

# **Lakeway Municipal Utility District**

Report of Independent Auditor with Annual  
Report

September 30, 2018



**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Annual Financial Report

For the Year Ended September 30, 2018

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Annual Filing Affidavit	1
Report of Independent Auditor	2
Management's Discussion and Analysis	4
<b><u>Basic Financial Statements</u></b>	
Statement of Net Position and Governmental Funds Balance Sheet	9
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances	10
Notes to the Financial Statements	11
<b><u>Required Supplementary Information</u></b>	
Schedule of Changes in Net Pension Liabilities and Related Ratios	29
Schedule of Employer Contributions	30
Notes to Schedule of Employer Contributions and Net Pension Liability	31
Schedule of Annual Rates and Service Requirements	32
Schedule of Probability of Withdrawal	33
Budgetary Comparison Schedule – General Fund	34
Notes to Required Supplementary Information – Budget Information	35
<b><u>Supplemental Schedules</u></b>	
Schedule of Services and Rates (unaudited)	37
Schedule of General Fund Expenditures	39
Schedule of Temporary Investments	41
Schedule of Taxes Levied and Receivable	42
Long-Term Debt Service Requirements by Years	43
Analysis of Changes in Long-Term Debt	45
Comparative Schedule of Revenues and Expenditures-Five Years	46
Board Members, Key Personnel and Consultants	48
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS   §  
                                  §  
COUNTY OF TRAVIS   §

I, Larry Burmeier, President of the Board of Directors of Lakeway Municipal Utility District hereby swear, or affirm, that Lakeway Municipal Utility District (District) has reviewed and approved at a meeting of the Board of the Directors of the District on the 13th day of February, 2019, its annual audit report for the year ended September 30, 2018 and that copies of the annual audit report have been filed in the District Office, located at 1097 Lohmans Crossing, Lakeway, TX 78734.

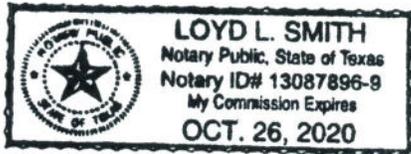
The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: February 13, 2019

By: Larry Burmeier

Larry Burmeier, President

Sworn to and subscribed to before me this 13<sup>th</sup> day of February, 2019.



Loyd L. Smith  
Notary Public in the State of Texas

(SEAL)



## Report of Independent Auditor

Board of Directors  
Lakeway Municipal Utility District:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lakeway Municipal Utility District (the "District") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Lakeway Municipal Utility District as of September 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.



### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 8 and the pension information on pages 29 through 33 as well as the budgetary comparison information on pages 34 and 35, 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 consider 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental schedules on pages 37 through 48 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules on pages 39 through 47 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 supplemental schedules on pages 37 through 38, and page 48 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**PMB HELIN DONOVAN, LLP**

*PMB Helin Donovan, LLP*

February 13, 2019  
Austin, Texas

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2018

**PURPOSE**

These financial statements include this discussion and analysis of Lakeway Municipal Utility District's (District) overall financial position and results of operations in a format that will facilitate the public's understanding of reported data. This discussion provides an overview of our financial activities for the fiscal year ended September 30, 2018.

**OVERVIEW**

We (the District) are on a sound financial footing. Standard and Poor's Ratings Services established an 'AA-' credit rating for the District in 2018. The financial statements show continued growth in net position and taxpayer equity. Our budgeting and rate setting process is effective. Management and the Board of Directors effectively monitor and control expenses. The annual financial report, beginning on page 9, provides detailed schedules of the financial position and activities of the District. The following discussion will refer to those schedules.

**FINANCIAL STATEMENTS**

The government wide financial statements (the Statement of Net Position and the Statement of Activities) and the governmental fund financial statements are combined and are presented in pages 9 and 10, and report our financial information.

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

The Statement of Activities presents information showing how our net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements report our operations on a current resources measurement basis rather than on the economic resources measurement basis contained in the government-wide financial statements by providing information on our most significant funds. The governmental funds balance sheet reports financial information for the general, debt service, and capital project funds in separate columns because we believe each to be a major fund and are particularly important to financial statement users. The governmental funds revenues, expenditures, and changes in fund balances also reports the three major funds in separate columns, and reports the expenses, program revenues, and general revenues for each fund.

**STATEMENT OF NET POSITION**

We ended fiscal year 2018 with \$31,866,444 in total net position. This was made up of \$45,502,478 in assets, comprised of cash, investments, accounts receivable, and capital assets, and with liabilities of \$13,672,795 including accounts payable, security deposits payable, salaries and benefits payable, and long-term liabilities (debt service and net pension liability). See page 9.

**STATEMENT OF ACTIVITIES**

Program revenues totaled \$5,204,540, general revenue totaled \$1,941,282, other government funds totaled \$4,217,676, and total revenue for the year was \$11,363,498. Total expenses for the year were \$5,828,421, resulting in an increase in net position of \$5,535,077. See page 10.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2018**  
(Continued)

**CONDENSED FINANCIAL STATEMENTS**

**Table I**  
**Condensed Schedules of Net Position**  
**As of September 30, 2018 and 2017**

	Governmental Activities	
	2018	2017
Current assets	\$ 20,737,987	\$ 16,876,519
Capital assets (net of depreciation)	24,372,186	24,969,645
Other assets	392,305	649,669
Total assets	<u>45,502,478</u>	<u>42,495,833</u>
Deferred outflows of resources	<u>142,238</u>	<u>514,910</u>
Current liabilities	573,718	666,598
Long-term liabilities	13,099,077	15,973,502
Total liabilities	<u>13,672,795</u>	<u>16,640,100</u>
Deferred outflows of resources	<u>105,477</u>	<u>39,276</u>
Net Position:		
Invested in capital assets	10,792,433	4,979,833
Restricted	43,888	850,659
Unrestricted	<u>21,030,123</u>	<u>20,500,875</u>
Total net position	<u>\$ 31,866,444</u>	<u>\$ 26,331,367</u>

**Table II**  
**Condensed Schedules of Activities**  
**For the Years ended September 30, 2018 and 2017**

	Governmental Activities	
	2018	2017
Expenses:		
Program expenses	\$ 3,840,061	\$ 3,564,556
Capital outlay	27,074	112,264
Debt service	712,968	623,542
Depreciation	1,248,318	1,080,956
Total expenses	<u>5,828,421</u>	<u>5,381,318</u>
Revenues:		
Program revenues	5,204,540	4,967,806
General revenues	1,941,282	1,861,172
Other sources of revenues	4,217,676	693,500
Total revenues	<u>11,363,498</u>	<u>7,522,478</u>
Change in net position	5,535,077	2,141,160
Beginning of year	<u>26,331,367</u>	<u>24,190,207</u>
End of year	<u>\$ 31,866,444</u>	<u>\$ 26,331,367</u>

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2018  
(Continued)

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

The focus of the presentation of our governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing our financing requirements. In particular, unreserved fund balance may serve as a useful measure of our net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the governmental funds combined ending fund balances increased \$3,637,111 over prior year to \$20,651,045. Approximately 2.1% of this total is a nonspendable noncurrent receivable balance. The restricted funds of \$43,888, or .2%, represent debt service funds restricted for principal and interest payments on long term debt. The unassigned fund balance of \$6,410,631, or 31.0%, represents resources whose use is constrained by limitations that the District imposes upon itself through decisions made by the Board of Directors. The remaining balance, \$13,764,225, or 66.7%, is allocated to Capital Improvement Construction projects of \$12,697,517 and \$1,066,708 for fund balance.

**SOURCE OF FUNDS**

We generate operating funds in two ways:

**Rates**

Revenue is received through bi-monthly customer billings for water and wastewater service. We had 4,205 active water connections as of September 30, 2018. This was a decrease of 30 connections over the prior fiscal year. We had 3,142 active wastewater connections as of September 30, 2018. This was an increase of 46 connections over the prior fiscal year.

Rates are calculated annually and reviewed in a mid-year rate audit. Rates are based upon actual costs and revenues in the most recent twelve-month period running from June 1st to May 31st, after adjustments for known and measurable change. Generally, the rates will change annually. In fiscal year 2018, water base rates remained unchanged from the prior fiscal year at \$20.00 and wastewater base rates remained unchanged from the prior fiscal year at \$14.00. Certain water volume rate charges changed as follows: 0-15,000 gallons (\$2.50 per thousand – no change); 15,001-30,000 (\$3.25 – no change); 30,001-50,000 (increased from \$3.50 to \$3.75); 50,001-80,000 (increased from \$4.00 to \$4.30); 80,001-100,000 (increased from \$4.50 to \$5.00); and over 100,000 (increased from \$5.00 to \$5.75). Rates were adequate to cover the projected cost of operations. See page 33.

