

CITY OF LEON VALLEY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2012

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INTRODUCTORY SECTION

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SMALL TOWN HOSPITALITY. BIG CITY ADVANTAGES.

January 22, 2013

The Honorable Mayor, Members of City Council
and Citizens of the City of Leon Valley:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City of Leon Valley financial statements have been audited by Alonzo, Bacarisse, Irvine & Palmer, P.C., a firm of licensed certified public accountants. They have issued an unqualified "clean" opinion on the City of Leon Valley's financial statements for the year ended September 30, 2012. The independent report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City, incorporated in 1952, is a residential community located in south central Texas in the northwest portion of the San Antonio Metropolitan Statistical Area. The City is located in Bexar County, Texas. Bexar County's economy is based on military, tourism, agriculture, limestone mining, medical facilities, and manufacturing. The City has a land area of 3.5 square miles and is surrounded on all sides by the City of San Antonio. Most City residents are employed within the greater San Antonio Metropolitan Statistical Area. A full range of services is provided to residents and businesses, including police and fire protection, construction and maintenance of streets and infrastructure, recreational activities, and water and sewer utilities. The City population based upon the 2010 census is 10,866. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City's property tax rate is average compared to the rest of Bexar County.

The City is operated under the council-manager form of government. Policy making and legislative authority are vested in the City Council, which consists of a mayor and a five-member council. The Council is elected on a non-partisan basis at large. Council members are elected to two-year staggered terms. The Mayor is elected at large to a two-year term. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and the hiring of a City Manager. The City Manager is responsible for carrying out the policies and ordinances of the governing Council, overseeing the day-to-day operations of the City, and appointing the heads of the City's departments.

The City maintains extensive budgetary controls. The objective of these controls is to ensure the proper safeguarding of City assets, compliance with State budgetary statutes and compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the General Fund, Debt Service Fund, Water and Sewer (Enterprise) Fund, Community Center Fund, Building Security Fund, Child Safety Fund, Municipal Court Technology Fund, Street Maintenance Tax Fund, Police Forfeiture Fund, Grant Fund, CIED Fund, and Capital Project Fund are included in the City's annual budget. The Capital Project Fund activities are expected to extend beyond one or more fiscal years, and are therefore budgeted on a project-by-project basis. Federal, State, and local grants are budgeted for at the time of grant acceptance.

The annual budget serves as the foundation for the City of Leon Valley's financial planning and control. Generally the City has a policy of funding current year operating expenditures with current operating revenues. Capital purchases are funded from the Unassigned Fund Balance. All agencies of the City of Leon Valley are required to submit requests for appropriation to the City Manager on or before the first week in May each year. The City Manager then presents this proposed budget to the Council for review in July. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of Leon Valley's fiscal year.

The City has adopted financial policies for budgetary control that is stricter than is required by law. The appropriated budget is prepared by fund, department (e.g. police), and function (e.g. patrol). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 45-47 as required supplemental information for the governmental funds.

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Leon Valley operates.

The City of Leon Valley has experienced an economic upturn as far as sales tax over the past few fiscal years. The regions leading industries, in terms of gross sales for the City, are auto dealers/gasoline service stations and food stores, a significant portion of sales for these businesses is not subject to local sales taxes.

Long-Term Financial Planning

In FY 2011 the City implemented GASB 54 Fund Balance Reporting and Governmental Fund Type Definitions and formally adopted a Fund Balance Policy. The Fund Balance Policy adopted by the City will be the framework upon which consistent operations may be built and sustained. For man made or natural disaster emergencies the City will strive to have a Committed Fund Balance that is equal to three months operating expenses based on the current operating budget. For the fiscal year that ended September 30, 2012, the Committed Fund Balance was \$800,000. Each January the policy will be reviewed and the Committed Fund Balance will be adjusted up or down based on the annual operating budget, available funds and necessity.

The City also maintains a five-year Capital Acquisition Plan (CAP) to provide for capital outlay expenditures. Each fiscal year, the CAP is reviewed and analyzed by the City Manager and City staff to determine needs for office and other machinery and equipment, vehicles, buildings and building improvements, land, and other improvements. The five-year CAP is authorized by City Council during the City's annual budget adoption process. As items are funded only when deemed necessary, capital outlay details and amounts vary between budget years. The plan is funded from the Unassigned Fund Balance.

Awards and Acknowledgments

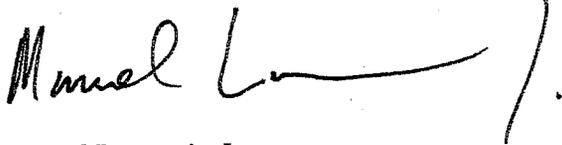
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Leon Valley for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

We would like to extend our sincere thanks and appreciation to the finance department, and all City staff and department heads who helped in the preparation of this report. A special thanks goes to our Mayor and City Council for their strong leadership and support, their sense of civic duty and responsibility, and their diligence in conducting the operations of the City in a responsible and progressive manner.

Respectfully submitted,



Manuel Longoria, Jr
City Manager



Vickie Wallace
Finance Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Leon Valley
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Mouill

President

Jeffrey R. Enos

Executive Director

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CITY OF LEON VALLEY, TEXAS
LIST OF PRINCIPAL OFFICERS
YEAR ENDED SEPTEMBER 30, 2012

Elected Officials

Chris Riley, Mayor

Councilmember Place 1
Councilmember Place 2
Councilmember Place 3
Councilmember Place 4
Councilmember Place 5

Kathy Hill
Arthur "Art" Reyna, Jr.
Irene Baldrige
Jack Dean
Paul Biever

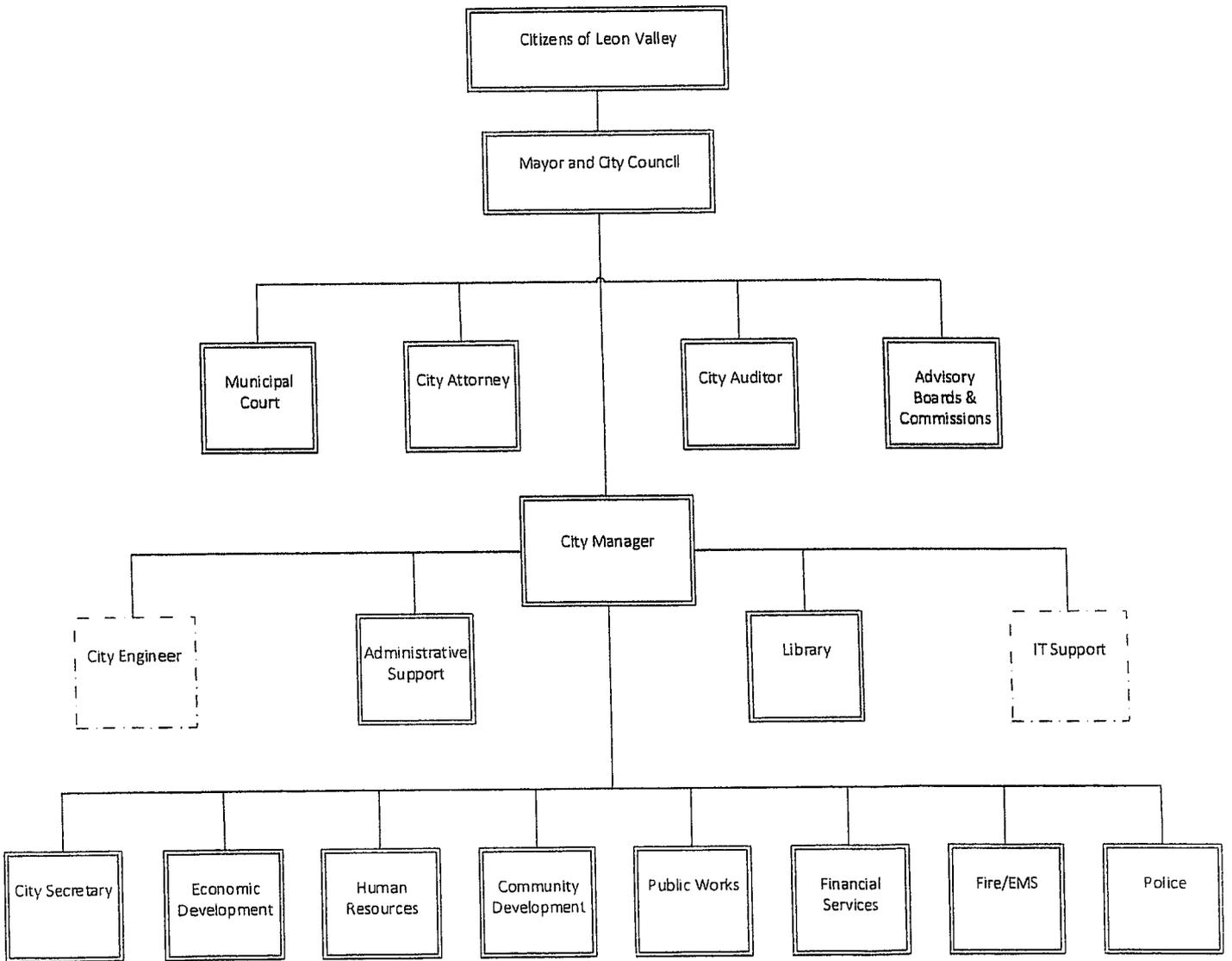
City Officials

Manuel Longoria, Jr., City Manager

City Secretary
Finance Director
Community Development Director
Economic Development Director
Police Chief
Fire Chief
Librarian
Public Works Director

Janie Willman
Vickie Wallace
Kristie Flores
Claudia Mora
Randall Wallace
Stan Irwin
Joyce Trent
Byron Vick

City of Leon Valley Organizational Chart



FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Leon Valley, Texas

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

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

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leon Valley, Texas, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof 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 January 22, 2013, on our consideration of the City of Leon Valley, 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 and budgetary comparison information on pages 5 through 14 and 51 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Leon Valley, Texas' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and other supplementary information 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Alonzo, Bacarisse, Irwin & Palmer, P.C.

Certified Public Accountants

San Antonio, Texas

January 22, 2013

CITY OF LEON VALLEY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012

As management of the City of Leon Valley, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the financial statements provided in this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at September 30, 2012 by \$10,745,124 (net assets). Of this amount, \$4,708,814 (unrestricted net assets), may be used to meet the government's ongoing obligations to citizens and creditors.
- The general fund reported a fund balance this year of \$3,315,441, an increase of \$5,577.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as the introduction of the City of Leon Valley, Texas' basic financial statements which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements and required supplementary information.

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 financial presentation.

The statement of net assets is a presentation of the City's assets and liabilities, including capital and infrastructure assets, and long-term liabilities. This statement reports the difference between assets and liabilities 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 regarding increases and decreases to the government's net assets for the fiscal year. Changes in net assets are recorded when the underlying event giving rise to the change occurs regardless of the timing of cash flows. Therefore, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused personal leave). Both government-wide financial statements distinguish functions of the City 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 or charges (business-type activities). Governmental activities include general government, public safety, public works, parks and recreation, library and community development. The business-type activities of the City are water and sewer. The City has one component unit which is a 4B Economic Development sales tax.

Fund Financial Statements – The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are used to present financial information detailing resources that have been identified for specific activities. The focus of the fund financial statements is on the City's major funds, although non-major funds are also presented in aggregate and further detailed in the supplementary statements. The City uses fund accounting to ensure and demonstrate compliance with requirements placed on resources. Funds are divided into three types: governmental, proprietary, and fiduciary. However, the City does not have any fiduciary funds.

Governmental Funds – Governmental funds are used for essentially the same functions reported in the 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 available for current spending, 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.

As the focus of 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 fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – The City maintains one type of proprietary fund. Enterprise funds are used to report the functions presented in business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for the provision of water and sewer services to residents.

Proprietary fund financial statements provide separate and more detailed information for the water and sewer fund. The water and sewer fund is considered a major fund of the City.

Notes to the Basic 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.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on the City's general fund budget, which is adopted on an annual basis. A budgetary comparison statement has been provided for this fund in order to demonstrate budgetary compliance with this budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

GASB No. 34, basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, required that the City provide a comparative analysis of government-wide data. Below is a comparative summary of the governmental activities and business-type activities as required by GASB Statement No. 34:

STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2012
(With Comparative Totals for September 30, 2011)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2012	2011	2012	2011	2012	2011
<u>ASSETS</u>						
Current Assets	\$12,569,705	\$ 5,160,980	\$3,028,094	\$2,927,594	\$15,597,799	\$ 8,088,574
Capital Assets	<u>8,831,723</u>	<u>9,216,107</u>	<u>3,998,041</u>	<u>4,138,854</u>	<u>12,829,764</u>	<u>13,354,961</u>
TOTAL ASSETS	<u>\$21,401,428</u>	<u>\$14,377,087</u>	<u>\$7,026,135</u>	<u>\$7,066,448</u>	<u>\$28,427,563</u>	<u>\$21,443,535</u>
<u>LIABILITIES</u>						
Current Liabilities	\$ 783,858	\$ 843,878	\$ 254,948	\$ 169,613	\$ 1,038,806	\$ 1,013,491
Long-Term Liabilities	<u>9,872,446</u>	<u>3,106,309</u>	<u>44,614</u>	<u>52,254</u>	<u>9,917,060</u>	<u>3,158,563</u>
Total Liabilities	<u>10,656,304</u>	<u>3,950,187</u>	<u>299,562</u>	<u>221,867</u>	<u>10,955,866</u>	<u>4,172,054</u>
<u>NET ASSETS</u>						
Invested in Capital Assets, Net of Related Debt	5,934,633	5,639,798	3,998,041	4,138,854	9,932,674	9,778,652
Restricted Net Assets	101,677	101,101	762,316	568,056	863,993	669,157
Unrestricted Net Assets	<u>4,708,814</u>	<u>4,686,001</u>	<u>1,966,216</u>	<u>2,137,671</u>	<u>6,675,030</u>	<u>6,823,672</u>
Total Net Assets	<u>10,745,124</u>	<u>10,426,900</u>	<u>6,726,573</u>	<u>6,844,581</u>	<u>17,471,697</u>	<u>17,271,481</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$21,401,428</u>	<u>\$14,377,087</u>	<u>\$7,026,135</u>	<u>\$7,066,448</u>	<u>\$28,427,563</u>	<u>\$21,443,535</u>

The largest portion of the City's net assets, \$9,932,674 represents its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Leon Valley, Texas uses these 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.

Of the other net assets, \$863,993 represents resources that are subject to external restrictions on how they may be used. The remaining \$6,675,030 represents unrestricted net assets, which can be used to meet the government's ongoing obligations to citizens and creditors.

