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	40,641	914	41,555
Interest expense and fees	<u>( 1,460,074)</u>	<u>( 5,722)</u>	<u>( 1,465,796)</u>
Total nonoperating revenues (expenses)	<u>( 1,419,433)</u>	<u>( 4,808)</u>	<u>( 1,424,241)</u>
<b>LOSS BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>( 33,879)</u>	<u>( 390,262)</u>	<u>( 424,141)</u>
<b>CAPITAL CONTRIBUTIONS</b>			
Contributions from developers	919,092	-	919,092
Impact fees	<u>1,033,388</u>	<u>-</u>	<u>1,033,388</u>
Total capital contributions	<u>1,952,480</u>	<u>-</u>	<u>1,952,480</u>
<b>TRANSFERS IN</b>	-	100,000	100,000
<b>TRANSFERS OUT</b>	<u>( 3,415,601)</u>	<u>-</u>	<u>( 3,415,601)</u>
<b>CHANGE IN NET ASSETS</b>	<u>( 1,497,000)</u>	<u>( 290,262)</u>	<u>( 1,787,262)</u>
<b>TOTAL NET ASSETS, BEGINNING</b>	<u>49,514,068</u>	<u>1,390,966</u>	<u>50,905,034</u>
<b>TOTAL NET ASSETS, ENDING</b>	<u>\$ 48,017,068</u>	<u>\$ 1,100,704</u>	<u>\$ 49,117,772</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, 2010**

	Business-type Activities Enterprise Funds		Totals
	Utility	Golf Course	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 12,786,879	\$ 847,106	\$ 13,633,985
Payments to employees	( 246,014)	( 743,027)	( 989,041)
Payments to suppliers	( 9,823,038)	( 420,230)	( 10,243,268)
Net cash provided (used) by operating activities	<u>2,717,827</u>	<u>( 316,151)</u>	<u>2,401,676</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	100,000	100,000
Transfers to other funds	( 3,415,601)	-	( 3,415,601)
Cash received from other governments	9,390,836	-	9,390,836
Cash paid to other governments	( 7,965,144)	-	( 7,965,144)
Cash paid to other funds	( 1,315)	-	( 1,315)
Cash received from other funds	-	258,304	258,304
Net cash provided (used) by noncapital financing activities	<u>( 1,991,224)</u>	<u>358,304</u>	<u>( 1,632,920)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	1,316,846	-	1,316,846
Acquisition of capital assets	( 18,758,351)	-	( 18,758,351)
Disposal of capital assets	1,684	-	1,684
Principal paid on long-term debt	( 563,325)	-	( 563,325)
Interest paid on long-term debt	( 875,627)	( 23,325)	( 898,952)
Proceeds from capital debt	10,800,000	-	10,800,000
Net cash used by capital and related financing activities	<u>( 8,078,773)</u>	<u>( 23,325)</u>	<u>( 8,102,098)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	40,641	914	41,555
Net cash provided by investing activities	<u>40,641</u>	<u>914</u>	<u>41,555</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>( 7,311,529)</u>	<u>19,742</u>	<u>( 7,291,787)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>16,067,441</u>	<u>-</u>	<u>16,067,441</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 8,755,912</u>	<u>\$ 19,742</u>	<u>\$ 8,775,654</u>
<b>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents	\$ 2,884,836	\$ 19,742	\$ 2,904,578
Restricted cash and cash equivalents	5,871,076	-	5,871,076
Total cash and cash equivalents	<u>\$ 8,755,912</u>	<u>\$ 19,742</u>	<u>\$ 8,775,654</u>

(continued)