**Ad Valorem Taxes**

Tax charges of \$0.1258 per \$100 valuation, were collected for general maintenance and operations and debt service. 99.52% of the taxes levied in 2017 were collected and the remaining .48% is considered collectable. Total assessed valuation increased from \$1.17 billion in fiscal 2016 to \$1.25 billion in fiscal 2017.

All ad valorem taxes are applied to principal and interest payments for wastewater debt or for wastewater operations and maintenance. The remainder of the principal and interest payment comes from water rate revenue. Principal, interest, and bond refunding related payments made by the District during the fiscal year ended September 30, 2018 totaled \$3,251,943.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2018  
(Continued)

**OPERATING REVENUES AND EXPENDITURES**

Operating revenues and expenses are budgeted annually. The administrative staff develops the budget then it is reviewed and approved by the Board of Directors. During the year, the budget is reviewed frequently and all significant deviations are discussed with and approved by the Board of Directors. There is a formal mid-year review that may result in rate changes; however, there was no mid-year rate change for fiscal year 2018.

**REVENUES**

General Fund revenues of \$5,593,337 and \$5,375,555 for fiscal years 2018 and 2017, respectively, were approximately \$443,696 and \$517,275 greater than originally budgeted for fiscal years 2018 and 2017, respectively. The 2018 and 2017 budget variances were due to higher volume than expected for water service.

**EXPENDITURES**

General Fund expenditures of \$4,210,040 and \$3,868,217 for fiscal years 2018 and 2017, respectively, were approximately \$228,804 and \$58,085 lower than budgeted expenditures for fiscal years 2018 and 2017, respectively. The decreases were primarily due to the accrual adjustment for the net pension liability and slightly different than expected variable costs.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

Our investment in capital assets, net of accumulated depreciation, as of September 30, 2018, was \$24,372,186, a decrease of \$597,459 over the total of \$24,969,645 as of September 30, 2017. See Note D for additional information on capital assets.

**Long-Term Debt**

At the end of the fiscal year, we had total bonded debt outstanding of \$12,775,000, a decrease of 17% from the prior year outstanding amount of \$15,305,000. See Note F for additional information on long-term debt.

**WATER/WASTEWATER TREATMENT PLANTS AND COLLECTION SYSTEMS**

**Treatment Plants**

We have one water and two wastewater treatment plants. The plants were completed or modernized in May of 2003. These plants have the capacity to serve us through build out. Government regulatory agencies are constantly revising standards, so future actions may be necessary.

**Distribution and Collection System**

Our water distribution system is in good condition, even though some of the underground piping is forty years old and subject to breaks and leaks. During the 1980's, some polybutylene piping was installed which has proven defective. We received financial compensation from the manufacturer for repair and replacement. We have determined that it is more economical to repair and replace piping when it fails than implement a capital-intensive replacement program.

Similarly, the wastewater collection system is aging. We have a continuing program to monitor and repair these pipelines.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2018  
(Continued)

**DIRECTORS, MANAGEMENT AND OPERATING PERSONNEL**

**Board of Directors**

We receive overall direction from a five-person Board of Directors. All are volunteer residents of the District. They are elected by the taxpayers and serve a staggered four-year term. See page 48.

**Management**

A professional General Manager controls daily operations. See page 48.

**Personnel**

We employ 23 full time and -0- part-time employees. There were zero turnovers in employee positions in fiscal year 2018.

State regulations require specific levels of job qualifications for operations and management personnel. All concerned personnel were at or above the required level of certification through the fiscal year 2018. We have an incentive program to encourage employees to obtain more advanced certifications.

We provide retirement, disability and death benefits for all full-time employees through a defined benefit pension plan operated by the statewide Texas County & District Retirement System (TCDRS). We fund the plan by monthly contributions from both employees and the District. The employee contributes 7% by payroll deduction. The actuarially determined rate paid by the District for calendar year 2018 was 12%. The District contributed \$142,601 for the year ended September 30, 2018. See Note L.

**Contacting the District's Financial Management**

This financial report is designed to provide interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives and spends. If you have questions about this report or need additional information, contact the District office, 1097 Lohmans Crossing, Lakeway, Texas 78734.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
Statement of Net Position and Governmental Funds Balance Sheet  
As of September 30, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total</u>	<u>Adjustments (Note N)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash and investments	\$ 5,634,003	\$ 43,887	\$ 13,714,716	\$ 19,392,606	\$ -	\$ 19,392,606
Taxes receivable, net	5,090	71,440	-	76,530	-	76,530
Other receivables, net	1,011,922	-	49,509	1,061,431	-	1,061,431
Prepayments and other assets	39,996	-	-	39,996	-	39,996
Due from Rough Hollow - current	167,424	-	-	167,424	-	167,424
Due from Rough Hollow - noncurrent	392,305	-	-	392,305	-	392,305
Deferred outflows	-	-	-	-	-	-
Capital assets, net						
Land and construction in progress	-	-	-	-	1,802,851	1,802,851
Capital assets	-	-	-	-	22,569,335	22,569,335
Total assets	<u>\$ 7,250,740</u>	<u>115,327</u>	<u>13,764,225</u>	<u>\$ 21,130,292</u>	<u>24,372,186</u>	<u>45,502,478</u>
Deferred outflows of resources					142,238	142,238
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 274,738	\$ -	\$ -	\$ 274,738	-	274,738
Security deposits payable	128,050	-	-	128,050	-	128,050
Salaries/benefits payable	-	-	-	-	133,192	133,192
Accrued interest payable	-	-	-	-	37,738	37,738
Deferred inflows	5,020	71,439	-	76,459	(76,459)	-
Net pension liability	-	-	-	-	324,077	324,077
Long-term liabilities:						
Due within one year	-	-	-	-	1,450,000	1,450,000
Due after one year	-	-	-	-	11,325,000	11,325,000
Total liabilities	<u>407,808</u>	<u>71,439</u>	<u>-</u>	<u>479,247</u>	<u>13,193,548</u>	<u>13,672,795</u>
Deferred inflows of resources					105,477	105,477
Fund balances:						
Nonspendable	432,301	-	-	432,301	(432,301)	
Restricted for debt service	-	43,888	-	43,888	(43,888)	
Assigned to construction	-	-	13,764,225	13,764,225	(13,764,225)	
Unassigned	6,410,631	-	-	6,410,631	(6,410,631)	
Total fund balances	<u>6,842,932</u>	<u>43,888</u>	<u>13,764,225</u>	<u>20,651,045</u>	<u>(20,651,045)</u>	
Total liabilities and fund balances	<u>\$ 7,250,740</u>	<u>\$ 115,327</u>	<u>\$ 13,764,225</u>	<u>\$ 21,130,292</u>		
Net Position:						
Net investment in capital assets					10,792,433	10,792,433
Restricted					43,888	43,888
Unrestricted					21,030,123	21,030,123
Total net position					<u>\$ 31,866,444</u>	<u>\$ 31,866,444</u>