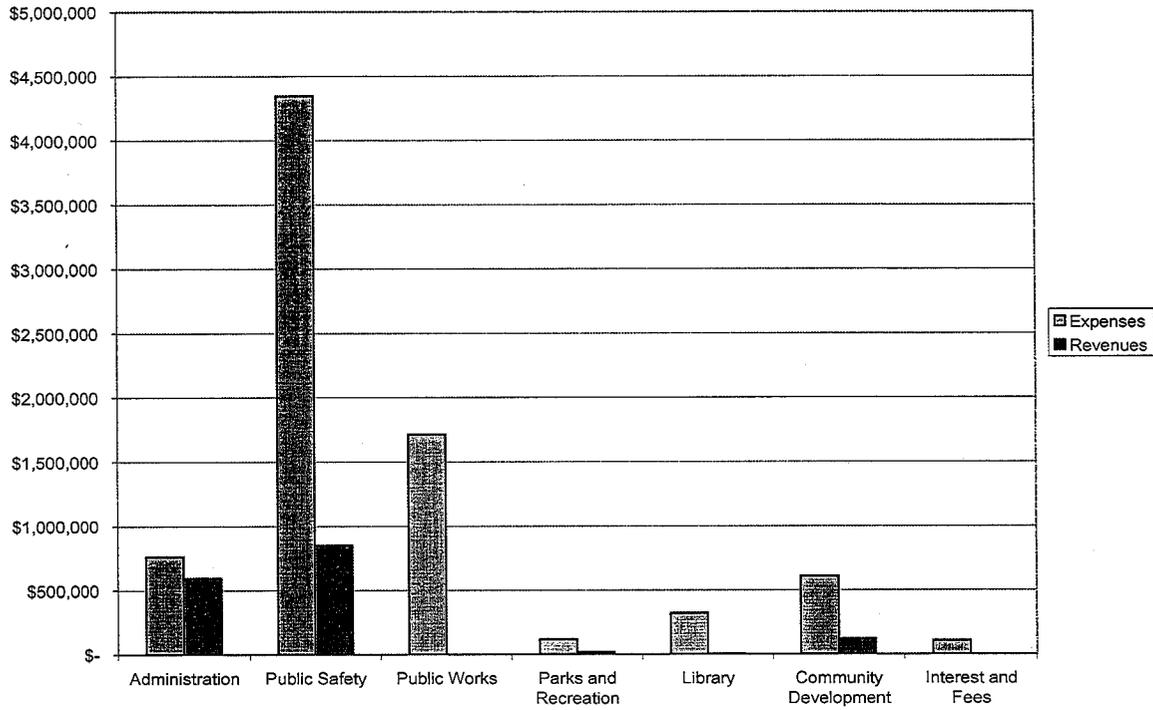
Governmental Activities. Governmental activities increased net assets by \$318,224 which is attributable to fluctuations in program revenues and expenses. Key elements of this increase are as follows:

CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
 (With Comparative Totals for September 30, 2011)

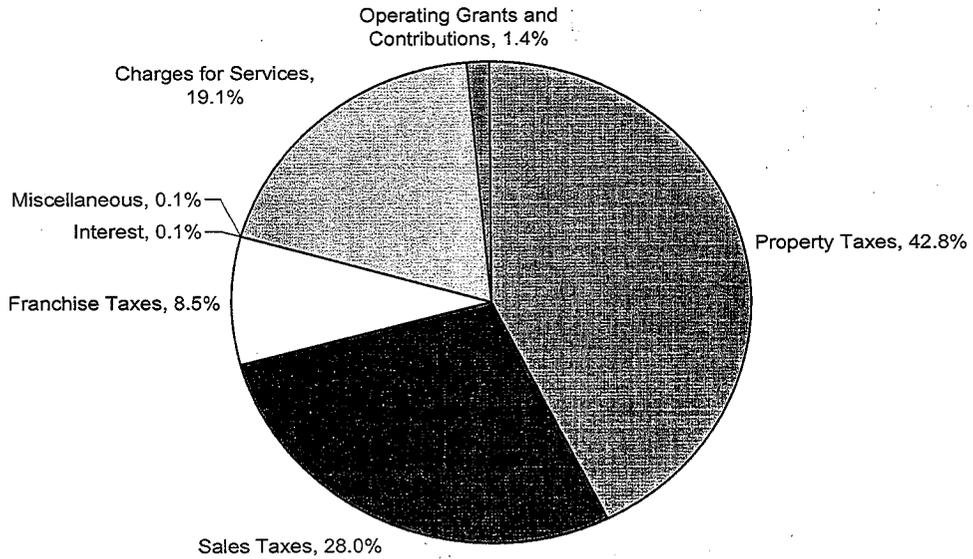
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2012	2011	2012	2011	2012	2011
<u>PROGRAM REVENUES</u>						
Charges for Services	\$ 1,583,297	\$ 1,509,555	\$3,039,389	\$3,115,598	\$ 4,622,686	\$ 4,625,153
Operating Grants and Contributions	117,275	49,602	-	-	117,275	49,602
Capital Grants and Contributions	-	81,683	-	-	-	81,683
General Revenues						
Property Taxes	3,550,430	3,522,321	-	-	3,550,430	3,522,321
Sales Tax	2,327,969	2,253,347	-	-	2,327,969	2,253,347
Franchise Taxes	708,434	728,548	-	-	708,434	728,548
Impact Fees	-	-	22,593	81,254	22,593	81,254
Interest	6,795	7,172	3,374	3,827	10,169	10,999
Miscellaneous	6,007	-	35,609	56,453	41,616	56,453
Total Revenues	<u>8,300,207</u>	<u>8,152,228</u>	<u>3,100,965</u>	<u>3,257,132</u>	<u>11,401,172</u>	<u>11,409,360</u>
<u>EXPENSES</u>						
Administration	764,140	849,230	-	-	764,140	849,230
Public Safety	4,344,695	4,502,741	-	-	4,344,695	4,502,741
Public Works	1,714,581	1,715,642	-	-	1,714,581	1,715,642
Parks and Recreation	117,840	135,728	-	-	117,840	135,728
Library	322,688	264,260	-	-	322,688	264,260
Community Development	610,394	666,326	-	-	610,394	666,326
Utility	-	-	3,218,973	2,796,812	3,218,973	2,796,812
Interest and Fiscal Agent Fees	107,645	117,639	-	-	107,645	117,639
Total Expenses	<u>7,981,983</u>	<u>8,251,566</u>	<u>3,218,973</u>	<u>2,796,812</u>	<u>11,200,956</u>	<u>11,048,378</u>
Increase (Decrease) in Net Assets	318,224	(99,338)	(118,008)	460,320	200,216	360,982
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>10,426,900</u>	<u>10,526,238</u>	<u>6,844,581</u>	<u>6,384,261</u>	<u>17,271,481</u>	<u>16,910,499</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$10,745,124</u>	<u>\$10,426,900</u>	<u>\$6,726,573</u>	<u>\$6,844,581</u>	<u>\$17,471,697</u>	<u>\$17,271,481</u>

Revenue for governmental activities for the fiscal year ended September 30, 2012 totaled \$8,300,207, an increase of \$147,979 over fiscal year 2011 total revenues of \$8,152,228. In 2012 the City benefited from a reimbursement from CPS which accounts for most of the increase.

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES

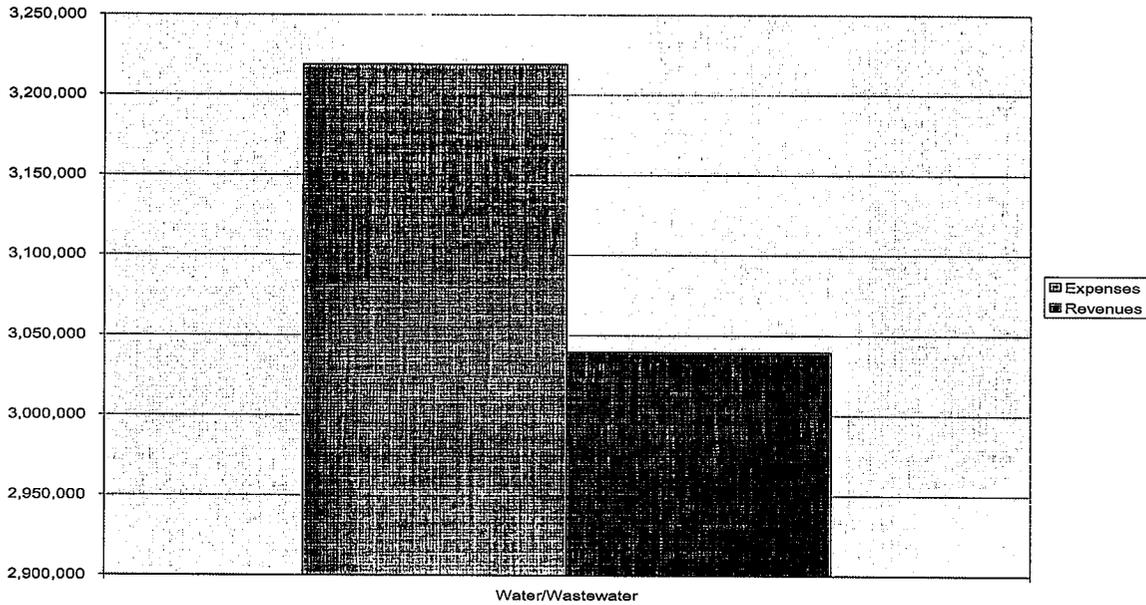


Expenses for governmental activities totaled \$7,981,983, a decrease of \$269,583 over fiscal year 2011.

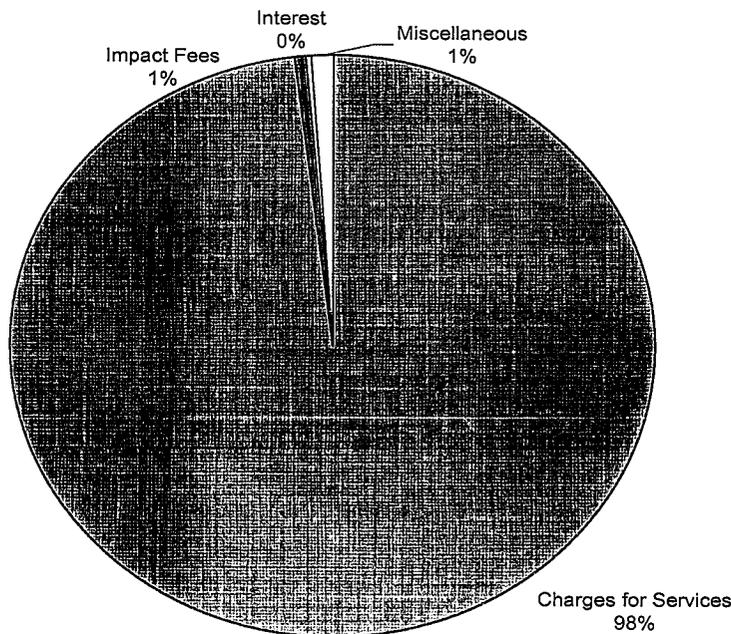
Business-Type Activities. Business-type activities decreased net assets by \$118,008. Key elements of this decrease are as follows:

- Utility expenses for business-type activities increased by \$422,161, which is attributable to an increase in contractual services.

EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES



REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

Governmental Funds – Activities of the primary government’s general fund, capital projects fund, special revenue funds and debt service funds are considered general government functions. The general fund is the City’s general operating fund. The capital projects fund is used to account for financial activity related to the acquisition and construction of major capital facilities. Special revenue funds are used to account for proceeds of specific sources that are legally restricted as to expenditures. The debt service funds are used to account for financial activity related to the City’s general bonded indebtedness, as well as long-term obligations.

As of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$11,939,820, an increase of \$7,310,723 in comparison with fiscal year 2011. The general fund which is the chief operating fund of the City, at the end of the current fiscal year, had a committed fund balance of \$800,000. The committed fund balance is used only for man-made or natural disaster emergencies.

For the fiscal year ended September 30, 2012, the fund balance of the City’s general fund increased by \$5,577. A key factor in the increase is as follows:

- Ad valorem collection rate was higher than budgeted.
- Personnel vacancies.

The capital projects fund has a total fund balance of \$7,000,924, all of which is legally restricted for construction projects.

The debt service fund has a total fund balance of \$180,625, all of which is reserved for the payment of debt service. The net increase in the fund balance during the current year in the debt service fund was \$1,718.

Proprietary Funds – The City’s proprietary fund provided the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer fund at the end of the year amounted to \$1,966,216. The total decrease in net assets for the water and sewer fund was \$118,008. Other factors concerning the finances of this fund have already been addressed in the discussion of the business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City revised its budget for a total increase of \$6,872. The following are the main components of the increase.

- \$6,122 supplemental appropriation for a grant received by the Fire Department to purchase equipment and;
- \$750 supplemental appropriation for Public Works to remove a structure.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2012 amounted to \$12,829,764 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, and roads. The City's investment in capital assets for the current fiscal year decreased by \$525,197 from fiscal year 2011.

	<u>CAPITAL ASSETS</u> <u>(Net of Depreciation)</u>			
<u>GOVERNMENTAL ACTIVITIES</u>	<u>BALANCE</u> <u>9/30/2011</u>	<u>RECLASS AND</u> <u>ADDITIONS</u>	<u>RECLASS AND</u> <u>DISPOSALS</u>	<u>BALANCE</u> <u>9/30/2012</u>
<u>Capital Assets - Not Depreciated</u>				
Land	\$ 664,655	\$ -	\$ (20,979)	\$ 643,676
<u>Capital Assets - Depreciated</u>				
Buildings	3,059,026	266,677	-	3,325,703
Transportation and Equipment	5,094,015	155,265	(68,214)	5,181,066
Infrastructure	<u>11,013,733</u>	<u>-</u>	<u>(224,045)</u>	<u>10,789,688</u>
Total Capital Assets - Depreciated	<u>19,166,774</u>	<u>421,942</u>	<u>(292,259)</u>	<u>19,296,457</u>
<u>Less: Accumulated Depreciation</u>				
Buildings	(1,369,026)	(58,961)	-	(1,427,987)
Transportation and Equipment	(2,915,232)	(310,794)	44,435	(3,181,591)
Infrastructure	<u>(6,331,064)</u>	<u>(167,768)</u>	<u>-</u>	<u>(6,498,832)</u>
	<u>(10,615,322)</u>	<u>(537,523)</u>	<u>44,435</u>	<u>(11,108,410)</u>
<u>ASSETS BEING DEPRECIATED - NET</u>	<u>8,551,452</u>	<u>(115,581)</u>	<u>(247,824)</u>	<u>8,188,047</u>
 TOTAL CAPITAL ASSETS - NET	 <u>\$ 9,216,107</u>	 <u>\$ (115,581)</u>	 <u>\$ (268,803)</u>	 <u>\$ 8,831,723</u>

CAPITAL ASSETS (CONTINUED)
(Net of Depreciation)

<u>BUSINESS-TYPE ACTIVITIES</u>	<u>BALANCE</u> <u>9/30/2011</u>	<u>RECLASS AND</u> <u>ADDITIONS</u>	<u>RECLASS AND</u> <u>DISPOSALS</u>	<u>BALANCE</u> <u>9/30/2012</u>
<u>Capital Assets - Not Depreciated</u>				
Land	\$ 76,348	\$ -	\$ -	\$ 76,348
Water Rights	<u>1,055,539</u>	<u>-</u>	<u>-</u>	<u>1,055,539</u>
Total Capital Assets - Not Depreciated	<u>1,131,887</u>	<u>-</u>	<u>-</u>	<u>1,131,887</u>
<u>Capital Assets - Depreciated</u>				
Buildings	25,403	-	-	25,403
Improvements other than Buildings	6,644,883	-	-	6,644,883
Transportation and Equipment	<u>651,073</u>	<u>27,286</u>	<u>(45,617)</u>	<u>632,742</u>
Total Capital Assets - Depreciated	<u>7,321,359</u>	<u>27,286</u>	<u>(45,617)</u>	<u>7,303,028</u>
<u>Less: Accumulated Depreciation</u>				
Buildings	(17,887)	(410)	-	(18,297)
Improvements other than Buildings	(3,847,588)	(131,929)	-	(3,979,517)
Transportation and Equipment	<u>(448,917)</u>	<u>(35,760)</u>	<u>45,617</u>	<u>(439,060)</u>
	<u>(4,314,392)</u>	<u>(168,099)</u>	<u>45,617</u>	<u>(4,436,874)</u>
<u>ASSETS BEING DEPRECIATED - NET</u>	<u>3,006,967</u>	<u>(140,813)</u>	<u>-</u>	<u>2,866,154</u>
TOTAL CAPITAL ASSETS - NET	<u>\$ 4,138,854</u>	<u>\$ (140,813)</u>	<u>\$ -</u>	<u>\$ 3,998,041</u>

Additional information of the City of Leon Valley's capital assets can be found in Note 6 of this report.

Long-Term Debt - For the fiscal year ended September 30, 2012, the City had a total bonded debt outstanding of \$9,760,000.

OUTSTANDING DEBT LONG-TERM DEBT

	<u>BALANCE</u> <u>9/30/2011</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCE</u> <u>9/30/2012</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
<u>Governmental Activities</u>					
General Obligation Refunding Bonds Original Amount of \$2,575,000 Interest Rate 3.12%	\$2,080,000	\$ -	\$(270,000)	\$ 1,810,000	\$ 280,000
Public Property Finance Contracts Original Amount of \$1,060,000 Interest Rate 4.42%	990,000	-	(40,000)	950,000	40,000
General Obligation Refunding Bonds Original Amount of \$7,000,000 Interest Rate 1.25-3.25%	-	7,000,000	-	7,000,000	25,000
Issuance Premium	<u>-</u>	<u>139,174</u>	<u>(1,160)</u>	<u>138,014</u>	<u>1,160</u>
Subtotal	3,070,000	7,139,174	(311,160)	9,898,014	346,160
Compensated Absences	<u>506,309</u>	<u>81,147</u>	<u>(160,000)</u>	<u>427,456</u>	<u>106,864</u>
	<u>\$3,576,309</u>	<u>\$7,220,321</u>	<u>\$(471,160)</u>	<u>\$10,325,470</u>	<u>\$453,024</u>
<u>Business-Type Activities</u>					
Compensated Absences	<u>\$ 61,738</u>	<u>\$ 3,148</u>	<u>\$ (5,400)</u>	<u>\$ 59,486</u>	<u>\$ 14,872</u>

The City's total bonded debt increased \$6,690,000 for the fiscal year ended September 30, 2012. Additional information on the City's long-term debt activity can be found in Note 7 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- For fiscal year 2012, sales tax increased 1.73% from fiscal year 2010.