**CITY OF LEANDER, TEXAS**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**(Continued)**

**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Business-type Activities Enterprise Funds		
	<u>Utility</u>	<u>Golf Course</u>	<u>Totals</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 1,385,554	\$( 385,454)	\$ 1,000,100
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	1,284,918	37,684	1,322,602
(Increase) decrease in accounts receivable	( 81,994)	( 92)	( 82,086)
(Increase) decrease in inventory	-	22,310	22,310
(Increase) decrease in prepaid expenses	1,315	5,076	6,391
Increase (decrease) in accounts payable	( 453,516)	( 12,301)	( 465,817)
Increase (decrease) in accrued liabilities	13,438	3,830	17,268
Increase (decrease) in customer deposits	39,752	-	39,752
Increase (decrease) in unearned revenue	525,450	-	525,450
Increase (decrease) in net pension obligation	3,021	8,707	11,728
Increase (decrease) in compensated absences	( 111)	4,089	3,978
Net cash provided (used) by operating activities	<u>\$ 2,717,827</u>	<u>\$( 316,151)</u>	<u>\$ 2,401,676</u>
<b>NONCASH CAPITAL AND FINANCING ACTIVITIES</b>			
Infrastructure contributed by developers	\$ 261,603	\$ -	\$ 261,603
Borrowing under a capital lease	135,794	-	135,794
Payment to escrow agent for defeasance of bonds	7,715,698	-	7,715,698

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

# CITY OF LEANDER, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Leander, Texas (the "City") was incorporated in 1978 under the Provisions of the State of Texas. The City operates under a Council-Manager form of government and provides the following services: public safety (fire and police), streets, water and wastewater services, public improvements, planning and zoning, 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 (GASB) pronouncements.

#### A. Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. Based on these considerations, the Tax Increment Reinvestment Zone #1 (TIRZ) has been included in the City's reporting entity as a blended component unit. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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

(continued)

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### A. Financial Reporting Entity (Continued)

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

### B. Government-wide and Fund Financial Statements

#### **Government-wide Financial Statements**

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

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

#### **Fund Financial Statements**

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

(continued)

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

Government fund level 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 collected within the current period or soon available if they are collected within 60 days of the end of the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue 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 when only the liability has matured and payment is due.

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

The City reports the following major governmental funds:

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

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

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

(continued)

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus and Basis of Accounting (Continued)

Additionally, the City reports the following fund type:

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

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

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

(continued)

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

#### **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) with an original maturity of three months or less when purchased 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 the lower of cost or market using the first-in/first-out (FIFO) method.

#### **Restricted Assets**

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

#### **Receivables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

(continued)

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**Receivables (Continued)**

The maximum tax rate permitted by the State of Texas is \$2.50 per \$100 of assessed valuation. The tax rate for the October 1, 2009, levy was \$.65042 (\$.30623 for general government and \$.29419 for debt service) per \$100 of assessed valuation.

At September 30, 2010, the delinquent property taxes receivable totaled \$78,603 in the General Fund and \$112,573 in the Debt Service Fund. The City recognizes penalties and interest due on delinquent taxes receivable as a component of delinquent taxes receivable. The additional receivable is treated as deferred revenue until available.

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 five 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.

**Capital Assets**

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

(continued)

# I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## D. Assets, Liabilities and Net Assets or Equity (Continued)

### Capital Assets (Continued)

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest expense was capitalized in the Utility Fund in fiscal year 2010.

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

Intangible assets consist of reserved capacity of the Brushy Creek Regional Utility Authority, a regional water treatment and distribution system. The water treatment and distribution system has not been placed into service as of September 30, 2010.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 35
Utility Distribution System	50
Streets and Drainage Infrastructure	40
Equipment	5 - 10

### Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(continued)

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **D. Assets, Liabilities and Net Assets or Equity (Continued)**

#### **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.

#### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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.

#### **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.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. 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 Members' comments, and public hearings are conducted to obtain citizens' comments. The budget is legally enacted by the City Council through the adoption of an ordinance prior to the beginning of the fiscal year. The City Manager is authorized to transfer budgeted amounts of operation and maintenance line items within a department. Any revisions that alter the total expenditures or the capital outlays of any department or fund must be approved by the City Council.

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

## **III. DETAILED NOTES ON ALL 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 to each fund based on average monthly pooled equity balanced. Separate cash and investment accounts are maintained for interest and sinking funds (debt service).

State statutes authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (b) secured by obligations that are described by (1)-(4); (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with a third party selected or approved by the City, and placed through a primary government securities dealer.

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### A. Cash and Investments (Continued)

As of September 30, 2010, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Texas Term	\$ 1,042,875	52
TexStar	6,310,879	46
TexPool	7,622,499	34
Freddie Mac Agency Security	<u>2,000,144</u>	12
Total fair value	<u>\$ 16,976,397</u>	

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

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers, Inc. and Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. As of October 2008, administrative and investment services are provided by Federated Investors, Inc. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

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.

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