See accompanying notes and report of independent auditor.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
Statement of Activities and Governmental Funds Revenue, Expenditures, and Changes in Fund Balances  
For the Year Ended September 30, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total</u>	<u>Adjustments (Note O)</u>	<u>Statement of Activities</u>
<b>EXPENDITURES/EXPENSES:</b>						
Service operations:						
Water service	\$ 803,165	\$ -	\$ -	\$ 803,165	\$ -	\$ 803,165
Wastewater service	570,575	-	-	570,575	-	570,575
Salaries, benefits & payroll taxes	1,736,682	-	-	1,736,682	(136,667)	1,600,015
Accrued retirement expense	-	-	-	-	176,486	176,486
Contracted services	418,053	-	-	418,053	-	418,053
Professional fees	231,252	-	-	231,252	-	231,252
Administrative supplies & maintenance	40,515	-	-	40,515	-	40,515
Capital outlay-Capitalized	382,724	-	422,029	804,753	(804,753)	-
Capital outlay-Not Capitalized	27,074	-	-	27,074	-	27,074
Debt service:						
Principal	-	2,530,000	-	2,530,000	(2,530,000)	-
Interest and fiscal charges	-	721,943	-	721,943	(8,975)	712,968
Accretion	-	-	-	-	-	-
Depreciation	-	-	-	-	1,248,318	1,248,318
Total expenditures/expenses	<u>4,210,040</u>	<u>3,251,943</u>	<u>422,029</u>	<u>7,884,012</u>	<u>(2,055,591)</u>	<u>5,828,421</u>
<b>REVENUES:</b>						
Program revenues:						
Charges for water service	3,382,780	-	-	3,382,780	-	3,382,780
Charges for wastewater service	1,777,717	-	-	1,777,717	-	1,777,717
Tap connection & inspection fees	44,043	-	-	44,043	-	44,043
Total program revenues	<u>5,204,540</u>	<u>-</u>	<u>-</u>	<u>5,204,540</u>	<u>-</u>	<u>5,204,540</u>
Net program revenue/(expense)						<u>(623,881)</u>
General revenues:						
Property taxes	220,754	1,353,002	-	1,573,756	(3,731)	1,570,025
Investment earnings	82,722	29,125	164,855	276,702	-	276,702
Penalties and interest	31,081	8,954	-	40,035	-	40,035
Other	54,240	280	-	54,520	-	54,520
Total general revenues/transfers	<u>388,797</u>	<u>1,391,361</u>	<u>164,855</u>	<u>1,945,013</u>	<u>(3,731)</u>	<u>1,941,282</u>
Total revenues and transfers	<u>5,593,337</u>	<u>1,391,361</u>	<u>164,855</u>	<u>7,149,553</u>	<u>(3,731)</u>	<u>7,145,822</u>
<b>OTHER FINANCING SOURCES:</b>						
Proceeds from bond refunding	-	3,400,000	-	3,400,000	(3,400,000)	-
Payment for bond refunding	-	(3,400,000)	-	(3,400,000)	3,400,000	-
Transfers-internal activities	(887,789)	887,789	-	-	-	-
Other	(166,022)	166,022	-	-	-	-
Total other financing sources	<u>(1,053,811)</u>	<u>1,053,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>SPECIAL ITEM</b>						
Proceeds from sale of land	-	-	4,371,570	4,371,570	(153,894)	4,217,676
Excess (deficiency) of revenues, transfers in, and other sources over expenditures and transfers out						
Change in net position	329,486	(806,771)	4,114,396	3,637,111	1,897,966	5,535,077
Fund balance/net position:						
Beginning of the year	6,513,446	850,659	9,649,829	17,013,934	9,317,433	26,331,367
End of the year	<u>\$ 6,842,932</u>	<u>\$ 43,888</u>	<u>\$ 13,764,225</u>	<u>\$ 20,651,045</u>	<u>\$ 11,215,399</u>	<u>\$ 31,866,444</u>

See accompanying notes and report of independent auditor.

## LAKEWAY MUNICIPAL UTILITY DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2018

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Creation of District** - Lakeway Municipal Utility District (the "District") was created by an order of the Texas Water Rights Commission on February 17, 1972, under Chapter 54 of the Texas Water Code and confirmed by the electorate of Lakeway Municipal Utility District at a confirmation election held on April 28, 1972. The Board of Directors held its first meeting on February 21, 1972, and the first bonds were sold on September 1, 1972. The District is a tax-exempt entity. The accounting policies of the District conform to generally accepted accounting principles. The following is a summary of significant accounting policies.
2. **Reporting Entity** - In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in codification of Government and Financial Reporting Standards, Section 2100. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units.
3. **Government-wide and Fund Financial Statements** - The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all governmental and business-type activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include charges to customers for water, wastewater, and related services. Other revenues not properly included among program revenues are reported as general revenues.

The accounts of the District are organized on the basis of funds. The fund level statements focus on the governmental and proprietary funds. Each fund was established to account for specific activities in accordance with applicable regulations, restrictions, or limitations. Major funds are determined by criteria specified by the codification of Government and Financial Reporting Standards, Section 1300. Major individual governmental funds are reported as separate columns in the fund financial statements. All other funds are aggregated into governmental fund groupings.

## LAKEWAY MUNICIPAL UTILITY DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2018

(Continued)

4. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for bond principal and interest which are reported as expenditures in the year due. The reported fund balance of governmental funds is considered a measure of available spendable resources.

Property taxes, interest revenue, and charges for services are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available in the fiscal period the District receives cash.

**Fund Accounting** - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped by category and type in the financial statements. The District reports the following major governmental funds:

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

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

**Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

5. **Cash and Investments** - The District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased. Cash and cash equivalents include cash on hand, demand deposits, and investments in local government investment pools. Investments are carried at fair value, which is based on quoted market price. The District's cash deposits at year end and during the year were covered by Federal Depository Insurance or by pledged collateral held by a national bank in the District's name.

Fair value is the price that would be received to sell an asset in an ordinary transaction between market participants. Investment in local government investment pools are reported at amortized cost. The net change in fair value of investments is recorded on the Statement of Activities and Governmental Funds Revenue, Expenditures, and Changes in Fund Balances and includes the unrealized and realized gains and losses on investments.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

For the Year Ended September 30, 2018

(Continued)

State statutes and District resolutions authorize the District's investments. The District is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, no-load money market mutual funds whose investments are restricted to 100% U.S. Treasury Obligations, and the Texas Treasury Safekeeping Trust Company's public investment pool (Texpool).

- 6. Capital Assets, Depreciation, and Amortization** - The District's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported as assets in the Statement of Net Position. Current year acquisitions of capital assets are reported as capital expenditures in the governmental funds financial statements. The District maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The District capitalizes assets with cost or estimated historical cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, not including land and construction in progress, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	30
Infrastructure & Improvements	20-30
Machinery and Equipment	5-20

- 7. 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. Significant estimates include accumulated depreciation and net pension liability. Actual results could differ from those estimates.
- 8. Capitalized Interest** - The District capitalizes net interest costs as part of the cost of constructing various projects. The amount was immaterial during the year ended September 30, 2018.
- 9. Inventories and Prepaids** - The District records purchases of inventories (expendable supplies) as expenditures at the time of purchase. At year end, the amounts on hand are immaterial and therefore no inventory (asset) amount is reported in the financial statements.
- 10. Long-Term Debt** - In the Statement of Net Position, long-term debt is reported as liabilities. Payments of bond principal and interest are reported as expenditures in the debt service fund.
- 11. Compensated Absences** - This represents the estimated liability for employees accrued vacation and sick leave for which employees are entitled to be paid upon termination. Employees are granted working days of paid vacation in varying amounts to specified maximums depending on tenure with the District. Vacation pay is charged to operations when taken by the employees. Sick leave accrues to full-time employees to specified maximums. Upon termination of employment, unused sick leave and vacation time earned will be paid to employees up to specified maximums. Compensated absences are reported as accrued and included in salaries/benefits payable in the government-wide financial statements (the statement of net position and the statement of activities). The governmental fund financial statements include only matured compensated absences payable to currently terminating employees and are included in salaries and benefits payable. The estimated liabilities include required salary-related payments.

## LAKEWAY MUNICIPAL UTILITY DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2018

(Continued)

- 12. Classification of Fund Balance** - The District classifies its fund balance into five categories: nonspendable, restricted, committed, assigned or unassigned. Only restrictions on funds imposed by external sources are shown as restricted fund balance in the fund basis financial statements and as restricted net position on the government-wide financial statements. Classification of fund balance restraints imposed by the reporting government itself, whether by administrative policy or legislative action of the reporting government, are shown in aggregate on the governmental fund financial statements as committed fund balance. Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors, the government's highest level of decision-making authority. A formal action would also be required to modify or rescind an established commitment. Assigned fund balance amounts are intended to be used by the government for specific purposes but do not meet the criteria to be restricted or committed. Assigned fund balance represents the remaining amount that is not restricted or committed in governmental funds other than the general fund, where it is classified as unassigned. Assigned fund balance is expressed by the direction of the Board of Directors or other individual with the authority to assign amounts to be used for specific purposes. Nonspendable fund balance represents amounts that are not in spendable form such as inventories or prepaid expenditures, and can include long-term receivables or amounts that are legally or contractually required to be maintained intact. Restricted fund balances have constraints on use of resources by externally imposed creditors or by constitutional provisions or enabling legislation. Unassigned fund balance is the residual classification for the general fund.
- 13. Net Position** - Net position presents the difference between assets and liabilities in the Statement of Net Position. Net position invested in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.
- 14. Deferred Inflows** - Deferred inflows arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In general, monies received within sixty days after year-end are considered to have been for prior year services. Tax revenue reported as deferred inflows in the general fund and debt service fund is recorded as revenue in the Statement of Activities. Accordingly, deferred tax inflows are excluded in the Statement of Net Position.
- 15. Property Taxes** - Property taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year. Property taxes attach as an enforceable lien on property as of January 1. The tax rates assessed for the year ended September 30, 2018, for the maintenance and operation of the District and for the payment of debt service on the District's outstanding bonds as of tax years ending 2017, were \$.0176 and \$.1082 per \$100 valuation, respectively, for a total of \$.1258 per \$100 valuation, and was based on an assessed valuation of \$1,248,243,751.