These factors were taken into account when adopting the general fund budget for fiscal year 2013, sales tax was budgeted with a 2.5% increase. The City adopted a tax rate of \$.574282, which is \$.038772 higher than the fiscal year 2011 tax rate of \$.535510. The increase will be used to pay the debt payment of General Obligations Bonds, Series 2012 that was approved by the voters of Leon Valley in May 2012 to build and remodel the public safety and municipal facilities.

Expenditures for the general fund are budgeted at \$7,165,072. The largest increase comes from personnel costs which are due to a 2% cost of living adjustment and merit increases.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, 6400 El Verde Road, Leon Valley, Texas 78238.

BASIC FINANCIAL STATEMENTS

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CITY OF LEON VALLEY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

<u>ASSETS</u>	<u>PRIMARY GOVERNMENT</u>			<u>COMPONENT UNIT</u>
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>	
Cash and Cash Equivalents	\$ 11,713,134	\$ 2,571,549	\$ 14,284,683	\$ 391,926
Receivables - Net of Allowances for Uncollectibles:				
Property Taxes	137,945	-	137,945	-
Special Assessment	11,744	-	11,744	-
Other	129,675	326,249	455,924	-
Due from Other Governments	329,534	-	329,534	40,325
Inventories	15,017	-	15,017	-
Prepaid Items	37,018	6,809	43,827	-
Restricted Cash, Customer Deposits	-	123,487	123,487	-
Capitalized Bond Issue Costs	195,638	-	195,638	-
Capital Assets				
Land	643,676	76,348	720,024	-
Construction in Progress	-	-	-	-
Water Rights	-	1,055,539	1,055,539	-
Buildings	1,897,716	7,106	1,904,822	-
Water/Wastewater System-Plant	-	2,665,365	2,665,365	-
Transportation and Equipment	1,999,475	193,683	2,193,158	-
Infrastructure	4,290,856	-	4,290,856	-
TOTAL ASSETS	<u>\$ 21,401,428</u>	<u>\$ 7,026,135</u>	<u>\$ 28,427,563</u>	<u>\$ 432,251</u>
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities				
Accounts Payable	\$ 111,580	\$ 112,338	\$ 223,918	\$ -
Accrued Expenditures	124,662	4,251	128,913	-
Accrued Interest Payable	46,276	-	46,276	-
Payable from Restricted Assets, Customer Deposits	-	123,487	123,487	-
Deposits Payable	48,316	-	48,316	-
Noncurrent Liabilities				
Due Within One Year	453,024	14,872	467,896	-
Due in More Than One Year	9,872,446	44,614	9,917,060	-
Total Liabilities	<u>10,656,304</u>	<u>299,562</u>	<u>10,955,866</u>	<u>-</u>
<u>NET ASSETS</u>				
Invested in Capital Assets - Net of Related Debt	5,934,633	3,998,041	9,932,674	-
Restricted for				
Inventory	15,017	-	15,017	-
Prepaid Expense	37,018	-	37,018	-
Parks	49,642	-	49,642	-
Water Supply	-	254,577	254,577	-
Storm Water Fee	-	507,739	507,739	-
Unrestricted Net Assets	4,708,814	1,966,216	6,675,030	432,251
Total Net Assets	<u>10,745,124</u>	<u>6,726,573</u>	<u>17,471,697</u>	<u>432,251</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,401,428</u>	<u>\$ 7,026,135</u>	<u>\$ 28,427,563</u>	<u>\$ 432,251</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF LEON VALLEY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

<u>FUNCTIONS AND PROGRAMS</u>	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
<u>Governmental Activities</u>				
Administration	\$ 764,140	\$ 595,568	\$ -	\$ -
Public Safety	4,344,695	849,832	117,275	-
Public Works	1,714,581	-	-	-
Parks and Recreation	117,840	16,186	-	-
Library	322,688	2,329	-	-
Community Development	610,394	119,382	-	-
Interest and Fees	107,645	-	-	-
Total Governmental Activities	<u>7,981,983</u>	<u>1,583,297</u>	<u>117,275</u>	<u>-</u>
<u>Business-Type Activities</u>				
Water/Wastewater	<u>3,218,973</u>	<u>3,039,389</u>	<u>-</u>	<u>-</u>
Total Government	<u>\$ 11,200,956</u>	<u>\$ 4,622,686</u>	<u>\$ 117,275</u>	<u>\$ -</u>
<u>Component Unit</u>				
Leon Valley Economic Development Corporation	<u>\$ 115,506</u>	<u>\$ -</u>	<u>\$ -</u>	

General Revenues

- Taxes:
 - Property Taxes
 - Sales Taxes
 - Franchise Taxes
- Impact Fees
- Interest
- Miscellaneous
- Total General Revenues and Transfers
- Change in Net Assets

Net Assets at Beginning of Year

NET ASSETS AT END OF YEAR

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT</u>
\$ (168,572)	\$ -	\$ (168,572)	
(3,377,588)	-	(3,377,588)	
(1,714,581)	-	(1,714,581)	
(101,654)	-	(101,654)	
(320,359)	-	(320,359)	
(491,012)	-	(491,012)	
(107,645)	-	(107,645)	
<u>(6,281,411)</u>	<u>-</u>	<u>(6,281,411)</u>	
<u>-</u>	<u>(179,584)</u>	<u>(179,584)</u>	
<u>(6,281,411)</u>	<u>(179,584)</u>	<u>(6,460,995)</u>	
			<u>\$ 115,506</u>
3,550,430	-	3,550,430	-
2,327,969	-	2,327,969	221,716
708,434	-	708,434	-
-	22,593	22,593	-
6,795	3,374	10,169	334
6,007	35,609	41,616	-
<u>6,599,635</u>	<u>61,576</u>	<u>6,661,211</u>	<u>222,050</u>
318,224	(118,008)	200,216	106,544
<u>10,426,900</u>	<u>6,844,581</u>	<u>17,271,481</u>	<u>325,707</u>
<u>\$ 10,745,124</u>	<u>\$ 6,726,573</u>	<u>\$ 17,471,697</u>	<u>\$ 432,251</u>

CITY OF LEON VALLEY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	GENERAL FUND	CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$3,133,570	\$7,000,924	\$ 1,578,640	\$ 11,713,134
Receivables - Net of Allowances for Uncollectibles				
Property Taxes	120,536	-	17,409	137,945
Special Assessment	-	-	11,744	11,744
Other	28,381	-	101,294	129,675
Due from Other Governments	329,534	-	-	329,534
Prepaid Items	36,261	-	757	37,018
Inventories	15,017	-	-	15,017
	<u>\$3,663,299</u>	<u>\$7,000,924</u>	<u>\$ 1,709,844</u>	<u>\$ 12,374,067</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 102,068	\$ -	\$ 9,512	\$ 111,580
Accrued Expenditures	123,944	-	718	124,662
Deposits Payable	1,310	-	47,006	48,316
Deferred/Unearned Revenue	120,536	-	29,153	149,689
Total Liabilities	<u>347,858</u>	<u>-</u>	<u>86,389</u>	<u>434,247</u>
<u>FUND BALANCES</u>				
Nonspendable	51,278	-	757	52,035
Restricted:				
Capital Projects	-	7,000,924	-	7,000,924
Park Fund	49,531	-	-	49,531
Park Bucks	111	-	-	111
Debt Service	-	-	180,625	180,625
Special Revenue	-	-	955,343	955,343
Committed:				
Disaster Emergencies	800,000	-	-	800,000
Assigned:				
Library Construction	14,135	-	-	14,135
Unassigned:	2,400,386	-	486,730	2,887,116
Total Fund Balances	<u>3,315,441</u>	<u>7,000,924</u>	<u>1,623,455</u>	<u>11,939,820</u>
	<u>\$3,663,299</u>	<u>\$7,000,924</u>	<u>\$ 1,709,844</u>	<u>\$ 12,374,067</u>
TOTAL LIABILITIES AND FUND BALANCES				

CITY OF LEON VALLEY, TEXAS
RECONCILIATION OF BALANCE SHEET
GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

<u>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</u>	\$11,939,820
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,831,723
Other long-term assets are not available to pay for current period expenditures and, therefore, are not deferred in the funds.	149,689
Bond issue costs which will be amortized in future years are not reported in the funds.	195,638
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.	(427,456)
Long-term liabilities consisting of bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(9,898,014)
Accrued interest payable on bonded debt is not reported in the funds.	<u>(46,276)</u>
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$10,745,124</u>

CITY OF LEON VALLEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>				
Property Taxes	\$3,128,035	\$ -	\$ 416,046	\$ 3,544,081
Sales Taxes	1,802,128	-	525,841	2,327,969
Franchise Taxes	708,434	-	-	708,434
Licenses, Permits, Fees and Fines	994,608	-	157,617	1,152,225
CIED	-	-	379,918	379,918
Grants	6,122	-	-	6,122
Rent	-	-	75,525	75,525
Interest	5,057	924	814	6,795
Miscellaneous	90,397	-	2,392	92,789
Total Revenues	<u>6,734,781</u>	<u>924</u>	<u>1,558,153</u>	<u>8,293,858</u>
<u>EXPENDITURES</u>				
Current				
Administration	691,635	-	22,103	713,738
Public Safety	4,058,699	-	118,917	4,177,616
Public Works	1,006,414	-	546,311	1,552,725
Parks and Recreation	91,824	-	-	91,824
Library	310,725	-	-	310,725
Community Development	445,251	-	121,663	566,914
Capital Outlay	106,656	-	48,609	155,265
Debt Service				
Principal	-	-	310,000	310,000
Interest	-	-	103,328	103,328
Fiscal Agent Fees and Bond Issue Costs	-	139,174	1,000	140,174
Total Expenditures	<u>6,711,204</u>	<u>139,174</u>	<u>1,271,931</u>	<u>8,122,309</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>23,577</u>	<u>(138,250)</u>	<u>286,222</u>	<u>171,549</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Issuance of Bonds	-	7,000,000	-	7,000,000
Bond Premium	-	139,174	-	139,174
Transfers In	-	-	18,000	18,000
Transfers Out	(18,000)	-	-	(18,000)
Total Other Financing Sources (Uses)	<u>(18,000)</u>	<u>7,139,174</u>	<u>18,000</u>	<u>7,139,174</u>
Net Change in Fund Balances	5,577	7,000,924	304,222	7,310,723
<u>FUND BALANCES AT BEGINNING OF YEAR</u>	<u>3,309,864</u>	<u>-</u>	<u>1,319,233</u>	<u>4,629,097</u>
FUND BALANCES AT END OF YEAR	<u>\$3,315,441</u>	<u>\$7,000,924</u>	<u>\$ 1,623,455</u>	<u>\$ 11,939,820</u>

CITY OF LEON VALLEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

<u>NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</u>	\$ 7,310,723
Amounts reported in governmental activities and in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are capitalized.	155,265
Capital assets are not recorded in government funds and are not therefore depreciated. However, in the statement of activities these assets are depreciated over their estimated useful lives. This is the amount of 2012 depreciation.	(537,523)
Revenues that are deferred in governmental activities because they do not provide current financial resources are not deferred in the statement of activities. This is the change in deferred from the prior year.	6,349
Bond issue costs are expended in the governmental activities, but are capitalized and amortized over the life of the bond in the statement of activities. This is the amortization for 2012.	(5,443)
The issuance of long-term debt provides current financial resources to governmental funds, however has no effect on net assets.	(7,000,000)
The repayment of principal on debt consumes current financial resources and is expended in the governmental funds, but is a reduction of the liability and does not affect the statement of activities.	310,000
Amounts to be expended for long-term employee leave is not recorded as an expenditure in the funds, but is an expense in the statement of activities. This is the change in compensated absences in 2012.	<u>78,853</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 318,224</u>

CITY OF LEON VALLEY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2012

	<u>BUSINESS-TYPE ACTIVITY WATER AND WASTEWATER</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$ 2,571,549
Accounts Receivable, Net of Allowance for Uncollectible	326,249
Prepaid Items	<u>6,809</u>
Total Current Assets	<u>2,904,607</u>
<u>NONCURRENT ASSETS</u>	
Restricted Cash and Cash Equivalents for Customer Deposits	123,487
Capital Assets	
Land	76,348
Water Rights	1,055,539
Buildings	7,106
Water and Wastewater System - Plant Equipment	<u>2,665,365</u> <u>193,683</u>
Total Noncurrent Assets	<u>4,121,528</u>
TOTAL ASSETS	<u>\$ 7,026,135</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 112,338
Accrued Expenses	4,251
Current Portion of Accrued Leave	<u>14,872</u>
Total Current Liabilities	<u>131,461</u>
<u>NONCURRENT LIABILITIES</u>	
Accrued Leave	44,614
Payable from Restricted Assets	
Customer Deposits Payable	<u>123,487</u>
Total Noncurrent Liabilities	<u>168,101</u>
Total Liabilities	<u>299,562</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	3,998,041
Restricted Net Assets	
Water Supply Fee Reserve	254,577
Storm Water Fee Reserve	507,739
Unrestricted Net Assets	
Appropriated for Capital Outlay	1,616,216
Unrestricted Unappropriated Net Assets	<u>350,000</u>
Total Net Assets	<u>6,726,573</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,026,135</u>

CITY OF LEON VALLEY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2012

	<u>BUSINESS-TYPE</u> <u>ACTIVITY</u> <u>WATER AND</u> <u>WASTEWATER</u>
<u>OPERATING REVENUES</u>	
Metered Water Sales	\$ 823,915
Wastewater Sales Charges	1,574,114
Storm Water Fees	381,188
Connection and Platting	203,684
Customer Penalties	41,187
Customer Disconnect Fees	6,620
Tap Fees	<u>8,681</u>
Total Operating Revenues	<u>3,039,389</u>
<u>OPERATING EXPENSES</u>	
General and Administrative	530,290
Water System	928,582
Wastewater System	1,340,705
Repairs and Maintenance	251,297
Depreciation	<u>168,099</u>
Total Operating Expenses	<u>3,218,973</u>
Operating Income (Loss)	(179,584)
<u>NONOPERATING REVENUES</u>	
Interest Income	3,374
Miscellaneous Income	35,609
Impact Fees	<u>22,593</u>
Total Nonoperating Revenues	<u>61,576</u>
Net Change in Net Assets	(118,008)
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>6,844,581</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,726,573</u>

CITY OF LEON VALLEY, TEXAS
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2012

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Payments Received from Customers	\$ 3,027,424
Payments to Suppliers for Goods and Services	(1,995,697)
Payments for Salaries and Benefits	<u>(965,350)</u>
Net Cash Provided by Operating Activities	<u>66,377</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition of Capital Assets	(27,286)
Impact and Service Fees	<u>58,202</u>
Net Cash Provided by Capital and Related Financing Activities	<u>30,916</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Received	<u>3,374</u>
Net Increase in Cash and Cash Equivalents	100,667
 <u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	
Cash and Cash Equivalents	\$ 2,458,402
Restricted Cash and Cash Equivalents	<u>135,967</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>\$ 2,594,369</u>
 <u>CASH AND CASH EQUIVALENTS - ENDING</u>	
Cash and Cash Equivalents	\$ 2,571,549
Restricted Cash and Cash Equivalents	<u>123,487</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 2,695,036</u>
 <u>RECONCILIATION OF UTILITY OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ (179,584)
Depreciation	168,099
(Increase) Decrease in Assets	
Accounts Receivable	515
Prepaid Expense	(348)
Increase (Decrease) in Liabilities	
Accounts Payable	97,405
Accrued Expenses	(7,230)
Customer Deposits	<u>(12,480)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 66,377</u>

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Leon Valley, Texas, was incorporated in 1952. The City operates under a council-manager form of government and provides the following services as authorized by its charter: police and fire protection, maintenance of streets, planning and zoning, parks and recreation, general administrative services, water, and sewer services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Proprietary type funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the government, for financial purposes, management has considered all potential component units and associated component units. The decision to include a potential component unit or associated component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14, *The Financial Reporting Entity* and GASB Statement 39 *Determining Whether Certain Organizations are Component Units*. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the criteria of GASB Nos. 14 and 39, the Leon Valley Economic Development Corporation (LVEDC) is considered to be a discretely presented component unit. The LVEDC is financially accountable to the City because City Council approves the LVEDC budget and must approve any debt issuance. The component unit's board is appointed by City Council and its activities benefit the City by promoting growth and development opportunities. Separate financial statements are not issued for the LVEDC.