Property tax revenues are recognized in the governmental funds when they become available. Tax receivables expected to be collected within sixty days after year end are considered available. In the Statement of Activities, property tax revenues are recognized in the year for which they are levied regardless of when the tax collections are received.

## LAKEWAY MUNICIPAL UTILITY DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2018

(Continued)

16. **Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's participation in the Texas County and District Retirement System ("TCDRS"), an Agent Plan, and additions to/deductions from TCERS's fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized in the TCERS net pension liability calculations when due and payable in accordance with benefit terms. The investments are stated at fair value.
17. **Subsequent Events** - The District evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the District's financial statements are available for issuance. For the financial statements as of and for the year ending September 30, 2018, this date was February 13, 2019.

### B. CASH AND INVESTMENTS

Deposit and investment resources are exposed to risks that have the potential to result in losses that could impact the delivery of the District's services. The District's Board has adopted an Investment Policy to set forth the factors involved in the management of investment assets for the District. The District is authorized to invest funds in accordance with its investment policy, bond indentures, and the Texas Public Funds Investment Act. Authorized investments include but are not limited to: U.S. Treasury and Federal Agency issues, certificates of deposit issued by a state or national bank domiciled in the State of Texas, repurchase agreements collateralized by U.S. Treasury or Federal Agency securities, guaranteed investment contracts (GICs), obligations of states and municipalities, SEC registered no-load money market mutual funds, and local government investment funds. The District seeks to mitigate risk by investing in compliance with the investment policy, qualifying the broker or financial institution with whom the District will transact, maintain sufficient collateralization, portfolio diversification, and limiting maturity.

The District utilizes various methods to measure the fair value of investments on a recurring basis. GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

- **Level 1:** Inputs are unadjusted quoted prices in active markets for identical assets and liabilities that the District has the ability to access.
- **Level 2:** Inputs are observable other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.
- **Level 3:** Inputs are unobservable for the asset or liability, to the extent relevant observable inputs are not available, representing the District's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

## LAKEWAY MUNICIPAL UTILITY DISTRICT

Notes to the Financial Statements  
For the Year Ended September 30, 2018  
(Continued)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The District has the following recurring fair value measurements as of September 30, 2018:

- **Certificate of deposits** – The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities (Level 2 inputs).

TexPool investment pool balances are carried at amortized cost which does not require categorization under GASB No. 72, *Fair Value Measurements and Application*.

As of September 30, 2018, the District had the following investments:

<b>Summary of Cash and Investments by Type</b>	
Cash	\$ 1,419,346
Certificate of deposits	8,611,066
TexPool	9,362,194
Total cash and investments	<u>\$ 19,392,606</u>
Interest income	\$ 276,702
Net increase in the fair value of investments	<u>\$ 276,702</u>

### ***Custodial Credit Risk***

#### **Deposits**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover its collateral securities that are in the possession of an outside party. While the Board has no formal policy specific to custodial credit risk, operating bank accounts are fully collateralized with pledged securities for amounts in excess of the FDIC limit for the year ended September 30, 2018.

At September 30, 2018, the carrying amount of the District's cash and investments was \$19,392,606. The bank balance was \$1,493,556 and petty cash was \$300 as of September 30, 2018. The remaining amount was maintained in TexPool and certificates of deposit.

## LAKEWAY MUNICIPAL UTILITY DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2018

(Continued)

### **Investments**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the District, and are held by the counterparty, its trust or agent, but not in the District's name. The District's investment securities are not exposed to custodial credit risk because all securities are held by the District's custodial bank in the District's name.

### ***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investments are insured or registered and are held by the District or its agent in the District's name.

As of September 30, 2018, the District's investment portfolio consisted of the following:

TexPool	\$9,362,194
Certificates of deposits	8,611,066
Total	<u>\$17,973,260</u>

### ***Interest Rate Risk***

Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Interest rate risk may be mitigated by investing operating funds primarily in shorter term securities, money market funds or similar investment pools and limiting the average maturity of the portfolio.

The District's investment policy notes that with regard to maximum maturities, the District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest operating or general funds in securities maturing more than sixteen months from the date of purchase, unless approved by the District's Board. Investment of bond proceeds shall not exceed the projected expenditure schedule of the related project. Reserve funds may be invested in securities exceeding twelve months if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

### ***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the District. To help mitigate credit risk, credit quality guidelines are incorporated into the investment policy, as follows:

- Limiting investments to the safest types of securities, as listed above under the 'Concentration of Credit Risk' section; and
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the District will do business.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

For the Year Ended September 30, 2018

(Continued)

TexPool is not regulated by the Security and Exchange Commission. The State Comptroller exercises oversight responsibility over all other aspects of TexPool, including investment and accounting activity, development plans, etc. TexPool is rated AAA by Standard and Poor's and is fully collateralized and maintains a weighted average maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The amounts can be withdrawn with limited notice. The United States government agency securities are obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government and are not considered to have credit risk. Financial statements for TexPool may be obtained by writing TexPool, 1001 Texas Avenue, Suite 1400, Houston, TX 77002, or by calling 1-866-839-7665.

**C. RECEIVABLES**

Property taxes receivable – Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

Other receivables – Significant amounts include what is due from customers primarily from water and wastewater billings. Other receivables are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

**D. CAPITAL ASSETS**

The capital asset activity for the District for the year ended September 30, 2018 was as follows:

Capital assets	Construction		Buildings	Infrastructure and Improvements		Machinery and Equipment		Totals
	Land	in Progress						
September 30, 2017	\$ 1,901,959	\$ 4,519,333	\$ 4,314,736	\$ 51,048,050	\$ 1,035,832	\$ 62,819,910		
Increases	-	54,786	1,583,657	3,577,485	108,158	5,324,086		
Decreases	(153,894)	(4,519,333)	-	-	-	(4,673,227)		
September 30, 2018	<u>1,748,065</u>	<u>54,786</u>	<u>5,898,393</u>	<u>54,625,535</u>	<u>1,143,990</u>	<u>63,470,769</u>		
<b>Accumulated Depreciation</b>								
September 30, 2017	-	-	1,286,143	35,689,055	875,067	37,850,265		
Increases	-	-	190,770	997,806	59,742	1,248,318		
Decreases	-	-	-	-	-	-		
September 30, 2018	<u>-</u>	<u>-</u>	<u>1,476,913</u>	<u>36,686,861</u>	<u>934,809</u>	<u>39,098,583</u>		
<b>Capital assets, net</b>	<u>\$ 1,748,065</u>	<u>\$ 54,786</u>	<u>\$ 4,421,480</u>	<u>\$ 17,938,674</u>	<u>\$ 209,181</u>	<u>\$ 24,372,186</u>		

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements  
For the Year Ended September 30, 2018  
(Continued)

**E. CHANGES IN LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable:					
Unlimited Tax Bonds:					
Series 2005	\$ 3,695,000	\$ -	\$ (885,000)	\$ 2,810,000	\$ 885,000
Series 2009	4,745,000	-	(4,745,000)	-	-
Series 2013	6,865,000	-	(300,000)	6,565,000	315,000
Series 2018	<u>-</u>	<u>3,400,000</u>	<u>-</u>	<u>3,400,000</u>	<u>250,000</u>
Total Bonds Payable	15,305,000	3,400,000	(5,930,000)	12,775,000	1,450,000
Plus deferred amount:					
Issuance premiums	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<u>\$ 15,305,000</u>	<u>\$ 3,400,000</u>	<u>\$ (5,930,000)</u>	<u>\$ 12,775,000</u>	<u>\$ 1,450,000</u>

**F. LONG-TERM DEBT**

Bonded debt consists of Lakeway Municipal Utility District Water and Sewer Combination Revenue and Unlimited Tax Bonds: Series 2005, Series 2013, and Series 2018. On September 6, 2018 the District issued Series 2018 Unlimited Tax Bond to refund Series 2009 Unlimited Tax Bond. Fees associated with the issuance of the Series 2018 include issuance costs of \$102,175 and underwriter fees of \$29,433. The current refunding met the requirements of a legal defeasance and the Series 2009 Bond was removed from the District's government-wide financial statements. As a result of the current refunding, the District reduced its total debt service requirements by \$539,000 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$220,000.

Bond interest and principal is secured by and payable from the proceeds of an ad valorem tax levied without limitation as to rate or amount on all property within the District. Net revenues from the District's operations are not pledged for payment on the bonds but may be used for such purpose.

Bonds payable at September 30, 2018 are comprised of the following individual issues:

Series 2005, due in annual principal installments ranging from \$470,000 to \$885,000 through September 1, 2022; interest rate is fixed at 3.57%.	\$ 2,810,000
Series 2013-2, due in annual principal installments ranging from \$290,000 to \$585,000 through September 1, 2033; interest rate is variable from 2% to 4.125%.	6,565,000
Series 2018, due in annual principal installments ranging from \$250,000 to \$385,000 through September 1, 2029; interest rate is variable from 2% to 4%.	<u>3,400,000</u>
Total bonds payable at September 30, 2018	<u>\$ 12,775,000</u>

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements  
For the Year Ended September 30, 2018  
(Continued)

Debt service requirements to maturity are as follows:

<u>Due Fiscal Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Accumulated Accretion</u>	<u>Total</u>
2019	\$ 1,450,000	\$ 416,501	\$ -	\$ 1,866,501
2020	1,385,000	370,132	-	1,755,132
2021	1,275,000	324,563	-	1,599,563
2022	1,110,000	288,011	-	1,398,011
2023-2027	3,650,000	1,098,002	-	4,748,002
2028-2032	3,320,000	475,605	-	3,795,605
2033	<u>585,000</u>	<u>24,129</u>	-	<u>609,129</u>
Totals	<u>\$ 12,775,000</u>	<u>\$ 2,996,943</u>	<u>\$ -</u>	<u>\$ 15,771,943</u>

The provisions of the orders relating to debt service requirements for the upcoming fiscal year will be met with the cash allocated for these purposes and the proceeds of the ad valorem tax to be collected.

**Redemption of Bonds**

The provisions relating to the redemption, callability, and call price of outstanding bonds are as follows:

**Series 2005:**

Bonds maturing on and after September 1, 2009 are subject to redemption, in whole or in part, at any date, at the par value thereof plus accrued interest to the date of redemption.

**Series 2013:**

Bonds are callable in whole or in part on any date at par value plus accrued interest to the date of redemption.

**Series 2018:**

Bonds are callable in whole or in part on any date at par value plus accrued interest to the date of redemption.

**G. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster. During the year ended September 30, 2018, coverages provided are as follows:

Public Official and Employee Bond (Per occurrence)	\$ 50,000
Auto Liability and Physical Damage	\$ 1,000,000
General Liability	\$ 1,000,000
Commercial Property – Real and Personal Property	\$ 19,054,842
Tax Collector Bond	\$ 100,000
Errors and Omissions Liability	\$ 5,000,000

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

For the Year Ended September 30, 2018

(Continued)

The District has had no significant reduction in insurance coverage from prior years. The District has had no settlements exceeding insurance coverage. Workers' compensation was maintained by paying premiums to the Texas Municipal League Intergovernmental Risk Pool and Texas Political Subdivisions Joint Self-Insurance Funds. The premium is calculated based upon accident history and administrative costs.

**H. OPERATING TRANSFERS**

During the year ended September 30, 2018, the General Fund transferred \$887,789 to the Debt Service Fund for the payment of bond interest and principal.

**I. INTEREST AND FISCAL CHARGES**

The Debt Service Fund incurred interest and fiscal charges broken down as follows:

	<u>Debt Service</u>
Interest	\$ 577,669
Bond Refunding Costs	131,608
Appraisal Services	7,405
Collection Expenses	5,261
Total	<u>\$ 721,943</u>

**J. RELATIONSHIPS WITH OTHER DISTRICTS**

The District has two interconnects, one with Hurst Creek Municipal Utility District and one with Travis County Water District No. 17 for use in emergency situations. The cost of the interconnects was shared equally with Hurst Creek Municipal Utility District, Lakeway MUD, and Travis County Water District No. 17.

The District has two wholesale contracts – water and wastewater with Travis County Municipal Utility No.11 (aka Rough Hollow) and wastewater with Travis County WCID No. 17. The District entered into a contract with Rough Hollow to expand their West Waste Water Plant to accommodate future growth.

In November of 1997, the District entered an exclusion and development agreement with Lakeway Partners, LLC (“LP”). The agreement was revised and restated in June of 1998. The agreement provides that LP shall pay the capital costs portion owed by the District for the proposed Lower Colorado River Authority (“LCRA”) barge, including the on-shore connection cost. LP has since been acquired by Rough Hollow. During 2012, the District entered into a Joint Ownership and Operating Agreement to purchase the barge and water intake, pumping and transportation facilities from LCRA. As such, the District has recorded intergovernmental revenue in the amount of capital cost spent by the District to acquire its portion of the barge and system, including the additional installation and connection costs, which totaled \$1,725,398. Rough Hollow paid the District \$169,208 during 2015. As of September 30, 2018, there is a receivable balance due from Rough Hollow of \$559,729. As such, the District has classified the total expected to be collected in 2019 as a current receivable of \$167,424, with the remaining balance of \$392,305 recorded as a long-term receivable included in nonspendable fund balance. Rough Hollow has deposited an amount of \$900,000 into an escrow fund maintained by Stewart Title of Austin, LLC in order to secure the remaining balance due to the District.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements  
For the Year Ended September 30, 2018  
(Continued)

**K. JOINT OWNERSHIP AND OPERATING AGREEMENT**

During 2012, the District entered into a joint ownership and operating agreement (JOOA) for the Lakeway Regional Raw Water Transportation System. The agreement was entered into between the District (“LMUD”), Hurst Creek Municipal Utility District (“HCMUD”), Travis County Municipal Utility District No. 11 (“TCMUD11”), and Lakeway Rough Hollow South Community, Inc. (“Rough Hollow”). Each of the parties has a separate agreement with LCRA whereby LCRA provides the party with a raw water supply from Lake Travis. The parties agreed to their percentage ownership, and made initial capital outlay for their respective shares in the system, referred to as the “Barge Fund”. The percentage shares are as follows:

- LMUD                    59%
- HCMUD                32%
- TCMUD11            2%
- Rough Hollow       7%

LMUD is currently the administrator of the Barge Fund. In accordance with the JOOA, the District maintains complete books and records showing all deposits into and expenditures of any nature from the Barge Fund, which are kept in accordance with generally accepted accounting principles as applied to special districts in Texas. The Administrator can be changed by the parties, if a majority of parties vote to change. All records are kept separate and outside the general ledger of the District and the District is invoiced for its share of any costs incurred by the Barge Fund. Separate financial statements for the Barge Fund are available upon request.

**L. EMPLOYEE RETIREMENT PLAN**

**Plan Description** - Lakeway Municipal Utility District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system. TCDRS issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. The annual financial report is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or may be downloaded at <http://www.tcdrs.com>.

The Plan provisions are adopted by the governing body of the employer, within the options available in the Texas statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

**Benefited Amounts** - Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

For the Year Ended September 30, 2018

(Continued)

**Employees covered by benefit terms-** At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>22</u>
Total	<u><u>38</u></u>

**Contributions-**The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings. Under state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Employees for the District were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the District were 11.70% in calendar year 2017. The District contributions to TCDRS for the year ended September 30, 2018, were \$142,601 and were equal to the required contributions.

**Net Pension Liability-**The District's Net Pension Liability (NPL) was measured as of December 31, 2017 and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

**Actuarial assumptions-** The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Real rate of return	5.25% per year
Investment Rate of Return	8.00%, net of pension plan investment expense, including inflation

The long-term investment return of 8% is net of investment expenses and is expected to enable the system to credit interest at the nominal annual rates shown below to the following major funds:

Subdivision Accumulation Fund:	8%
Employees Saving Fund:	7%

Assuming interest will be credited at these nominal annual rates to the various funds, we have then assumed the following:

- An annual rate of 8% for calculating the actuarial accrued liability and normal cost contributions rate for the retirement plan of each participating employer.
- An annual rate of 7% required under the TCDRS Act for: (1) accumulating current service credit and multiple matching credit after the valuation date; (2) accumulating prior service credit after the valuation date; (3) determining the amount of the monthly benefit at future dates of retirement or disability; and (4) calculating the actuarial accrued liability of the system-wide Current Service Annuity Reserve Fund.