B. Government-Wide Fund Financial Statements

The government-wide financial statements include the statement of net assets and statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. The value of interfund services provided and used are not eliminated in the government-wide financial statements, as elimination of those charges would distort the direct costs reported for the various functions. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed whole or in part by fees charged to external parties for goods and services. The City has no fiduciary funds.

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide Fund Financial Statements (Continued)

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. 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. 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 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 in program revenues are reported as generally revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. The general fund and the capital projects fund meet the criteria as major governmental funds. The combined amounts for all nonmajor funds are reflected in a single column in the fund balance sheet and statement of revenues, expenditures, and changes in fund balances. Detailed statements for nonmajor funds are presented within combining and individual fund statements and schedules.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash revenue types, which have been accrued, revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as program revenues and general revenues. Program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which are levied prior to September 30, 2011, and became due October 1, 2011 have been assessed to finance the budget of the fiscal year beginning October 1, 2011 and, accordingly, have been reflected as deferred revenue and taxes receivable in the fund financial statement at September 30, 2012.

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Sales taxes, franchise taxes, hotel/motel taxes, and fees associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items received by the government are considered to be measurable and available only when the cash is received by the City.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

General fund is the general operating fund of the City and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public service and capital acquisition.

Capital Projects fund accounts for financial resources to be used for the acquisition and construction of major capital facilities and is principally financed by the sale of general obligation bonds.

Nonmajor funds include special revenue funds and debt service funds.

Proprietary fund level financial statements are used to account for activities, which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's proprietary fund is the water/wastewater fund (used to account for the provisions of water and sewer services to residents).

The proprietary fund is accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when liabilities are incurred.
- Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the enterprise fund (water and wastewater fund) considers all highly liquid investments including cash in banks, cash on hand, money market accounts, deposits in local government investment pools, and restricted cash and temporary investments to be cash equivalents.

E. Investments

State statutes authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d). Statutes allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost. Likewise, certificates of deposit are stated at amortized cost.

F. Accounts Receivable

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2011 and past due after January 31, 2012. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

H. Inventories and Prepaids

The City accounts for inventories using the consumption method. Inventories consist primarily of supplies and are valued at cost determined by the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaids of governmental funds are recorded as expenditures when consumed rather than when purchased.

I. Budget

An operating budget is adopted each fiscal year for all City governmental funds. The budget is adopted on the GAAP basis of accounting.

J. Restricted Assets

Certain enterprise fund revenues are collected for a specific purpose by state law and city ordinances such as impact fees for infrastructure improvements and the purchase of future water rights. These funds are classified as restricted assets on the statement of net assets and balance sheet because their use is limited by law.

Also, considered as restricted assets, are deposits of water/sewer customers and performance bond deposits pending refund to the customer.

K. Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include city-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

<u>ASSET</u>	<u>YEARS</u>
Buildings	50 Years
Transportation and Equipment	3-30 Years
Infrastructure	50 Years
Improvements other than Buildings	50 Years

L. Compensated Absences

Vested or accumulated vacation leave and compensatory time that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. Amounts of vested or accumulated vacation leave and compensatory time that are not expected to be liquidated with expendable available financial resources are reported in the government wide statements. Vested or accumulated vacation leave and compensatory time of the enterprise fund is recorded as an expense and liability of that fund as the benefits accrue to employees. Accumulated vacation pay and compensatory time at September 30, 2012 of \$59,486 and \$427,456 has been recorded in accrued liabilities of the enterprise fund and government-wide statements, respectively. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The general fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

M. Deferred/Unearned Revenue

Property tax revenues and emergency medical services are recognized when they become both measurable and available in fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue and emergency medical service revenues not expected to be available for the current period are reflected as deferred revenue.

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expense/expenditures are reflected as unearned revenue.

N. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net assets. On new bond issues, bond premium and discounts, as well as issuance costs, are deferred and amortized over the life of the term of the related debt.

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Long-Term Obligations (Continued)

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.

O. 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 legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City has elected to appropriate net assets of its business type activity. Such appropriations reflect the intended use of the net assets.

P. Interfund Transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for electric, water, and sewer services. Operating expenses are necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

R. Use of Estimates

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

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Balance Classification Policies

The City adopted Governmental Accounting Standards Board Statement Number 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB 54 changed the way we look at cash balances, specifically reporting what cash balances, by major governmental fund type, are or are not available for public purposes. Five categories of cash balances were created and defined by GASB 54. These five categories are as follows:

- **Non-spendable** – These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- **Restricted** – These funds are governed by externally enforceable restrictions.
- **Committed** – Fund balances in this category are limited by the government's highest level of decision making (in this case the City Council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- **Assigned** – For funds to be assigned, there must be an intended use which can be established by the City Council or an official delegated by the council, such as a city administrator or finance director. For example, during the budget process, the council decided to use some existing fund balance to support activities in the upcoming year.
- **Unassigned** – This classification is the default for all funds that do not fit into the other categories.

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 2: CASH AND CASH EQUIVALENTS

The City's funds are required to be deposited and invested under the terms of the depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

A. Cash

At September 30, 2012, the carrying amount of the City's cash on hand was \$1,400, deposits in the bank were \$877,935 and the book balance was \$795,886. The City's cash was fully collateralized. The component unit's bank deposits were \$405,282 and the book balance was \$391,926. This balance was fully collateralized.

B. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investments pools, (9) guaranteed investment contracts, and (10) commercial paper.

The City's cash, and cash equivalents at September 30, 2012 are as shown below:

	REPORTED AND FAIR VALUE	WEIGHTED AVERAGE MATURITY	RATING	
			MOODY'S	S & P
TexPool	\$13,610,884	n/a	Aaa	AAAm
Cash on Hand	1,400	n/a	n/a	n/a
Bank Deposits	<u>795,886</u>	n/a	n/a	n/a
 TOTAL CASH, CASH EQUIVALENTS, AND INVESTMENTS	 <u>\$14,408,170</u>			

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

C. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. City investment policy follows state guidelines. The City policy allows investments in certificates of deposit with banks in Texas, investments in U.S. Treasuries and Agencies, and investment pools that invest in obligations of the United States or its agencies and instrumentalities to name a few.

At September 30, 2012, the City's investments were in TexPool, a public funds investment pool where all securities held maintain a continuous rating of no lower than Aaa or AAAM or an equivalent rating by at least one nationally recognized rating service.

Custodial Credit Risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

At year end and per City policy all funds were in the City's name and collateralized with securities that maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service. The City was not exposed to custodial credit risk.

Concentration of Credit Risk. This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. All City funds are in the external investment pool as allowed by the City's investment policy, and the investment pool invests in hundreds of authorized securities that minimizes concentrations of credit risk. At year end, the City was not exposed to concentration of credit risk.

Interest Rate Risk. This is the risk that changes in interest rates will adversely affect the fair market value of an investment. At year end, the City was not exposed to interest rate risk due to investment in an external investment pool as authorized by the City's investment policy.

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

C. Analysis of Specific Deposit and Investment Risks (Continued)

Foreign Currency Risk. This is the risk that exchange rates will adversely affect the fair value of an investment. The City's policy does not allow investment in foreign currency. At year end the City was not exposed to foreign currency risk.

D. Investment Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts as amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

E. Public Funds Investment Pools

Public funds investment pools in Texas are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

NOTE 3: RECEIVABLES

A. Special Assessments

The City levied special assessments in 1986 against various property owners benefiting from public improvements completed in 1987. In accordance with the provisions of the assessment certificates issued for the property owners, assessments are due and payable at the time of completion. All assessments receivable as of September 30, 2012, are considered delinquent. These public improvements were funded through a note payable at the City's depository bank. Collections from assessment accounts were insufficient to cover the required note payments and therefore, the City's general fund paid the note in full through a transfer. Accordingly, current and future principal and interest collections on these delinquent accounts will be used to reimburse the City's general fund. The related assessments receivable, revenues, deferred revenue, and debt payments are reported in the debt service fund.

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 3: RECEIVABLES (CONTINUED)

B. Other Receivables

Other receivables consist of the following:

	<u>AMOUNT</u>	<u>ALLOWANCE FOR DOUBTFUL</u>	<u>NET RECEIVABLE</u>
Property Taxes	\$ 162,289	\$ (24,344)	\$ 137,945
EMS Receivables	209,384	(209,384)	-
Special Assessment	11,744	-	11,744
Accounts	129,675	-	129,675
Utility	340,357	(14,108)	326,249

NOTE 4: PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2011, upon which the fiscal 2012 levy was based, was \$677,076,160 (market value less exemptions).

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2012 was \$.535510 per \$100 of assessed value, which means that the City has a tax margin of \$1.96449 for each \$100 value. The City may not, however, adopt a tax rate that exceeds the rollback rate or the effective rate, whichever is lower, without first having two public hearings. If the City adopts a tax rate that exceeds the rollback tax rate, registered voters may petition the City for an election on the tax increase. A successful election limits the City's current tax rate to the rollback rate.

Property taxes are recorded as receivables and deferred revenues at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in the time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. In the government wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date.

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 5: INTERFUND TRANSACTIONS

Transfers consisted of the following:

		<u>PURPOSE</u>
General Fund		
Transfer to Non-Major Fund		
Child Safety Fund	\$15,000	Program Supplement
Building Security Fund	<u>3,000</u>	Program Supplement
TOTAL GENERAL FUND	<u>\$18,000</u>	

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CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 6: CAPITAL ASSETS

Governmental capital asset activity for the year ended September 30, 2012 was as follows:

	<u>BEGINNING BALANCE</u>	<u>RECLASS AND ADDITIONS</u>	<u>RECLASS AND DELETIONS</u>	<u>ENDING BALANCE</u>
<u>Governmental Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 664,655	\$ -	\$ (20,979)	\$ 643,676
Capital Assets being Depreciated				
Buildings	3,059,026	266,677	-	3,325,703
Transportation and Equipment	5,094,015	155,265	(68,214)	5,181,066
Infrastructure	11,013,733	-	(224,045)	10,789,688
Total Capital Assets being Depreciated	<u>19,166,774</u>	<u>421,942</u>	<u>(292,259)</u>	<u>19,296,457</u>
Less Accumulated Depreciation:				
Buildings	(1,369,026)	(58,961)	-	(1,427,987)
Transportation and Equipment	(2,915,232)	(310,794)	44,435	(3,181,591)
Infrastructure	(6,331,064)	(167,768)	-	(6,498,832)
Total Accumulated Depreciation	<u>(10,615,322)</u>	<u>(537,523)</u>	<u>44,435</u>	<u>(11,108,410)</u>
Total Capital Assets being Depreciated - Net	<u>8,551,452</u>	<u>(115,581)</u>	<u>(247,824)</u>	<u>8,188,047</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	<u>\$ 9,216,107</u>	<u>\$ (115,581)</u>	<u>\$ (268,803)</u>	<u>\$ 8,831,723</u>
<u>Business-Type Activities</u>				
Capital Assets not being Depreciated				
Buildings	\$ 76,348	\$ -	\$ -	\$ 76,348
Water Rights	1,055,539	-	-	1,055,539
Total Capital Assets not being Depreciated	<u>1,131,887</u>	<u>-</u>	<u>-</u>	<u>1,131,887</u>
Capital Assets being Depreciated				
Buildings	25,403	-	-	25,403
Improvements Other than Buildings	6,644,883	-	-	6,644,883
Transportation and Equipment	651,073	27,286	(45,617)	632,742
Total Capital Assets being Depreciated	<u>7,321,359</u>	<u>27,286</u>	<u>(45,617)</u>	<u>7,303,028</u>
Less Accumulated Depreciation				
Buildings	(17,887)	(410)	-	(18,297)
Improvements Other than Buildings	(3,847,588)	(131,929)	-	(3,979,517)
Transportation and Equipment	(448,917)	(35,760)	45,617	(439,060)
Total Accumulated Depreciation	<u>(4,314,392)</u>	<u>(168,099)</u>	<u>45,617</u>	<u>(4,436,874)</u>
Total Capital Assets being Depreciated - Net	<u>3,006,967</u>	<u>(140,813)</u>	<u>-</u>	<u>2,866,154</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET	<u>\$ 4,138,854</u>	<u>\$ (140,813)</u>	<u>\$ -</u>	<u>\$ 3,998,041</u>

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 6: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the governmental functions as follows:

Governmental Activities

Administration	\$ 39,688
Public Safety	233,280
Public Works	172,145
Parks and Recreation	27,645
Community Development	59,286
Library	<u>5,479</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$537,523</u>

Business-Type Activities

Water and Wastewater Utilities	<u>\$168,099</u>
--------------------------------	------------------

NOTE 7: LONG-TERM DEBT

Long-term debt and obligations payable at September 30, 2012 were comprised of the following individual issues:

	<u>BALANCE</u> <u>9/30/2011</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCE</u> <u>9/30/2012</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
<u>Governmental Activities</u>					
General Obligation Refunding Bonds Original Amount of \$2,575,000 Interest Rate 3.12%	\$2,080,000	\$ -	\$ (270,000)	\$ 1,810,000	\$ 280,000
Public Property Finance Contracts Original Amount of \$1,060,000 Interest Rate of 4.42%	990,000	-	(40,000)	950,000	40,000
General Obligation Refunding Bonds Original Amount of \$7,000,000 Interest Rate 1.25-3.25%	-	7,000,000	-	7,000,000	25,000
Issuance Premium	-	<u>139,174</u>	<u>(1,160)</u>	<u>138,014</u>	<u>1,160</u>
Subtotal	3,070,000	7,139,174	(311,160)	9,898,014	346,160
Compensated Absences	<u>506,309</u>	<u>81,147</u>	<u>(160,000)</u>	<u>427,456</u>	<u>106,864</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$3,576,309</u>	<u>\$7,220,321</u>	<u>\$ (471,160)</u>	<u>\$10,325,470</u>	<u>\$ 453,024</u>
<u>Business-Type Activities</u>					
Compensated Absences	<u>\$ 61,738</u>	<u>\$ 3,148</u>	<u>\$ (5,400)</u>	<u>\$ 59,486</u>	<u>\$ 14,872</u>

In the past, the general fund and the water and wastewater fund were used to liquidate compensated absences.

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 7: LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2012, including interest payments, are as follows:

YEAR ENDING <u>SEPTEMBER 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2013	\$ 345,000	\$ 270,019	\$ 615,019
2014	420,000	257,121	677,121
2015	430,000	245,946	675,946
2016	445,000	233,370	678,370
2017	460,000	219,505	679,505
2018-2022	2,295,000	917,711	3,212,711
2023-2027	2,520,000	637,309	3,157,309
2028-2032	<u>2,845,000</u>	<u>267,038</u>	<u>3,112,038</u>
	<u>\$9,760,000</u>	<u>\$3,048,019</u>	<u>\$12,808,019</u>

NOTE 8: EMPLOYEES' RETIREMENT SYSTEM

A. Plan Description

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

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

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

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 8: EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

A. Plan Description (Continued)

	<u>PLAN YEAR 2011</u>	<u>PLAN YEAR 2012</u>
Employee Deposit Rate	6.0%	6.0%
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	10	10
Service Retirement Eligibility (Expressed as Age/Years of Service)	60/10, 0/20	60/10, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to Retirees)	70% of CPI Repeating	70% of CPI Repeating

B. Contributions

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

<u>YEAR</u>	<u>(A) ACTUARIAL VALUE OF ASSETS</u>	<u>(B) ACTUARIAL ACCRUED LIABILITY</u>	<u>(C) (A)/(B) FUNDING RATIO</u>	<u>(D) UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)</u>	<u>(E) ANNUAL COVERED PAYROLL</u>	<u>(D)/(E) UAAL AS A PERCENT OF COVERED PAYROLL</u>
2011	\$27,729,485	\$31,993,586	86.70%	\$ 4,264,101	\$4,456,281	95.70%

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 8: EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

B. Contributions (Continued)

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

Actuarial Valuation Date	DECEMBER 31, 2011	DECEMBER 31, 2010	DECEMBER 31, 2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.1 years; closed period	27.1 years; closed period	28.0 years; closed period
Amortization Period for New Gains/Losses	30 Years	30 Years	30 Years
Asset Valuation Method	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Actuarial Assumptions			
Investment Rate of Return	7.00%	7.00%	7.50%
Projected Salary Increases	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
Inflation	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.10%	2.10%	2.10%

C. Supplemental Death Benefits Fund

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

D. Benefits

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 post employment benefit" or OPEB.