## LAKEWAY MUNICIPAL UTILITY DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2018

(Continued)

The annual salary rate increase assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. Employer-specific economic assumptions:

Growth in membership:	0.0%
Payroll growth:	1.5%

The payroll growth assumption is for the aggregate covered payroll of an employer. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Long-Term Expected Rate of Return**-The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year horizon. The numbers shown are based on January 2018 information for a 10 year time horizon.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expectation- inflation)
US Equities	Dow Jones U.S Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities- Developed	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities- Emerging	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment- Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	Citigroup High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	FTSE High-Yield Cash-Pay Capped Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

For the Year Ended September 30, 2018

(Continued)

**Discount Rate**-The discount rate used to measure the total pension liability was 8.10% and the longer-term expected rate of return, net of investment expense was 8.10%. The rate reflects the long-term rate of return funding valuation assumption of 8.00% plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is the long-term expected rate of return, and the municipal bond rate does not apply.

<b>Changes in Net Pension Liability/(Asset)</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balance at December 31, 2016	\$ 6,187,334	\$ 5,518,832	\$ 668,502
Changes for the year:			
Service cost	157,323	-	157,323
Interest on total pension liability	507,275	-	507,275
Effect of economic/demographic gains or losses	1,427	-	1,427
Effect of assumptions changes or inputs	20,606	-	20,606
Benefit payments	(164,274)	(164,274)	-
Administrative expense	-	(4,245)	4,245
Contributions - employer	-	142,601	(142,601)
Contributions - employee	-	85,390	(85,390)
Net investment income	-	806,533	(806,533)
Other changes	-	774	(774)
Balance at December 31, 2017	<u>\$ 6,706,691</u>	<u>\$ 6,385,611</u>	<u>\$ 324,080</u>

**Sensitivity Analysis**-The District calculated using the discount rate of 8.1%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.1%) than the current rate:

	<b>1% Decrease in Discount Rate</b>	<b>Discount Rate (8.1%)</b>	<b>1% Increase in Discount Rate</b>
Total pension liability	\$ 7,648,010	\$ 6,706,691	\$ 5,024,813
Fiduciary net position	6,382,612	6,382,612	6,382,612
Net pension liability/	<u>\$ 1,265,398</u>	<u>\$ 324,079</u>	<u>\$ (465,191)</u>

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**-For the year ended December 31, 2017, the District recognized pension expense of \$176,486.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

For the Year Ended September 30, 2018

(Continued)

**Pension Expense / (Income)**

Service Cost	\$	157,323
Interest on total pension liability		507,275
Effect of plan changes		-
Administrative expense		4,245
Member contribution		(85,390)
Expected investment return net of investment expenses		(449,299)
Recognition of deferred inflow/outflows of resources		
Recognition of economic / demographic gains or losses		(1,878)
Recognition of assumption changes or inputs		7,871
Recognition of investment gains or losses		37,113
Other		(774)
<b>Total pension expense/ (income)</b>	<b>\$</b>	<b><u>176,486</u></b>

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		<b><u>Deferred Inflows of Resources</u></b>		<b><u>Deferred Outflows of Resources</u></b>
Differences between expected and actual economic experience	\$	31,421	\$	27,441
Changes in actuarial assumptions		-		37,369
Net difference between projected and actual economic experience		<u>74,056</u>		<u>-</u>
Total	\$	<u>105,477</u>	\$	<u>64,810</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows for the year ended December 31:

2018	\$	43,105
2019		29,996
2020		(57,732)
2021		(65,454)
2022		6,270
Thereafter		3,148
Total	\$	<u>(40,667)</u>

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements  
For the Year Ended September 30, 2018  
(Continued)

**M. LITIGATION**

The District has no pending litigation that would materially affect these financial statements.

**N. EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS  
BALANCE SHEET AND THE STATEMENT OF NET POSITION**

Explanation	Amount of Adjustment
Total fund balances as of September 30, 2018	\$ 20,651,045
<p>Capital assets are not reported as assets in the governmental funds but are reported as expenditures when acquired. However, in the statement of net position, these assets are capitalized and reported at cost net of depreciation:</p>	
Land and construction in progress	1,802,851
Other capital assets	22,569,335
Employer contributions made subsequent to the pension liability measurement date but prior to the District's fiscal year end are expenditures in the funds but are reported as deferred outflows of resources in the statement of net position.	142,238
<p>Long-term liabilities and other payables applicable to the District's governmental activities are not due and payable in the current period and therefore are not reported as liabilities in the funds. All liabilities, both current and long-term, are reported in the statement of net position:</p>	
Pension liabilities	(324,077)
Deferred inflows of resources	(105,477)
Interest payable	(37,738)
Compensated absences	(133,192)
Bonds payable	(12,775,000)
Deferred tax revenues as reported in the funds included as deferred revenue are not available to pay current period expenditures and therefore are deferred in the funds but are reported as property tax revenue in the statement of activities and therefore no tax revenue deferral amount is reported in the statement of net position.	76,459
Total net position as of September 30, 2018	\$ 31,866,444

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

For the Year Ended September 30, 2018

(Continued)

**O. EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES**

<b>Explanation</b>		<b>Amount of Adjustment</b>
Excess of revenues, transfers and other sources of income over expenditures and transfers for the year ended September 30, 2018	\$	3,637,111
Salaries/benefits payable (compensated absences and pension liabilities) are currently reported as an expense in the statement of activities and since this expense does not require the use of current financial resources, it is not reported as an expenditure in the governmental funds.		(39,819)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Current year capital assets purchased or constructed		804,753
Depreciation expense		(1,248,318)
Incremental deferred tax revenues as reported in the funds included as deferred revenue are not available to pay current period expenditures and therefore are deferred in the funds but are reported as property tax revenue in the statement of activities.		(3,731)
Other and accrued interest		8,975
Repayment of bond principal is an expenditure in the governmental funds, and a reduction in long-term liabilities in the statement of net position and does not result in an expense in the statement of activities.		2,530,000
In the statement of activities, only the gain on the sale of land is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the land sold.		(153,894)
Change in net position for the year ended September 30, 2018	\$	5,535,077

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Required Supplementary Information - Pension Plan

For the Year Ended September 30, 2018

**Schedule of Changes in Net Pension Liabilities and Related Ratios**

	<u>2018</u>	<u>2017</u>
Total pension liability		
Service cost	\$ 157,323	\$ 154,942
Interest on total pension liability	507,275	461,660
Effect on plan changes	-	-
Effect on assumption changes or inputs	20,606	-
Effect of economic/demographic (gains) losses	1,427	21,858
Benefit payments/refunds of contributions	(167,274)	(146,497)
Net change in total pension liability	<u>519,357</u>	<u>491,963</u>
Total pension liability at beginning of year	<u>6,187,334</u>	<u>5,695,371</u>
Total pension liability at end of year (a)	<u>6,706,691</u>	<u>6,187,334</u>
 Fiduciary net position:		
Employer contributions	142,601	140,943
Member contributions	85,390	82,977
Investment income net of investment expense	806,533	374,606
Benefit payments/refunds of contributions	(167,274)	(146,497)
Administrative expenses	(4,245)	(4,069)
Other	774	10,607
Net change in fiduciary net position	<u>863,779</u>	<u>458,567</u>
Fiduciary net position at beginning of year	<u>5,518,832</u>	<u>5,060,265</u>
Fiduciary net position at end of year (b)	<u>6,382,611</u>	<u>5,518,832</u>
 Net pension liability/(asset) (a)-(b)	\$ 324,080	\$ 668,502
Fiduciary net position as a percentage of total pension liability	95.17%	89.20%
 Pensionable covered payroll	1,219,858	1,185,392
 Net pension liability (asset) as a percentage of covered payroll	26.57%	56.39%

Note: The Schedule of Changes in Net Pension Assets and related ratio disclosure is required for 10 years. The schedule noted above is only for the years in which the new GASB Statements have been implemented.

See accompanying notes and report of independent auditor.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Required Supplementary Information-Pension Plan

For the Year Ended September 30, 2018

**Schedule of Employer Contributions**

<b>Year Ending December 31</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Pension Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2007	\$ 95,249	\$ 95,249	\$ -	\$ 979,926	9.7%
2008	95,633	100,710	(5,077)	1,036,108	9.7%
2009	105,869	109,143	(3,274)	1,091,433	10.0%
2010	127,196	131,748	(4,552)	1,197,706	11.0%
2011	119,221	125,495	(6,274)	1,140,866	11.0%
2012	116,449	117,733	(1,284)	1,070,304	11.0%
2013	131,812	131,812	-	1,113,276	11.8%
2014	148,842	148,842	-	1,142,301	13.0%
2015	137,964	137,964	-	1,151,618	12.0%
2016	140,943	140,943	-	1,185,392	11.9%
2017	142,601	142,601	-	1,219,858	11.7%

Note: TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the District should report on a fiscal year basis. Payroll is calculated based on contributions as reported to TCDRS.

See accompanying notes and report of independent auditor.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
Notes to Schedule of Employer Contributions and Net Pension Liability  
For the Year Ended September 30, 2018

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	12.6 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule*	In the 2017 actuarial valuation, new Annuity Purchase Rates were reflected for benefits earned after 2017.

\* Note: Only changes effective 2015 and later are shown in the Notes to the Schedule.

See accompanying notes and report of independent auditor.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Required Supplementary Information - Pension Plan

For the Year Ended September 30, 2018

**Schedule of Annual Rates and Service Requirements**

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
40-44	4.5%	4.5%	62	20.0	20.0
45-49	9.0	9.0	63	15.0	15.0
50	10.0	10.0	64	15.0	15.0
51	9.0	10.0	65	25.0	25.0
52	9.0	10.5	66	25.0	25.0
53	9.0	10.5	67	22.0	22.0
54	10.0	10.5	68	20.0	20.0
55	10.0	11.0	69	20.0	20.0
56	10.0	11.0	70	22.0	22.0
57	10.0	11.0	71	22.0	22.0
58	12.0	12.0	72	22.0	22.0
59	12.0	12.0	73	22.0	22.0
60	12.0	12.0	74**	22.0	22.0
61	12.0	12.0			

\* Deferred members are assumed to retire (100% probability) at the later of:

- a) age 60
- b) earliest retirement eligibility.

\*\* For all eligible members ages 75 and later, retirement is assumed to occur immediately.

**Employer-specific demographic assumptions:**

Other terminations of employment — The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed.

See accompanying notes and report of independent auditor.

**LAKeway MUNICIPAL UTILITY DISTRICT**

Required Supplementary Information - Pension Plan

For the Year Ended September 30, 2018

**Schedule of Probability of Withdrawal**

**Withdrawals** — Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to your plan are shown in the table below. For non-depositing members who are not vested, 100% are assumed to elect a

<b>Years of Service</b>	<b>Probability</b>	<b>Years of Service</b>	<b>Probability</b>
0	100%	15	40%
1	100	16	38
2	100	17	36
3	100	18	33
4	100	19	30
5	100	20	28
6	100	21	26
7	100	22	24
8	47	23	22
9	46	24	20
10	45	25	18
11	44	26	16
12	43	27	14
13	42	28	12
14	41	29*	10

\* Members with more than 29 years of service are not assumed to withdrawal.

See accompanying notes and report of independent auditor.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
 Budgetary Comparison Schedule - Required Supplemental Information  
 General Fund  
 For the Year Ended September 30, 2018

	<u>Budgeted Amounts</u>			<b>Variance With</b>
	<u>Original</u> <u>(unaudited)</u>	<u>Final</u> <u>(unaudited)</u>	<u>Actual</u> <u>Amounts</u>	<b>Final Budget</b> <b>Positive</b> <b>(Negative)</b>
<b>Revenues:</b>				
Charges for water services	\$ 3,187,141	\$ 3,187,141	\$ 3,382,780	\$ 195,639
Charges for wastewater service	1,640,500	1,640,500	1,777,717	137,217
Property taxes	220,000	220,000	220,754	754
Tap connection and inspection fees	33,000	33,000	44,043	11,043
Investment earnings	24,000	24,000	82,722	58,722
Penalties and interest	40,000	40,000	31,081	(8,919)
Other	5,000	5,000	54,240	49,240
Total revenues	<u>5,149,641</u>	<u>5,149,641</u>	<u>5,593,337</u>	<u>443,696</u>
<b>Expenditures/expenses:</b>				
<b>Service operations:</b>				
Water service	954,000	954,000	803,165	150,835
Wastewater service	280,250	280,250	570,575	(290,325)
Salaries, benefits, and payroll taxes	1,738,427	1,738,427	1,736,682	1,745
Contracted services	249,700	249,700	418,053	(168,353)
Professional fees	215,000	215,000	231,252	(16,252)
Administrative Supplies and Maintenance-	469,250	469,250	40,515	428,735
<b>Capital outlay</b>	<u>532,217</u>	<u>532,217</u>	<u>409,798</u>	<u>122,419</u>
Total expenditures/expenses	<u>4,438,844</u>	<u>4,438,844</u>	<u>4,210,040</u>	<u>228,804</u>
Excess (deficiency) of revenues over expenditures	710,797	710,797	1,383,297	672,500
Other financing sources (uses):				
Transfers-internal activities	(933,048)	(933,048)	(887,789)	45,259
Other	-	-	(166,022)	(166,022)
Total other sources (uses)	<u>(933,048)</u>	<u>(933,048)</u>	<u>(1,053,811)</u>	<u>(120,763)</u>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(222,251)	(222,251)	329,486	551,737
<b>Fund balance:</b>				
Beginning of the year	6,513,446	6,513,446	6,513,446	-
End of the year	<u>\$ 6,291,195</u>	<u>\$ 6,291,195</u>	<u>\$ 6,842,932</u>	<u>\$ 551,737</u>

See accompanying notes and report of independent auditor.

## **LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to Required Supplementary Information

For the Year Ended September 30, 2018

### **Budgetary Information**

The General Manager submits an annual budget to the Finance Committee, and then presents it to the Board of Directors after receiving feedback from the Finance Committee. In August, the Board adopts the annual fiscal year budget for the District for the general fund prepared in accordance with generally accepted accounting principles. Once approved, the Board may amend the adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budget is prepared in a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: salaries and benefits, supplies, maintenance, purchased and contracted services, and capital expenditures. Budget approvals for capital expenditures are subject to final review by the Board. The level of control is by department, which has been established by an Authority Matrix. Expenditures may not exceed appropriations.

The budget is prepared on a cash and expenditures basis. Revenues are budgeted in the year receipt is expected and expenditures are budgeted in the year that the applicable expenditure is expected to be made.

The budget amounts presented in the budgetary comparison schedule represent the original and final amended budget as adopted during the year. The District does not appropriate current funds for estimates of expenditures for construction projects in the general fund. Instead, the District budgets for construction project expenditures on a project basis and not on an annual basis. All budget appropriations lapse at fiscal year end. The District's budget is used for management control and rate setting purposes.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
Supplemental Schedules Included Within this Report  
For the Year Ended September 30, 2018

- A. *Schedule of Services and Rates*
- B. *Schedule of General Fund Expenditures*
- C. *Schedule of Temporary Investments*
- D. *Schedule of Taxes Levied and Receivable*
- E. *Long-Term Debt Service Requirements by Years*
- F. *Analysis of Changes in Long-Term Debt*
- G. *Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund-Five Years*
- H. *Board Members, Key Personnel and Consultants*

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

(A) Schedule of Services and Rates (Unaudited)

For the Year Ended September 30, 2018

1 Services Provided by the District:

<input checked="" type="checkbox"/>	Retail Water	<input checked="" type="checkbox"/>	Wholesale Water
<input checked="" type="checkbox"/>	Retail Wastewater	<input checked="" type="checkbox"/>	Wholesale Wastewater
<input type="checkbox"/>	Parks/Recreation	<input type="checkbox"/>	Fire Protection
<input type="checkbox"/>	Solid Waste/Garbage	<input type="checkbox"/>	Flood Control
<input type="checkbox"/>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)	<input type="checkbox"/>	Irrigation
<input type="checkbox"/>	Drainage	<input type="checkbox"/>	Security
<input type="checkbox"/>	Other	<input type="checkbox"/>	Roads

2 Retail Rates Based on 5/8" Meter: \_\_\_\_\_ Retail Rates Not Applicable

The most prevalent type of meter (if not a 5/8"): \_\_\_\_\_

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
Water:	\$ 20.00	0	N	\$ 2.50	0 to 15,000
				3.25	15,001-30,000
				3.75	30,001-50,000
				4.30	50,001-80,000
				5.00	80,001-100,000
				5.75	Over 100,000

Wastewater: \$ 14.00 0 N \$ 2.50 0 to infinity

District employs winter averaging for wastewater usage? Yes X No \_\_\_\_\_

Total water and wastewater charges per 10,000 gallons usage (including surcharges) \$ 84.00

3 Retail Services Providers: Number of retail water and/or wastewater\* connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:

<u>Active Connections</u>	<u>Active ESFC</u>	<u>Inactive Connections (ESFC)</u>
4,205	4,421	21

\* Number of connections relates to water service.