E. Contributions

The City contributes to the SDBF at a contractually required contribution 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.

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 8: EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

E. Contributions (Continued)

The City's contributions to the TMRS SDBF for the years ended 2012, 2011, and 2010 were \$11,788, \$13,716 and \$12,052 respectively, which equaled the required contributions each year. A schedule of contribution rates follows:

<u>PLAN YEAR</u>	<u>ANNUAL REQUIRED CONTRIBUTION RATE</u>	<u>ACTUAL CONTRIBUTION MADE</u>	<u>PERCENTAGE OF ARC CONTRIBUTED</u>
2012	0.03%	0.03%	100.00%
2011	0.03%	0.03%	100.00%
2010	0.03%	0.03%	100.00%

NOTE 9: FUND BALANCE CATEGORIES

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
Non-Spendable			
Prepaid Expenditures	\$ 36,261	\$ 757	\$ 37,018
Inventory	<u>15,017</u>	<u>-</u>	<u>15,017</u>
	51,278	757	52,035
Restricted			
Capital Projects	-	7,000,924	7,000,924
Park Construction	49,531	-	49,531
Park Bucks Program	111	-	111
Debt Service	-	180,625	180,625
State Police Forfeiture	-	25,390	25,390
Federal Police Forfeiture	-	468,373	468,373
Building Security	-	575	575
Court Technology	-	59,306	59,306
Street Maintenance Tax	<u>-</u>	<u>401,699</u>	<u>401,699</u>
	49,642	8,136,892	8,186,534
Committed			
Natural or Man-Made Disasters	800,000	-	800,000
Assigned			
Library Construction	14,135	-	14,135
Unassigned	<u>2,400,386</u>	<u>486,730</u>	<u>2,887,116</u>
TOTALS	<u>\$3,315,441</u>	<u>\$ 8,624,379</u>	<u>\$11,939,820</u>

CITY OF LEON VALLEY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 9: FUND BALANCE CATEGORIES (CONTINUED)

City Council established a policy where by \$800,000 may only be spent for natural or man-made disasters. That amount is reported as committed fund balance.

NOTE 10: CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contribution amounts. During the past three years, no settlements have exceeded insurance coverage.

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REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - General Fund
- Schedule of Funding Progress - Defined Benefit

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CITY OF LEON VALLEY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012
 (WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	BUDGET AMOUNTS		2012 ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	2011 ACTUAL
	ORIGINAL	FINAL			
<u>REVENUES</u>					
Property Taxes	\$ 3,057,097	\$ 3,057,097	\$3,128,035	\$ 70,938	\$3,119,772
Sales Taxes	1,795,645	1,795,645	1,802,128	6,483	1,750,031
Franchise Fees	706,236	706,236	708,434	2,198	728,548
Licenses, Permits, Fees and Fines	1,190,346	1,190,346	994,608	(195,738)	1,326,750
Grants	-	-	6,122	6,122	5,453
Other	156,084	156,084	95,454	(60,630)	6,271
Total Revenues	<u>6,905,408</u>	<u>6,905,408</u>	<u>6,734,781</u>	<u>(170,627)</u>	<u>6,936,825</u>
<u>EXPENDITURES</u>					
Administration					
Business Office					
Personnel Services	79,221	79,221	63,575	15,646	70,980
Supplies	9,600	9,600	7,827	1,773	10,775
Contracted Services	101,164	101,164	93,402	7,762	91,085
Total Business Office	<u>189,985</u>	<u>189,985</u>	<u>164,804</u>	<u>25,181</u>	<u>172,840</u>
Finance and Accounting					
Personnel Services	140,036	140,036	138,679	1,357	134,535
Supplies	8,517	8,517	10,323	(1,806)	5,559
Contracted Services	73,724	73,724	66,123	7,601	66,776
Capital Outlay	5,000	5,000	-	5,000	-
Total Finance and Accounting	<u>227,277</u>	<u>227,277</u>	<u>215,125</u>	<u>12,152</u>	<u>206,870</u>
Council and Manager					
Personnel Services	191,638	191,638	190,126	1,512	191,521
Supplies	17,150	17,150	10,311	6,839	11,692
Contracted Services	117,337	117,337	111,269	6,068	209,584
Capital Outlay	40,000	40,000	-	40,000	-
Total Council and Manager	<u>366,125</u>	<u>366,125</u>	<u>311,706</u>	<u>54,419</u>	<u>412,797</u>
Total Administration	<u>783,387</u>	<u>783,387</u>	<u>691,635</u>	<u>91,752</u>	<u>792,507</u>
Public Safety					
Law Enforcement Administration					
Personnel Services	217,555	217,555	208,164	9,391	214,249
Supplies	1,900	1,900	2,089	(189)	1,535
Contracted Services	28,472	28,472	29,294	(822)	31,487
Total Law Enforcement Administration	<u>247,927</u>	<u>247,927</u>	<u>239,547</u>	<u>8,380</u>	<u>247,271</u>
Law Enforcement Patrol					
Personnel Services	1,178,888	1,178,888	1,155,960	22,928	1,158,697
Supplies	67,900	67,900	71,876	(3,976)	72,582
Contracted Services	9,700	9,700	8,024	1,676	8,755
Capital Outlay	-	-	-	-	-
Total Law Enforcement Patrol	<u>1,256,488</u>	<u>1,256,488</u>	<u>1,235,860</u>	<u>20,628</u>	<u>1,240,034</u>

CITY OF LEON VALLEY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL (CONTINUED)
 YEAR ENDED SEPTEMBER 30, 2012
 (WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	BUDGET AMOUNTS		2012 ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	2011 ACTUAL
	ORIGINAL	FINAL			
EXPENDITURES (CONTINUED)					
Public Safety (Continued)					
Law Enforcement Communications					
Personnel Services	\$ 276,015	\$ 276,015	\$ 258,240	\$ 17,775	\$ 263,564
Supplies	1,025	1,025	1,268	(243)	577
Contracted Services	5,125	5,125	2,914	2,211	8,789
Total Law Enforcement Communications	<u>282,165</u>	<u>282,165</u>	<u>262,422</u>	<u>19,743</u>	<u>272,930</u>
Law Enforcement Investigations					
Personnel Services	283,127	283,127	279,695	3,432	276,192
Supplies	2,100	2,100	767	1,333	1,635
Contracted Services	5,200	5,200	2,467	2,733	5,169
Total Law Enforcement Investigations	<u>290,427</u>	<u>290,427</u>	<u>282,929</u>	<u>7,498</u>	<u>282,996</u>
Law Enforcement Narcotics					
Personnel Services	69,119	69,119	68,877	242	70,410
Contracted Services	136	136	111	25	107
Total Law Enforcement Narcotics	<u>69,255</u>	<u>69,255</u>	<u>68,988</u>	<u>267</u>	<u>70,517</u>
Fire Protection Administration					
Personnel Services	213,852	213,852	211,202	2,650	210,791
Supplies	4,940	4,940	5,142	(202)	4,420
Contracted Services	36,639	36,639	39,138	(2,499)	35,534
Capital Outlay	15,000	15,000	14,927	73	-
Total Fire Protection Administration	<u>270,431</u>	<u>270,431</u>	<u>270,409</u>	<u>22</u>	<u>250,745</u>
Fire Protection Operations					
Personnel Services	1,588,452	1,588,452	1,475,784	112,668	1,531,532
Supplies	33,738	33,738	59,813	(26,075)	39,066
Contracted Services	50,986	50,986	71,730	(20,744)	72,149
Capital Outlay	62,980	62,980	24,551	38,429	2,338
Total Fire Protection Operations	<u>1,736,156</u>	<u>1,736,156</u>	<u>1,631,878</u>	<u>104,278</u>	<u>1,645,085</u>
Emergency Medical Services					
Supplies	34,447	40,569	40,696	(127)	43,932
Contracted Services	67,791	67,791	65,448	2,343	74,824
Capital Outlay	29,802	29,802	26,970	2,832	-
Total Emergency Medical Services	<u>132,040</u>	<u>138,162</u>	<u>133,114</u>	<u>5,048</u>	<u>118,756</u>
Total Public Safety	<u>4,284,889</u>	<u>4,291,011</u>	<u>4,125,147</u>	<u>165,864</u>	<u>4,128,334</u>
Public Works					
Public Works					
Personnel Services	717,235	717,235	704,979	12,256	736,372
Supplies	164,800	164,800	132,953	31,847	158,446
Contracted Services	192,550	193,300	168,482	24,818	142,818
Capital Outlay	45,500	45,500	22,766	22,734	4,223
Total Public Works	<u>1,120,085</u>	<u>1,120,835</u>	<u>1,029,180</u>	<u>91,655</u>	<u>1,041,859</u>

CITY OF LEON VALLEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	<u>BUDGET AMOUNTS</u>		<u>2012 ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>	<u>2011 ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>EXPENDITURES (CONTINUED)</u>					
Parks and Recreation					
Personnel Services	\$ 70,559	\$ 70,559	\$ 67,429	\$ 3,130	\$ 69,729
Supplies	26,000	26,000	12,455	13,545	18,608
Contracted Services	20,000	20,000	11,940	8,060	14,577
Capital Outlay	-	-	-	-	-
Total Parks and Recreation	<u>116,559</u>	<u>116,559</u>	<u>91,824</u>	<u>24,735</u>	<u>102,914</u>
Library					
Personnel Services	194,880	194,880	190,690	4,190	184,968
Supplies	21,133	21,133	33,058	(11,925)	13,076
Contracted Services	41,814	41,814	86,977	(45,163)	40,965
Capital Outlay	<u>170,000</u>	<u>170,000</u>	-	<u>170,000</u>	<u>20,849</u>
Total Library	<u>427,827</u>	<u>427,827</u>	<u>310,725</u>	<u>117,102</u>	<u>259,858</u>
Development Activities					
Community Development/Events					
Personnel Services	207,512	207,512	184,035	23,477	189,156
Supplies	22,950	22,950	21,750	1,200	20,439
Contracted Services	147,448	147,448	143,119	4,329	148,585
Capital Outlay	<u>16,000</u>	<u>16,000</u>	<u>17,442</u>	<u>(1,442)</u>	<u>6,388</u>
Total Community Development/Events	<u>393,910</u>	<u>393,910</u>	<u>366,346</u>	<u>27,564</u>	<u>364,568</u>
Economic Development					
Personnel Services	111,647	111,647	63,785	47,862	108,527
Supplies	4,500	4,500	3,366	1,134	2,741
Contracted Services	13,135	13,135	29,196	(16,061)	6,684
Capital Outlay	-	-	-	-	-
Total Economic Development	<u>129,282</u>	<u>129,282</u>	<u>96,347</u>	<u>32,935</u>	<u>117,952</u>
Total Development Activities	<u>523,192</u>	<u>523,192</u>	<u>462,693</u>	<u>60,499</u>	<u>482,520</u>
Total Expenditures	<u>7,255,939</u>	<u>7,262,811</u>	<u>6,711,204</u>	<u>551,607</u>	<u>6,807,992</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(350,531)</u>	<u>(357,403)</u>	<u>23,577</u>	<u>380,980</u>	<u>128,833</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	-	-	-	-	-
Transfers Out	<u>(18,000)</u>	<u>(18,000)</u>	<u>(18,000)</u>	-	<u>(18,000)</u>
Total Other Financing Sources (Uses)	<u>(18,000)</u>	<u>(18,000)</u>	<u>(18,000)</u>	-	<u>(18,000)</u>
Net Change in Fund Balance	(368,531)	(375,403)	5,577	380,980	110,833
FUND BALANCE - BEGINNING	<u>3,309,864</u>	<u>3,309,864</u>	<u>3,309,864</u>	-	<u>3,199,031</u>
FUND BALANCE - ENDING	<u>\$ 2,941,333</u>	<u>\$ 2,934,461</u>	<u>\$3,315,441</u>	<u>\$ 380,980</u>	<u>\$3,309,864</u>

CITY OF LEON VALLEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED SEPTEMBER 30, 2012

YEAR	(A) ACTUARIAL VALUE OF ASSETS	(B) ACTUARIAL ACCRUED LIABILITY	(C) (A)/(B) FUNDING RATIO	(D) UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	(E) ANNUAL COVERED PAYROLL	(D)/(E) UAAL AS A PERCENT OF COVERED PAYROLL
2009	\$15,296,196	\$21,939,944	69.72%	\$ 6,643,748	\$4,366,614	152.15%
2010	25,902,789	30,487,236	84.96%	4,584,447	4,572,138	100.27%
2011	27,729,485	31,993,586	86.70%	4,264,101	4,456,281	95.70%

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes combining nonmajor individual fund statements which are not required by the GASB, nor a part of the basic financial statements.

FUND DESCRIPTIONS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues and expenditures that are legally restricted for a specific purpose.

- **Community Center** – Accounts for hotel occupancy tax revenues and expenditures, funding mainly the community and conference centers.
- **Grants Fund** – Accounts for grant revenues received from other governments and the related expenditures.
- **CIED Fund** – Accounts for CPS Energy collections.
- **Child Safety Fund** – Accounts for the drug awareness and prevention program, school crossing guards, and other child safety programs.
- **State Police Forfeiture Fund** – Accounts for revenues from seized assets and the allowed expenditure of that revenue.
- **Federal Police Forfeiture Fund** – Accounts for revenues from seized assets in federal cases and the allowed expenditure of that revenue.
- **Building Security Fund** – Accounts for portion of municipal fines that are allocated to building security and the allowed expenditures.
- **Court Technology** – Accounts for portion of municipal fines that are allocated to court technology and the allowed expenditures.
- **Street Maintenance Fund** – Accounts for sales tax collections for street maintenance. This special tax was approved by voters in November 2007.

DEBT SERVICE FUNDS

These funds are used to account for the accumulation of resources and the related disbursement for the retirement of long-term debt.

CITY OF LEON VALLEY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	<u>COMMUNITY CENTER</u>	<u>GRANTS</u>	<u>CIED</u>	<u>CHILD SAFETY</u>	<u>STATE POLICE FORFEITURE</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 117,049	\$ 2,638	\$ 379,931	\$ 23,364	\$ 25,390
Accounts Receivable - Net of Allowance					
Property Taxes	-	-	-	-	-
Special Assessment	-	-	-	-	-
Other	18,593	-	-	893	-
Prepaid Items	547	-	-	80	-
Due from Other Governments	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 136,189</u>	<u>\$ 2,638</u>	<u>\$ 379,931</u>	<u>\$ 24,337</u>	<u>\$ 25,390</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 8,039	\$ -	\$ -	\$ -	\$ -
Accrued Expenditures	566	-	-	127	-
Deposits Payable	47,006	-	-	-	-
Deferred/Unearned Revenue	-	-	-	-	-
Total Liabilities	<u>55,611</u>	<u>-</u>	<u>-</u>	<u>127</u>	<u>-</u>
<u>FUND BALANCES</u>					
Nonspendable	547	-	-	80	-
Restricted	-	-	-	-	25,390
Unassigned Reported in Special Revenue Funds	<u>80,031</u>	<u>2,638</u>	<u>379,931</u>	<u>24,130</u>	<u>-</u>
Total Fund Balances	<u>80,578</u>	<u>2,638</u>	<u>379,931</u>	<u>24,210</u>	<u>25,390</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 136,189</u>	<u>\$ 2,638</u>	<u>\$ 379,931</u>	<u>\$ 24,337</u>	<u>\$ 25,390</u>

FEDERAL POLICE FORFEITURE	BUILDING SECURITY	COURT TECHNOLOGY	STREET MAINTENANCE TAX	DEBT SERVICE		TOTALS
				DEBT SERVICE SERVICE	LINKWOOD	
\$ 469,871	\$ 258	\$ 59,306	\$ 321,047	\$ 179,786	\$ -	\$1,578,640
-	-	-	-	17,409	-	17,409
-	-	-	-	-	11,744	11,744
-	317	-	80,652	839	-	101,294
-	130	-	-	-	-	757
-	-	-	-	-	-	-
<u>\$ 469,871</u>	<u>\$ 705</u>	<u>\$ 59,306</u>	<u>\$ 401,699</u>	<u>\$ 198,034</u>	<u>\$ 11,744</u>	<u>\$1,709,844</u>
\$ 1,473	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,512
25	-	-	-	-	-	718
-	-	-	-	-	-	47,006
-	-	-	-	17,409	11,744	29,153
<u>1,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,409</u>	<u>11,744</u>	<u>86,389</u>
-	130	-	-	-	-	757
468,373	575	59,306	401,699	180,625	-	1,135,968
-	-	-	-	-	-	486,730
<u>468,373</u>	<u>705</u>	<u>59,306</u>	<u>401,699</u>	<u>180,625</u>	<u>-</u>	<u>1,623,455</u>
<u>\$ 469,871</u>	<u>\$ 705</u>	<u>\$ 59,306</u>	<u>\$ 401,699</u>	<u>\$ 198,034</u>	<u>\$ 11,744</u>	<u>\$1,709,844</u>

CITY OF LEON VALLEY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	<u>COMMUNITY CENTER</u>	<u>GRANTS</u>	<u>CIED</u>	<u>CHILD SAFETY</u>	<u>STATE POLICE FORFEITURE</u>
<u>REVENUES</u>					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	82,409	-	-	-	-
Fines and Forfeitures	-	-	-	12,895	-
CIED Revenue	-	-	379,918	-	-
Rent	75,525	-	-	-	-
Interest	-	-	13	-	-
Miscellaneous	-	-	-	-	2,392
Total Revenues	<u>157,934</u>	<u>-</u>	<u>379,931</u>	<u>12,895</u>	<u>2,392</u>
<u>EXPENDITURES</u>					
Current					
Administration	-	-	-	-	-
Public Safety	-	3,450	-	27,562	-
Public Works	-	-	-	-	-
Community Development	121,663	-	-	-	-
Capital Outlay	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Fiscal Agent Fees and Bond Issue Costs	-	-	-	-	-
Total Expenditures	<u>121,663</u>	<u>3,450</u>	<u>-</u>	<u>27,562</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	36,271	(3,450)	379,931	(14,667)	2,392
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	-	-	-	15,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Net Change in Fund Balances	36,271	(3,450)	379,931	333	2,392
<u>FUND BALANCES AT BEGINNING OF YEAR</u>	<u>44,307</u>	<u>6,088</u>	<u>-</u>	<u>23,877</u>	<u>22,998</u>
FUND BALANCES AT END OF YEAR	<u>\$ 80,578</u>	<u>\$ 2,638</u>	<u>\$ 379,931</u>	<u>\$ 24,210</u>	<u>\$ 25,390</u>

FEDERAL POLICE FORFEITURE	BUILDING SECURITY	COURT TECHNOLOGY	STREET MAINTENANCE TAX	DEBT SERVICE		TOTALS
				DEBT SERVICE SERVICE	LINKWOOD	
\$ -	\$ -	\$ -	\$ -	\$ 416,046	\$ -	\$ 416,046
-	-	-	443,432	-	-	525,841
111,187	14,366	19,169	-	-	-	157,617
-	-	-	-	-	-	379,918
-	-	-	-	-	-	75,525
495	-	-	306	-	-	814
-	-	-	-	-	-	2,392
<u>111,682</u>	<u>14,366</u>	<u>19,169</u>	<u>443,738</u>	<u>416,046</u>	<u>-</u>	<u>1,558,153</u>
-	-	22,103	-	-	-	22,103
67,217	20,688	-	-	-	-	118,917
-	-	-	546,311	-	-	546,311
-	-	-	-	-	-	121,663
48,609	-	-	-	-	-	48,609
-	-	-	-	-	-	-
-	-	-	-	310,000	-	310,000
-	-	-	-	103,328	-	103,328
-	-	-	-	1,000	-	1,000
<u>115,826</u>	<u>20,688</u>	<u>22,103</u>	<u>546,311</u>	<u>414,328</u>	<u>-</u>	<u>1,271,931</u>
(4,144)	(6,322)	(2,934)	(102,573)	1,718	-	286,222
-	3,000	-	-	-	-	18,000
-	3,000	-	-	-	-	18,000
(4,144)	(3,322)	(2,934)	(102,573)	1,718	-	304,222
<u>472,517</u>	<u>4,027</u>	<u>62,240</u>	<u>504,272</u>	<u>178,907</u>	<u>-</u>	<u>1,319,233</u>
<u>\$468,373</u>	<u>\$ 705</u>	<u>\$ 59,306</u>	<u>\$ 401,699</u>	<u>\$ 180,625</u>	<u>\$ -</u>	<u>\$1,623,455</u>

CITY OF LEON VALLEY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY CENTER FUND
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	ORIGINAL AND FINAL BUDGET	2012 ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2011 ACTUAL AMOUNTS
<u>REVENUES</u>				
Hotel/Motel Taxes	\$ 66,701	\$ 82,409	\$ 15,708	\$ 74,287
Rent	74,000	75,525	1,525	68,681
Grant	-	-	-	81,683
Miscellaneous	-	-	-	46,415
Total Revenues	<u>140,701</u>	<u>157,934</u>	<u>17,233</u>	<u>271,066</u>
<u>EXPENDITURES</u>				
Current				
Community Development	129,881	121,663	8,218	128,230
Capital Outlay	5,000	-	5,000	118,098
Total Expenditures	<u>134,881</u>	<u>121,663</u>	<u>13,218</u>	<u>246,328</u>
Net Change In Fund Balance	5,820	36,271	30,451	24,738
<u>FUND BALANCE - BEGINNING</u>	<u>44,307</u>	<u>44,307</u>	<u>-</u>	<u>19,569</u>
FUND BALANCE - ENDING	<u>\$ 50,127</u>	<u>\$ 80,578</u>	<u>\$ 30,451</u>	<u>\$ 44,307</u>

CITY OF LEON VALLEY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GRANTS FUND
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>2012 ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>	<u>2011 ACTUAL AMOUNTS</u>
<u>REVENUES</u>				
Grants	\$ 4,149	\$ -	\$ (4,149)	\$ 2,732
<u>EXPENDITURES</u>				
Current				
Public Safety	<u>4,149</u>	<u>3,450</u>	<u>699</u>	<u>4,448</u>
Net Change In Fund Balance	-	(3,450)	(3,450)	(1,716)
<u>FUND BALANCE - BEGINNING</u>	<u>6,088</u>	<u>6,088</u>	<u>-</u>	<u>7,804</u>
FUND BALANCE - ENDING	<u>\$ 6,088</u>	<u>\$ 2,638</u>	<u>\$ (3,450)</u>	<u>\$ 6,088</u>

CITY OF LEON VALLEY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CHILD SAFETY FUND
 YEAR ENDED SEPTEMBER 30, 2012
 (WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>2012 ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>	<u>2011 ACTUAL AMOUNTS</u>
<u>REVENUES</u>				
Fines and Forfeitures	\$ 12,200	\$ 12,895	\$ 695	\$ 14,718
<u>EXPENDITURES</u>				
Current				
Public Safety	33,428	27,562	5,866	27,527
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	10,000	15,000	5,000	15,000
Net Change in Fund Balance	(11,228)	333	11,561	2,191
<u>FUND BALANCE - BEGINNING</u>	23,877	23,877	-	21,686
FUND BALANCE - ENDING	<u>\$ 12,649</u>	<u>\$ 24,210</u>	<u>\$ 11,561</u>	<u>\$ 23,877</u>

CITY OF LEON VALLEY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STATE POLICE FORFEITURE FUND
YEAR ENDED SEPTEMBER 30, 2012
 (WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	ORIGINAL AND FINAL BUDGET	2012 ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2011 ACTUAL AMOUNTS
<u>REVENUES</u>				
Miscellaneous	\$ -	\$ 2,392	\$ 2,392	\$ 9,731
<u>EXPENDITURES</u>				
Current				
Public Safety	-	-	-	-
Net Change In Fund Balance	-	2,392	2,392	9,731
<u>FUND BALANCE - BEGINNING</u>	<u>22,998</u>	<u>22,998</u>	<u>-</u>	<u>13,267</u>
FUND BALANCE - ENDING	<u>\$ 22,998</u>	<u>\$ 25,390</u>	<u>\$ 2,392</u>	<u>\$ 22,998</u>

CITY OF LEON VALLEY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FEDERAL POLICE FORFEITURE FUND
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>2012 ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>	<u>2011 ACTUAL AMOUNTS</u>
<u>REVENUES</u>					
Fines and Forfeitures	\$ -	\$ -	\$ 111,187	\$ 111,187	\$ 41,418
Interest	-	-	495	495	527
Total Revenues	<u>-</u>	<u>-</u>	<u>111,682</u>	<u>111,682</u>	<u>41,945</u>
<u>EXPENDITURES</u>					
Current					
Public Safety	85,558	85,558	67,217	18,341	46,973
Capital Outlay	<u>45,700</u>	<u>50,700</u>	<u>48,609</u>	<u>2,091</u>	<u>91,576</u>
Total Expenditures	<u>131,258</u>	<u>136,258</u>	<u>115,826</u>	<u>20,432</u>	<u>138,549</u>
Net Change In Fund Balance	(131,258)	(136,258)	(4,144)	132,114	(96,604)
<u>FUND BALANCE - BEGINNING</u>	<u>472,517</u>	<u>472,517</u>	<u>472,517</u>	<u>-</u>	<u>569,121</u>
FUND BALANCE - ENDING	<u>\$ 341,259</u>	<u>\$ 336,259</u>	<u>\$ 468,373</u>	<u>\$ 132,114</u>	<u>\$ 472,517</u>

CITY OF LEON VALLEY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BUILDING SECURITY FUND
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>2012 ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>	<u>2011 ACTUAL AMOUNTS</u>
<u>REVENUES</u>				
Fines and Forfeitures	<u>\$ 19,800</u>	<u>\$ 14,366</u>	<u>\$ (5,434)</u>	<u>\$ 18,542</u>
<u>EXPENDITURES</u>				
Current				
Public Safety	<u>21,883</u>	<u>20,688</u>	<u>1,195</u>	<u>20,850</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Net Change in Fund Balance	917	(3,322)	(4,239)	692
<u>FUND BALANCE - BEGINNING</u>	<u>4,027</u>	<u>4,027</u>	<u>-</u>	<u>3,335</u>
FUND BALANCE - ENDING	<u>\$ 4,944</u>	<u>\$ 705</u>	<u>\$ (4,239)</u>	<u>\$ 4,027</u>

CITY OF LEON VALLEY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 COURT TECHNOLOGY FUND
 YEAR ENDED SEPTEMBER 30, 2012
 (WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	ORIGINAL AND FINAL BUDGET	2012 ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2011 ACTUAL AMOUNTS
<u>REVENUES</u>				
Fines and Forfeitures	\$ 26,402	\$ 19,169	\$ (7,233)	\$ 24,716
<u>EXPENDITURES</u>				
Current				
Administration	23,200	22,103	1,097	24,752
Capital Outlay	30,000	-	30,000	-
Total Expenditures	<u>53,200</u>	<u>22,103</u>	<u>31,097</u>	<u>24,752</u>
Net Change In Fund Balance	(26,798)	(2,934)	23,864	(36)
<u>FUND BALANCE - BEGINNING</u>	<u>62,240</u>	<u>62,240</u>	<u>-</u>	<u>62,276</u>
FUND BALANCE - ENDING	<u>\$ 35,442</u>	<u>\$ 59,306</u>	<u>\$ 23,864</u>	<u>\$ 62,240</u>

CITY OF LEON VALLEY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET MAINTENANCE TAX FUND
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>2012 ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>	<u>2011 ACTUAL AMOUNTS</u>
<u>REVENUES</u>					
Fines and Forfeitures	\$ 439,560	\$ 439,560	\$ 443,432	\$ 3,872	\$ 429,029
Interest	-	-	306	306	374
Total Revenues	<u>439,560</u>	<u>439,560</u>	<u>443,738</u>	<u>4,178</u>	<u>429,403</u>
<u>EXPENDITURES</u>					
Current					
Public Works	<u>439,560</u>	<u>546,311</u>	<u>546,311</u>	-	<u>500,431</u>
Net Change In Fund Balance	-	(106,751)	(102,573)	4,178	(71,028)
<u>FUND BALANCE - BEGINNING</u>	<u>504,272</u>	<u>504,272</u>	<u>504,272</u>	-	<u>575,300</u>
 FUND BALANCE - ENDING	 <u>\$ 504,272</u>	 <u>\$ 397,521</u>	 <u>\$ 401,699</u>	 <u>\$ 4,178</u>	 <u>\$ 504,272</u>

CITY OF LEON VALLEY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	ORIGINAL AND FINAL BUDGET	2012 ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2011 ACTUAL AMOUNTS
<u>REVENUES</u>				
Property Taxes	\$ 375,759	\$ 416,046	\$ 40,287	\$ 421,546
Interest Income	-	-	-	4,713
Total Revenues	<u>375,759</u>	<u>416,046</u>	<u>40,287</u>	<u>426,259</u>
<u>EXPENDITURES</u>				
Debt Service				
Principal	310,000	310,000	-	300,000
Interest	103,328	103,328	-	112,278
Fiscal Agent Fees	2,000	1,000	1,000	1,000
Total Expenditures	<u>415,328</u>	<u>414,328</u>	<u>1,000</u>	<u>413,278</u>
Net Change In Fund Balance	(39,569)	1,718	41,287	12,981
<u>FUND BALANCE - BEGINNING</u>	<u>178,907</u>	<u>178,907</u>	<u>-</u>	<u>165,926</u>
 FUND BALANCE - ENDING	 <u>\$ 139,338</u>	 <u>\$ 180,625</u>	 <u>\$ 41,287</u>	 <u>\$ 178,907</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Leon Valley's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Leon Valley's overall financial health.

Contents

Tables

Financial Trends

1 through 5

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

6 through 11

These schedules contain information to help the reader assess the City's most significant revenue sources.

Debt Capacity

12 through 16

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

17 through 18

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

19 through 20

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF LEON VALLEY, TEXAS
NET ASSETS, BY COMPONENT
LAST FIVE FISCAL YEARS

TABLE 1

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
Invested in Capital Assets, Net of Related Debt	\$ 5,926,527	\$ 6,147,970	\$ 6,213,549	\$ 5,639,798	\$ 5,934,633
Restricted	264,984	193,145	132,581	101,101	101,677
Unrestricted	<u>3,644,114</u>	<u>3,707,802</u>	<u>4,180,108</u>	<u>4,686,001</u>	<u>4,708,814</u>
 TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS	 <u>\$ 9,835,625</u>	 <u>\$10,048,917</u>	 <u>\$10,526,238</u>	 <u>\$10,426,900</u>	 <u>\$10,745,124</u>
<u>BUSINESS-TYPE ACTIVITIES</u>					
Invested in Capital Assets, Net of Related Debt	\$ 3,645,700	\$ 3,635,029	\$ 3,897,305	\$ 4,138,854	\$ 3,998,041
Restricted	183,614	323,508	339,733	568,056	762,316
Unrestricted	<u>1,699,540</u>	<u>1,982,058</u>	<u>2,147,223</u>	<u>2,137,671</u>	<u>1,966,216</u>
 TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS	 <u>\$ 5,528,854</u>	 <u>\$ 5,940,595</u>	 <u>\$ 6,384,261</u>	 <u>\$ 6,844,581</u>	 <u>\$ 6,726,573</u>
<u>PRIMARY GOVERNMENT</u>					
Invested in Capital Assets, Net of Related Debt	\$ 9,572,227	\$ 9,782,999	\$10,110,854	\$ 9,778,652	\$ 9,932,674
Restricted	448,598	516,653	472,314	669,157	863,993
Unrestricted	<u>5,343,654</u>	<u>5,689,860</u>	<u>6,327,331</u>	<u>6,823,672</u>	<u>6,675,030</u>
 TOTAL PRIMARY GOVERNMENT NET ASSETS	 <u>\$15,364,479</u>	 <u>\$15,989,512</u>	 <u>\$16,910,499</u>	 <u>\$17,271,481</u>	 <u>\$17,471,697</u>

Note: For the fiscal year ended September 30, 2004, the City implemented the new financial reporting requirements of GASB Statements Nos. 33 and 34. For prior fiscal years the City did not restate the financial statements.

CITY OF LEON VALLEY, TEXAS
CHANGE IN NET ASSETS
LAST FIVE FISCAL YEARS

TABLE 2

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>EXPENSES</u>					
<u>Governmental Activities</u>					
Administration	\$ 779,729	\$ 805,391	\$ 940,156	\$ 849,230	\$ 764,140
Public Safety	4,193,145	4,439,516	4,525,947	4,502,741	4,344,695
Public Works	1,163,379	1,535,333	1,624,573	1,715,642	1,714,581
Parks and Recreation	128,203	100,777	144,742	135,728	117,840
Library	249,227	281,725	274,701	264,260	322,688
Community Development	583,206	680,352	664,712	666,326	610,394
Capital Outlay	-	-	-	-	-
Interest on Long-Term Debt	154,669	187,862	122,184	117,639	107,645
Total Governmental Activities	<u>7,251,558</u>	<u>8,030,956</u>	<u>8,297,015</u>	<u>8,251,566</u>	<u>7,981,983</u>
<u>Business-Type Activities</u>					
Water and Wastewater Utilities	<u>2,367,414</u>	<u>2,357,800</u>	<u>2,631,544</u>	<u>2,796,812</u>	<u>3,218,973</u>
Total Primary Government Expenses	<u>9,618,972</u>	<u>10,388,756</u>	<u>10,928,559</u>	<u>11,048,378</u>	<u>11,200,956</u>
<u>PROGRAM REVENUES</u>					
<u>Governmental Activities</u>					
Charges for Service					
Administration	171,923	333,606	330,541	288,791	595,568
Public Safety	1,566,669	1,265,691	1,589,362	1,082,149	849,832
Parks and Recreation	12,375	12,145	15,010	16,790	16,186
Library	2,936	2,358	1,987	3,102	2,329
Community Development	112,260	133,177	97,399	118,723	119,382
Operating Grants and Contributions	33,440	127,151	9,953	49,602	117,275
Capital Grants and Contributions	53,114	59,499	218,790	81,683	-
Total Governmental Activities Program Revenues	<u>1,952,717</u>	<u>1,933,627</u>	<u>2,263,042</u>	<u>1,640,840</u>	<u>1,700,572</u>
<u>Business-Type Activities</u>					
Charges for Service					
Water and Wastewater Utilities	<u>2,508,220</u>	<u>2,638,172</u>	<u>2,840,701</u>	<u>3,115,598</u>	<u>3,039,389</u>
Total Primary Government Program Revenues	<u>4,460,937</u>	<u>4,571,799</u>	<u>5,103,743</u>	<u>4,756,438</u>	<u>4,739,961</u>

CITY OF LEON VALLEY, TEXAS
CHANGE IN NET ASSETS (CONTINUED)
LAST FIVE FISCAL YEARS

TABLE 2 (CONTINUED)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Net (Expense) Revenues</u>					
Governmental Activities	\$(5,298,841)	\$(6,097,329)	\$(6,033,973)	\$(6,610,726)	\$(6,281,411)
Business-Type Activities	<u>140,806</u>	<u>280,372</u>	<u>209,157</u>	<u>318,786</u>	<u>(179,584)</u>
Total Primary Government Net Expenses	<u>(5,158,035)</u>	<u>(5,816,957)</u>	<u>(5,824,816)</u>	<u>(6,291,940)</u>	<u>(6,460,995)</u>
 <u>GOVERNMENTAL REVENUES AND OTHER</u>					
<u>CHANGES IN NET ASSETS</u>					
<u>Governmental Activities</u>					
Taxes					
Property Taxes	3,427,337	3,573,352	3,552,821	3,522,321	3,550,430
Franchise Taxes	639,332	656,329	2,207,901	728,548	708,434
Sales Taxes	1,927,881	2,045,615	677,001	2,253,347	2,327,969
Interest and Investment Earnings	128,903	35,325	8,546	7,172	6,795
Miscellaneous	164,229	-	11,025	-	6,007
Transfers	-	-	54,000	-	-
Total Governmental Activities	<u>6,287,682</u>	<u>6,310,621</u>	<u>6,511,294</u>	<u>6,511,388</u>	<u>6,599,635</u>
<u>Business-Type Activities</u>					
Interest and Investment Earnings	44,841	14,634	4,444	3,827	3,374
Miscellaneous	53,137	32,953	44,575	56,453	35,609
Impact Fees	35,504	83,782	239,490	81,254	22,593
Transfers	-	-	(54,000)	-	-
Total Business-Type Activities	<u>133,482</u>	<u>131,369</u>	<u>234,509</u>	<u>141,534</u>	<u>61,576</u>
 <u>CHANGES IN NET ASSETS</u>					
Governmental Activities	988,841	213,292	477,321	(99,338)	318,224
Business-Type Activities	<u>274,288</u>	<u>411,741</u>	<u>443,666</u>	<u>460,320</u>	<u>(118,008)</u>
 TOTAL PRIMARY GOVERNMENT	<u>\$ 1,263,129</u>	<u>\$ 625,033</u>	<u>\$ 920,987</u>	<u>\$ 360,982</u>	<u>\$ 200,216</u>

CITY OF LEON VALLEY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>GENERAL FUND</u>					
Reserved	\$ 42,148	\$ 57,230	\$ 101,374	\$ 100,730	\$ 99,626
Unreserved	1,681,126	2,349,579	2,490,428	2,544,748	2,557,994
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL GENERAL FUND	<u>\$1,723,274</u>	<u>\$2,406,809</u>	<u>\$2,591,802</u>	<u>\$2,645,478</u>	<u>\$2,657,620</u>
<u>ALL OTHER GOVERNMENTAL FUNDS</u>					
Reserved	\$ 159,087	\$ 627	\$ 90,435	\$ 81,739	\$ 101,542
Unreserved, Reported in:					
Special Revenue Funds	282,548	543,198	318,269	509,282	707,371
Capital Project Funds	508,445	240,131	43,013	961	-
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS	<u>\$ 950,080</u>	<u>\$ 783,956</u>	<u>\$ 451,717</u>	<u>\$ 591,982</u>	<u>\$ 808,913</u>

Note: In 2011 the City implemented GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The information for previous years has not been restated.

TABLE 3

2008	2009	2010	2011	2012
\$ 163,442	\$ 192,916	\$ 132,581	\$ -	\$ -
2,713,567	3,930,887	3,066,450	-	-
-	-	-	50,745	51,278
-	-	-	49,551	49,642
-	-	-	800,000	800,000
-	-	-	56,642	14,135
-	-	-	<u>2,352,926</u>	<u>2,400,386</u>
<u>\$2,877,009</u>	<u>\$4,123,803</u>	<u>\$ 3,199,031</u>	<u>\$3,309,864</u>	<u>\$3,315,441</u>
\$ 131,748	\$ 154,429	\$ 165,926	\$ -	\$ -
1,251,752	1,047,443	1,272,358	-	-
-	-	-	-	-
-	-	-	805	757
-	-	-	1,245,121	8,136,892
-	-	-	<u>73,307</u>	<u>486,730</u>
<u>\$1,383,500</u>	<u>\$1,201,872</u>	<u>\$ 1,438,284</u>	<u>\$1,319,233</u>	<u>\$8,624,379</u>

CITY OF LEON VALLEY, TEXAS
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>REVENUES</u>				
Property Taxes	\$2,512,157	\$ 2,582,903	\$ 2,664,930	\$2,923,544
Nonproperty Taxes	2,474,362	2,420,562	2,351,336	2,295,549
Grants/Intergovernmental	219,752	172,098	229,720	31,936
Licenses, Permits, Fees and Fines	1,324,186	1,566,754	1,462,806	1,838,194
CIED	-	-	-	-
Other	135,423	135,290	248,002	355,136
Total Revenues	<u>6,665,880</u>	<u>6,877,607</u>	<u>6,956,794</u>	<u>7,444,359</u>
<u>EXPENDITURES</u>				
Administrative	905,198	969,375	1,138,676	1,163,175
Public Safety	3,520,998	3,475,837	3,560,463	3,760,073
Public Works	1,037,100	1,044,722	1,287,075	1,276,101
Parks and Recreation	65,172	92,169	103,365	107,713
Library	193,662	232,888	238,836	239,354
Community Development	100,881	95,685	91,199	92,582
Capital Outlay	594,192	113,984	340,782	179,678
Debt Service				
Principal	220,000	235,000	250,000	260,000
Interest and Fiscal Charges	218,940	208,776	198,242	198,990
Total Expenditures	<u>6,856,143</u>	<u>6,468,436</u>	<u>7,208,638</u>	<u>7,277,666</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(190,263)	409,171	(251,844)	166,693
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from Sale of Assets	-	-	-	-
Transfers In	123,130	383,839	223,900	13,000
Transfers Out	(107,230)	(367,939)	(208,000)	(13,000)
Proceeds from Tax Notes	-	-	-	475,000
Proceeds from Bonds	-	-	-	-
Bond Premium	-	-	-	-
Proceeds from Refunding Bonds	-	-	-	-
Payments to Refunding Bonds	-	-	-	-
Premium on Issuance of Bonds	-	-	-	-
Escrow Agent	-	-	-	(447,752)
Total Other Financing Sources (Uses)	<u>15,900</u>	<u>15,900</u>	<u>15,900</u>	<u>27,248</u>
NET CHANGE IN FUND BALANCES	<u>\$ (174,363)</u>	<u>\$ 425,071</u>	<u>\$ (235,944)</u>	<u>\$ 193,941</u>
Debt Service as a Percentage of Noncapital Expenditures	7.54%	7.51%	6.98%	6.91%

TABLE 4

2007	2008	2009	2010	2011	2012
\$3,134,228	\$3,432,977	\$3,552,049	\$3,505,728	\$3,546,031	\$3,544,081
1,781,223	1,927,881	2,045,615	2,207,900	2,253,347	2,327,969
1,151,487	1,302,881	1,395,492	228,508	89,868	6,122
1,085,494	1,277,505	992,486	2,642,310	2,154,692	1,860,659
-	-	-	-	-	379,918
985,829	298,795	226,942	88,796	131,999	175,109
<u>8,138,261</u>	<u>8,240,039</u>	<u>8,212,584</u>	<u>8,673,242</u>	<u>8,175,937</u>	<u>8,293,858</u>
712,894	739,653	706,874	919,564	817,259	713,738
4,082,514	4,113,988	4,142,609	5,246,693	4,228,132	4,177,616
1,235,456	1,092,333	1,427,627	1,446,744	1,542,290	1,552,725
109,259	101,383	111,614	153,947	102,914	91,824
233,607	241,305	256,967	266,327	259,858	310,725
579,800	554,418	622,721	629,371	610,750	566,914
522,089	177,273	173,202	337,443	209,674	155,265
265,000	275,000	580,000	265,000	300,000	310,000
168,569	156,710	230,451	150,513	113,278	243,502
<u>7,909,188</u>	<u>7,452,063</u>	<u>8,252,065</u>	<u>9,415,602</u>	<u>8,184,155</u>	<u>8,122,309</u>
229,073	787,976	(39,481)	(742,360)	(8,218)	171,549
-	6,000	10,360	-	-	-
18,000	318,000	10,000	72,000	18,000	18,000
(18,000)	(318,000)	(10,000)	(18,000)	(18,000)	(18,000)
-	-	-	-	-	-
-	-	1,060,000	-	-	7,000,000
-	-	-	-	-	139,174
-	-	2,575,000	-	-	-
-	-	(2,585,000)	-	-	-
-	-	44,287	-	-	-
-	-	-	-	-	-
-	6,000	1,104,647	54,000	-	7,139,174
<u>\$ 229,073</u>	<u>\$ 793,976</u>	<u>\$1,065,166</u>	<u>\$ (688,360)</u>	<u>\$ (8,218)</u>	<u>\$7,310,723</u>
6.04%	6.13%	8.53%	5.19%	5.17%	5.56%

CITY OF LEON VALLEY, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

TABLE 5

<u>FISCAL YEAR</u>	<u>PROPERTY</u>	<u>SALES AND USE</u>	<u>OCCUPANCY</u>	<u>FRANCHISE</u>	<u>TOTAL REVENUE</u>
2003	\$2,512,157	\$1,799,621	\$ 125,490	\$ 549,251	\$4,986,519
2004	2,582,902	1,788,803	97,288	534,471	5,003,464
2005	2,664,930	1,713,683	85,655	551,998	5,016,266
2006	2,923,544	1,602,192	96,507	596,851	5,219,094
2007	3,134,228	1,781,223	98,973	607,967	5,622,391
2008	3,432,977	1,927,881	92,357	639,332	6,092,547
2009	3,552,048	1,979,928	65,688	656,329	6,253,993
2010	3,505,728	2,141,199	66,701	677,001	6,390,629
2011	3,546,031	2,253,347	74,287	728,548	6,602,213
2012	3,544,081	2,327,969	82,409	708,434	6,662,893

Note: Occupancy tax revenues have decreased due to the conversion of one hotel to apartments in 2004.

CITY OF LEON VALLEY, TEXAS
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

TABLE 6

FISCAL YEAR ENDED SEPTEMBER 30,	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	INDUSTRIAL PROPERTY	LESS: TAX-EXEMPT PROPERTY	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE
2003	\$300,217,136	\$235,620,511	\$2,581,682	\$37,627,332	\$500,791,997	0.499600
2004	312,279,955	244,242,621	2,467,634	39,010,640	519,979,570	0.502700
2005	314,184,627	237,061,366	2,211,035	40,898,560	512,558,468	0.517400
2006	334,283,756	246,833,519	1,965,230	40,042,855	543,039,650	0.537400
2007	380,457,461	252,192,158	1,774,770	53,686,457	580,737,932	0.537400
2008	436,832,864	272,798,655	4,728,530	67,753,134	646,606,915	0.527400
2009	454,788,574	281,431,232	5,600,760	66,158,755	675,661,811	0.527400
2010	468,647,503	281,076,061	5,246,600	62,354,128	692,616,036	0.527400
2011	456,646,017	280,720,343	5,025,705	66,555,963	675,836,102	0.527400
2012	455,927,780	266,406,857	5,103,401	50,361,878	677,076,160	0.535510

Source: Bexar Appraisal District

Note: Property is assessed at the actual value; therefore the assessed values are equal to actual values.

Tax rates are per \$100 of assessed value.

CITY OF LEON VALLEY, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

TABLE 7

<u>FISCAL YEAR</u>	<u>CITY DIRECT RATES</u>			<u>OVERLAPPING RATES</u>	
	<u>GENERAL FUND</u>	<u>DEBT SERVICE</u>	<u>TOTAL DIRECT</u>	<u>SCHOOL DISTRICT</u>	<u>BEXAR COUNTY</u>
2003	0.427600	0.072000	0.499600	1.762500	0.336856
2004	0.430700	0.072000	0.502700	1.762500	0.333671
2005	0.439834	0.077566	0.517400	1.762500	0.333671
2006	0.459560	0.077840	0.537400	1.775000	0.331190
2007	0.459560	0.077840	0.537400	1.592500	0.331190
2008	0.456560	0.070840	0.527400	1.262500	0.326866
2009	0.461560	0.065840	0.527400	1.302500	0.326866
2010	0.464029	0.063371	0.527400	1.337500	0.326866
2011	0.464029	0.063371	0.527400	1.365500	0.326866
2012	0.472701	0.062809	0.535510	1.375500	0.326866

Source: Information furnished by respective tax assessor.

CITY OF LEON VALLEY, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO

TABLE 8

TAXPAYER	2012			2003		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
H.E.B. Grocery	\$ 20,000,000	1	2.95%	\$ -	-	-
Ancira-Winton Chevrolet	13,523,350	2	2.00%	15,716,410	1	3.14%
Stonewater Tower West	12,600,000	3	1.86%	-	-	-
Vista Del Rey	12,000,000	4	1.77%	8,848,510	5	1.77%
Barcelona Lofts	11,341,985	5	1.68%	-	-	-
Leors Holdings	11,075,226	6	1.64%	-	-	-
VR Shadow Valley Holdings	9,000,100	7	1.33%	-	-	-
Southwestern Bell	7,030,944	8	1.04%	14,818,720	2	2.96%
Forest Green Association	5,500,000	9	0.81%	-	-	-
SA West Loop II Investors	4,900,000	10	0.72%	-	-	-
CC Gunn	-	-	-	7,700,000	7	1.54%
SCIC San Antonio	-	-	-	7,961,180	6	1.59%
Mill Place	-	-	-	5,637,960	10	1.13%
Puget of Texas	-	-	-	7,061,750	8	1.41%
E.W. Richardson	-	-	-	11,400,000	4	2.27%
Merrimas Associates	-	-	-	6,385,000	9	1.27%
Principal Life	-	-	-	11,839,770	3	2.36%
	<u>\$106,971,605</u>		<u>15.80%</u>	<u>\$97,369,300</u>		<u>19.44%</u>

Source: Bexar County Appraisal District

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CITY OF LEON VALLEY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

TABLE 9

FISCAL YEAR ENDED SEPTEMBER 30,	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2003	\$2,632,578	\$2,471,586	93.88%	\$ 13,665	\$2,485,251	94.40%
2004	2,582,499	2,547,413	98.64%	17,094	2,564,507	99.30%
2005	2,668,164	2,609,185	97.79%	18,908	2,628,093	98.50%
2006	2,918,741	2,877,326	98.58%	22,548	2,899,874	99.35%
2007	3,121,053	3,081,888	98.75%	28,636	3,110,524	99.66%
2008	3,411,529	3,374,003	98.90%	13,805	3,387,808	99.30%
2009	3,563,440	3,364,408	94.41%	27,257	3,391,665	95.18%
2010	3,570,525	3,450,690	96.64%	70,192	3,520,882	98.61%
2011	3,485,988	3,437,057	98.60%	29,241	3,466,298	99.44%
2012	3,553,034	3,485,684	98.10%	-	3,485,684	98.10%

Source: Bexar County Tax Assessor Collector (TC168) and City of Leon Valley Finance Department.

CITY OF LEON VALLEY, TEXAS
WATER SOLD BY TYPE OF CUSTOMER
LAST TEN FISCAL YEARS

<u>TYPE OF CUSTOMER</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Residential	176,751,891	164,301,622	177,750,433	225,793,960
Commercial	<u>136,561,805</u>	<u>131,347,112</u>	<u>133,164,020</u>	<u>141,720,115</u>
TOTAL	<u>313,313,696</u>	<u>295,648,734</u>	<u>310,914,453</u>	<u>367,514,075</u>
TOTAL DIRECT RATE PER 1,000 GALLONS	<u>\$ 0.85</u>	<u>\$ 0.85</u>	<u>\$ 0.88</u>	<u>\$ 0.91</u>

Source: City of Leon Valley Water Department

TABLE 10

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
156,780,956	208,492,994	215,785,825	178,416,148	228,768,000	201,840,600
<u>124,891,408</u>	<u>144,510,811</u>	<u>136,065,390</u>	<u>129,071,600</u>	<u>133,301,040</u>	<u>122,936,377</u>
<u>281,672,364</u>	<u>353,003,805</u>	<u>351,851,215</u>	<u>307,487,748</u>	<u>362,069,040</u>	<u>324,776,977</u>
<u>\$ 0.91</u>	<u>\$ 0.93</u>	<u>\$ 0.96</u>	<u>\$ 0.99</u>	<u>\$ 1.02</u>	<u>\$ 1.05</u>

CITY OF LEON VALLEY, TEXAS
WATER AND SEWER RATES
LAST TEN FISCAL YEARS

TABLE 11

<u>FISCAL YEAR</u>	<u>WATER</u>		<u>SEWER</u>	
	<u>MONTHLY BASE RATE</u>	<u>RATE PER 1,000 GALLONS</u>	<u>MONTHLY BASE RATE</u>	<u>RATE PER 1,000 GALLONS</u>
2003	\$ 6.40	\$ 0.83	\$ 9.00	\$ 2.78
2004	7.40	0.85	9.75	3.21
2005	7.62	0.88	11.03	3.94
2006	7.62	0.91	11.03	3.94
2007	7.85	0.91	11.36	4.06
2008	8.08	0.93	11.70	4.18
2009	8.32	0.96	12.05	4.31
2010	8.57	0.99	12.41	4.43
2011	8.83	1.02	12.78	4.57
2012	9.09	1.05	13.16	4.70

Note: Rates are based on 5/8" meter, which is the standard household meter size.

CITY OF LEON VALLEY, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

TABLE 12

FISCAL YEAR	GOVERNMENTAL ACTIVITIES					BUSINESS-TYPE ACTIVITY		TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME*	PER CAPITA*
	GENERAL OBLIGATION BONDS	PRIVATE PROPERTY FINANCE CONTRACTS	CERTIFICATES OF OBLIGATION	TAX NOTES	CAPITAL LEASES	REVENUE BONDS	CERTIFICATES OF OBLIGATION			
2003	\$3,795,000	\$ -	\$ -	\$620,000	\$63,853	\$310,000	\$ -	\$ 4,788,853	2.38%	\$ 518
2004	3,615,000	-	-	565,000	33,174	235,000	-	4,448,174	2.21%	481
2005	3,425,000	-	-	505,000	-	155,000	-	4,085,000	2.03%	442
2006	3,705,000	-	-	-	-	-	-	3,705,000	1.84%	401
2007	3,440,000	-	-	-	-	-	-	3,440,000	1.71%	372
2008	3,165,000	-	-	-	-	-	-	3,165,000	1.58%	343
2009	2,575,000	1,060,000	-	-	-	-	-	3,635,000	1.81%	393
2010	2,340,000	1,030,000	-	-	-	-	-	3,370,000	1.68%	365
2011	2,080,000	990,000	-	-	-	-	-	3,070,000	1.12%	279
2012	8,810,000	950,000	-	-	-	-	-	9,760,000	3.60%	898

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*Population and personal income data can be found in Table 16.

CITY OF LEON VALLEY, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

TABLE 13

FISCAL YEAR	GENERAL BONDED DEBT OUTSTANDING			ACTUAL TAXABLE VALUE OF PROPERTY	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA*
	GENERAL OBLIGATION BONDS	PRIVATE PROPERTY FINANCE CONTRACTS	TOTAL			
2003	\$3,795,000	\$ -	\$3,795,000	\$ 500,791,997	0.76%	\$ 411
2004	3,615,000	-	3,615,000	519,979,570	0.70%	391
2005	3,425,000	-	3,425,000	512,558,468	0.67%	371
2006	3,705,000	-	3,705,000	543,039,650	0.68%	401
2007	3,440,000	-	3,440,000	580,737,932	0.59%	372
2008	3,165,000	-	3,165,000	646,606,915	0.49%	343
2009	2,575,000	1,060,000	3,635,000	675,661,811	0.54%	393
2010	2,340,000	1,030,000	3,370,000	692,616,036	0.49%	365
2011	2,080,000	990,000	3,070,000	675,836,102	0.45%	302
2012	8,810,000	950,000	9,760,000	677,076,160	1.44%	898

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*Population data can be found in Table 16.

CITY OF LEON VALLEY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
LAST TEN FISCAL YEARS

TABLE 14

<u>GOVERNMENTAL UNIT</u>	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE*</u>	<u>ESTIMATED SHARE OF OVERLAPPING DEBT</u>
Debt repaid with property taxes			
Alamo CCD	\$ 546,995,000	0.66%	\$ 3,610,167
Bexar County	993,630,000	0.66%	6,557,958
Bexar County Hospital District	733,350,000	0.66%	4,840,110
Northside Independent School District	1,771,485,000	1.85%	32,772,473
San Antonio RA	30,680,000	0.57%	<u>174,876</u>
Subtotal, Overlapping Debt			47,955,584
Leon Valley Direct Debt			<u>9,760,000</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$57,715,584</u>

Source: Municipal Advisory Council of Texas.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses in Leon Valley. This process recognizes that, when considering Leon Valley's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

* The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within Leon Valley's boundaries and divided it by the County's total taxable assessed value.

CITY OF LEON VALLEY, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2012

Assessed Value	\$677,076,160
*Debt Limit (10% of Assessed Value)	67,707,616
Bonds and Certificates of Obligation	9,760,000
Less: Amount Set Aside for Repayment of General Obligation Debt	<u>(180,625)</u>
Total Net Debt Applicable to Limit	<u>9,579,375</u>
ECONOMIC DEBT MARGIN	<u>\$ 58,128,241</u>

	FISCAL			
	2003	2004	2005	2006
Debt Limit	\$ 50,079,200	\$ 51,997,957	\$ 51,255,847	\$ 54,303,965
Total Net Debt Applicable to Limit	<u>4,302,629</u>	<u>4,090,301</u>	<u>3,338,646</u>	<u>3,840,998</u>
LEGAL DEBT MARGIN	<u>\$ 45,776,571</u>	<u>\$ 47,907,656</u>	<u>\$ 47,917,201</u>	<u>\$ 50,462,967</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	8.59%	7.87%	6.51%	7.07%

* Texas statutes do not prescribe a debt limit: However, by custom a practical debt limit of 10% of the assessed valuation is used.

TABLE 15

<u>YEAR</u>					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 58,073,793	\$ 64,660,692	\$ 67,561,181	\$ 69,261,604	\$ 67,583,610	\$ 67,707,616
<u>3,338,457</u>	<u>3,063,457</u>	<u>3,480,571</u>	<u>3,200,964</u>	<u>3,191,096</u>	<u>9,579,375</u>
<u>\$ 54,735,336</u>	<u>\$ 61,597,235</u>	<u>\$ 64,080,610</u>	<u>\$ 66,060,640</u>	<u>\$ 64,392,514</u>	<u>\$ 58,128,241</u>
5.75%	4.74%	5.15%	4.62%	4.72%	14.21%

CITY OF LEON VALLEY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

TABLE 16

<u>YEAR</u>	<u>POPULATION</u>	<u>PERSONAL INCOME (THOUSANDS OF DOLLARS)</u>	<u>PER CAPITA PERSONAL INCOME</u>	<u>MEDIAN AGE</u>	<u>SCHOOL ENROLLMENT</u>	<u>UNEMPLOYMENT RATE</u>
2003	9,239	\$200,883,577	\$ 21,743	38.10	3,335	6.1%
2004	9,239	200,883,577	21,743	38.10	3,337	6.4%
2005	9,239	200,883,577	21,743	38.10	3,394	5.7%
2006	9,239	200,883,577	21,743	38.10	3,181	4.5%
2007	9,239	200,883,577	21,743	38.10	3,784	4.0%
2008	9,239	200,883,577	21,743	38.10	3,790	5.0%
2009	9,239	200,883,577	21,743	38.10	3,850	7.0%
2010	9,239	200,883,577	21,743	38.10	3,850	7.0%
2011	10,866	270,954,576	24,936	40.00	3,752	7.3%
2012	10,866	270,954,576	24,936	40.00	4,130	6.0%

Sources: Population, Per Capita Income and Median Age information provided by the United States Census Bureau. School enrollment information provided by the Northside Independent School District. Unemployment rate provided by the Texas Workforce Commission.

CITY OF LEON VALLEY, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

TABLE 17

EMPLOYER	2012			2003		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Lackland Air Force Base	37,097	1	16.29%	N/A	N/A	N/A
Fort Sam Houston - U.S. Army	32,000	2	22.42%	N/A	N/A	N/A
USAA	14,832	3	10.39%	N/A	N/A	N/A
H-E-B Food Stores	14,588	4	10.22%	N/A	N/A	N/A
Northside ISD	13,300	5	9.32%	N/A	N/A	N/A
Randolph Air Force Base	11,068	6	7.75%	N/A	N/A	N/A
North East ISD	10,522	7	7.37%	N/A	N/A	N/A
City of San Antonio	9,145	8	6.41%	N/A	N/A	N/A
San Antonio ISD	7,581	9	5.31%	N/A	N/A	N/A
Methodist Healthcare System	<u>7,500</u>	10	<u>5.25%</u>	N/A	N/A	N/A
TOTAL	<u>157,633</u>		<u>100.73%</u>			

The City of Leon Valley is surrounded by the City of San Antonio and no data is available for the employers in Leon Valley. The above data is for San Antonio.

Source: San Antonio Economic Development Foundation

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CITY OF LEON VALLEY, TEXAS
FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
FISCAL YEAR ENDED SEPTEMBER 30.

TABLE 18

Full-Time Equivalent Employees as of September 30,

<u>FUNCTION</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government										
Business Office	3.10	4.10	3.40	3.40	3.10	3.10	2.80	2.80	2.75	1.75
Finance	2.80	2.80	2.80	2.80	2.80	2.80	2.40	2.40	2.20	2.20
Manager and Council	2.80	2.80	2.80	2.80	2.80	2.80	2.40	2.40	2.30	2.30
*Police										
Officers	24.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	24.00
Civilians	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
*Fire										
Civilians	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Firefighters and Officers	28.00	28.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00
Public Works	15.50	15.25	15.25	15.25	15.25	14.75	14.75	14.75	14.05	13.09
Community Development	3.80	3.80	3.90	3.90	3.20	4.00	4.00	4.00	3.92	3.52
Economic Development	-	-	-	-	1.20	1.20	1.20	1.50	1.65	2.00
Parks	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Library	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Community Center	2.70	1.80	1.55	1.55	1.60	2.10	2.10	2.10	1.85	0.60
Water and Sewer	<u>11.30</u>	<u>11.05</u>	<u>11.75</u>	<u>11.75</u>	<u>12.05</u>	<u>12.96</u>	<u>12.96</u>	<u>12.96</u>	<u>14.88</u>	<u>16.04</u>
 TOTAL	 <u>107.50</u>	 <u>106.10</u>	 <u>104.95</u>	 <u>104.95</u>	 <u>105.50</u>	 <u>107.21</u>	 <u>106.11</u>	 <u>106.41</u>	 <u>107.10</u>	 <u>106.00</u>

Source: City Annual Budget

*Does not include reserves.

CITY OF LEON VALLEY, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

FUNCTION	2003	2004	2005	FISCAL 2006
Police				
Traffic Violations	14,583	13,508	16,067	14,033
Arrests	991	1,038	1,173	1,489
Fire				
Fire Calls	635	681	703	703
EMS Calls	857	859	881	960
Inspections	624	771	898	1,094
Public Works				
Street Resurfacing (Miles)	4.5	4.5	4.5	5.0
Sidewalk Construction (Feet)	900	700	700	700
Library				
Reference Questions	2,716	2,859	3,159	3,142
Internet Sessions	3,691	4,385	5,058	6,336
Library Acquisitions	2,002	2,092	1,704	1,281
Water				
Service Connections	2,105	2,120	2,110	2,177
Average Daily Consumption	858,607	809,997	861,904	1,006,096
Sewer				
Service Connections	2,017	2,035	2,031	2,098
Average Daily Treatment of Gallons	1,063,072	1,000,000	713,639	748,112

Source: Various city departments.

TABLE 19

YEAR	2007	2008	2009	2010	2011	2012
	12,408	15,397	11,459	11,611	10,278	8,204
	1,230	1,355	1,194	1,279	1,050	837
	805	821	793	786	931	765
	961	953	1,028	1,051	1,062	1,038
	1,282	1,299	1,167	1,351	1,290	1,256
	0.5	-	5.9	5.4	8.4	-
	500	500	500	1,463	682	1,621
	3,142	6,056	6,083	6,000	6,897	5,868
	6,336	6,320	7,483	7,354	7,226	18,242
	1,281	1,857	3,487	4,861	3,323	2,953
	2,255	2,369	2,444	2,469	2,508	2,523
	1,011,527	967,133	963,975	842,432	1,005,747	889,800
	2,272	2,440	2,306	2,387	2,428	2,551
	664,496	863,347	793,443	989,705	748,356	705,557

CITY OF LEON VALLEY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

TABLE 20

FUNCTION	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Stations	1	1	1	1	1	1	1	1	1	1
* Officers	25	25	25	25	24	24	24	24	24	23
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Firefighters	28	28	27	27	27	27	27	27	27	26
Culture and Recreation										
Community Centers	2	2	2	2	2	2	2	2	2	2
Parks	1	1	1	1	1	1	1	1	1	1
Park Acreage	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Libraries	1	1	1	1	1	1	1	1	1	1
Tennis Courts	1	1	1	1	1	1	1	1	1	1
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of Streets	38.2	38.2	38.2	39.5	39.5	39.5	39.5	39.5	39.5	39.5
Water										
Miles of Water Mains	38.2	38.2	38.2	39.5	39.5	39.5	39.5	39.5	39.5	39.5
Number of Hydrants	196	198	198	208	208	208	208	208	208	208
Sewer										
Miles of Sanitary Sewers	45.0	45.5	45.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5
Feet of Storm Sewers	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000

Source: Various city departments.

* Includes Warrants Officer(s) from the Court.

COMPLIANCE SECTION



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

To the Honorable Mayor and Members
of the City Council
City of Leon Valley, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leon Valley, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City of Leon Valley, Texas', basic financial statements and have issued our report thereon dated January 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Leon Valley, Texas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Leon Valley, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Leon Valley, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Leon Valley, Texas' internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

Alonso, Bacarisse, Irvine & Palmer, P.C.

Certified Public Accountants

San Antonio, Texas

January 22, 2013