4 Total Water Consumption (In Thousands) During the Fiscal Year:

Gallons pumped into system:	831,495
Gallons billed to customers:	759,495
Gallons of District use:	2,577

See accompanying notes and report of independent auditor.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
 (A) Schedule of Services and Rates (unaudited)  
 For the Year Ended September 30, 2018  
 (continued)

5 Standby Fees:

Does the District assess Standby Fees? Yes \_\_\_\_\_ No  X

For the most recent full fiscal year, FYE 9/30/18:

General Fund:

Total Levy	\$	-
Total Collected	\$	-
Percentage Collected		N/A

Have Standby Fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? Yes \_\_\_\_\_ No  X

\* Standby Fees have not been levied since August 1998. Existing uncollected Fees still remain.

6 Anticipated sources of funds to be used for debt service payments in the District's following fiscal year:

a. Debt Service Tax Receipts	\$	926,501
b. Water and Wastewater Revenue		940,000
c. Debt Service Fund Balances To Be Used		-
<b>TOTAL ANTICIPATED FUNDS TO BE USED*</b>	<b>\$</b>	<b><u>1,866,501</u></b>

\* This total should equal the District's total annual debt service for the fiscal year following the fiscal year reported or in the audited financial statements.

7 Location of District

County (ies) in which District is located.  Travis

Is the District located entirely within one county? Yes  X  No \_\_\_\_\_

Is the District located within a city? Entirely \_\_\_\_\_ Partly  X  Not at all \_\_\_\_\_

City (ies) in which District is located.  Lakeway Village of the Hills, City of Lakeway

Is the District located within a city's extra territorial jurisdiction (ETJ)?  
 Entirely \_\_\_\_\_ Partly  X  Not at all \_\_\_\_\_

ETJ's in which District is located.  City of Lakeway

Is the general membership of the Board appointed by an office outside the District? Yes \_\_\_\_\_ No  X

If Yes, by whom? \_\_\_\_\_

See accompanying notes and report of independent auditor.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

**(B) Schedule of General Fund Expenditures**

For the Year Ended September 30, 2018

Water Services:	
Treated Water and Chemicals	\$ 39,149
Raw Water	413,129
LCRA Variable Cost (B-4 Energy)	91,471
Energy	101,053
Supplies	23,070
Maintenance	135,293
	<u>803,165</u>
Wastewater Services:	
Chemicals	59,632
Energy	239,609
Supplies	24,745
Maintenance	246,589
	<u>570,575</u>
Personnel (including benefits)	1,736,682
Accrued Retirement Expense	-
	<u>1,736,682</u>
Professional Fees:	
Auditing	17,327
Legal	28,354
Engineering	117,626
Other	67,945
	<u>231,252</u>
Administrative Supplies and Maintenance:	
Supplies	18,004
Maintenance	22,511
	<u>40,515</u>
Capital Outlay:	
Capitalized Assets	382,724
Not Capitalized	27,074
	<u>409,798</u>

See accompanying notes and report of independent auditor.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

**(B) Schedule of General Fund Expenditures**

**For the Year Ended September 30, 2018**

(continued)

Purchased and Contracted Services:

Inflow and Infiltration	\$	187,191
Bank Fees		52,182
Insurance		43,023
Testing and Lab Fees		39,245
Communications		24,647
Inspection Fees		16,350
Miscellaneous		4,121
Permits		13,131
Transportation		6,453
Equipment Rental		5,305
Custodial		5,247
Education		14,132
Safety		5,950
Security Fees		791
Medical		285
		<u>418,053</u>

TOTAL EXPENDITURES \$ 4,210,040

Number of persons employed by the District: 23 Full-Time  
(Does not include independent contractors or consultants) 0 Part-Time

See accompanying notes and report of independent auditor.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
(C) Schedule of Temporary Investments  
As of September 30, 2018

<u>Funds</u>	<u>Account Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest at End of Year</u>
General Fund					
Investment Pool -					
TexPool	8121300002	*	Open	\$ 5,365,434	\$ -
Total				<u>5,365,434</u>	<u>-</u>
Debt Service Fund					
Investment Pool -					
TexPool	8121300017	*	Open	35,546	-
Total				<u>35,546</u>	<u>-</u>
Capital Projects Fund					
Certificate of deposits				8,611,066	
Investment Pool -					
TexPool	8121300015	*	Open	3,961,214	-
Total				<u>12,572,280</u>	<u>-</u>
Total - All Funds				\$ <u>17,973,260</u>	\$ <u>-</u>

\* Variable Rate - Texpool interest rate as of September 30, 2018 was 1.535%.

See accompanying notes and report of independent auditor.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
(D) Schedule of Taxes Levied and Receivable  
For the Year Ended September 30, 2018

	<b>Maintenance Taxes</b>	<b>Service Taxes</b>
Taxes Receivable, Beginning of Year	\$ 5,090	\$ 75,171
2017 Original Tax Levy - Net of Adjustments	219,691	1,350,600
Adjustments - Prior Years	98	(365)
Total to be Accounted For	224,879	1,425,406
Tax Collections:		
Current Year	(218,640)	(1,344,140)
Prior Years	(1,149)	(9,826)
Total Collections	(219,789)	(1,353,966)
Taxes Receivable, End of Year	\$ 5,090	\$ 71,440
Taxes Receivable, By Years:		

1992 and earlier	-	11,586
1993	-	126
1994	-	216
1995	-	856
1996	-	294
1997	-	131
1998	-	255
1999	-	282
2000	-	1,258
2001	152	2,423
2002	5	1,013
2003	1	13
2004	99	1,917
2005	129	2,205
2006	119	2,101
2007	242	2,828
2008	319	1,725
2009	271	2,396
2010	375	3,476
2011	467	4,522
2012	242	5,154
2013	340	5,085
2014	233	5,053
2015	524	4,802
2016	521	5,263
2017	1,051	6,460

Taxes Receivable, End of Year	\$ 5,090	\$ 71,440
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	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Property Valuations (Unaudited):	\$ 1,248,243,751	\$ 1,167,187,921	\$ 1,106,119,772	\$ 1,039,623,881	\$ 978,797,382
Tax Rates per \$100 Valuation:					
Debt Service tax rates	\$ 0.1082	\$ 0.1171	\$ 0.1350	\$ 0.1736	\$ 0.1812
Maintenance tax rates	\$ 0.0176	\$ 0.0189	\$ 0.0186	\$ 0.0100	\$ 0.0151
Total Tax Rates per \$100 Valuation	\$ 0.1258	\$ 0.1360	\$ 0.1536	\$ 0.1836	\$ 0.1963
Original Tax Levy:	\$ 1,570,291	\$ 1,587,376	\$ 1,699,468	\$ 1,908,954	\$ 1,910,620
Percent of Taxes Collected to Taxes Levied *	99.52%	99.42%	99.50%	99.69%	99.24%

\* Calculated as taxes collected in current and previous years divided by tax levy.

\* Calculated as taxes collected in current and previous years divided by tax levy.

See accompanying notes and report of independent auditor.

**LAKeway MUNICIPAL UTILITY DISTRICT**  
**(E) Long-Term Debt Service Requirements by Years**  
For the Year Ended September 30, 2018

Due During Fiscal Year Ending September 30	Series 2005			Series 2013			Series 2018		
	Principal Due Sept. 1	Interest Due March 1 and Sept. 1	Total	Principal Due Sept.1	Interest Due March 1 and Sept. 1	Total	Principal Due Sept.1	Interest Due March 1 and Sept. 1	Total
2019	\$ 885,000	\$ 100,317	\$ 985,317	\$ 315,000	\$ 221,234	\$ 536,234	\$ 250,000	\$ 94,950	\$ 344,950
2020	795,000	68,910	863,910	330,000	214,934	544,934	260,000	86,288	346,288
2021	660,000	40,341	700,341	345,000	208,334	553,334	270,000	75,888	345,888
2022	470,000	16,779	486,779	360,000	200,744	560,744	280,000	70,488	350,488
2023	-	-	-	375,000	192,104	567,104	295,000	64,888	359,888
2024	-	-	-	395,000	182,354	577,354	305,000	58,986	363,986
2025	-	-	-	410,000	171,294	581,294	315,000	49,838	364,838
2026	-	-	-	430,000	158,994	588,994	330,000	42,750	372,750
2027	-	-	-	450,000	143,944	593,944	345,000	32,850	377,850
2028	-	-	-	470,000	127,631	597,631	365,000	22,500	387,500
2029	-	-	-	490,000	108,831	598,831	385,000	11,550	396,550
2030	-	-	-	515,000	89,231	604,231	-	-	-
2031	-	-	-	535,000	68,631	603,631	-	-	-
2032	-	-	-	560,000	47,231	607,231	-	-	-
2033	-	-	-	585,000	24,129	609,129	-	-	-
<b>TOTALS</b>	<b>\$ 2,810,000</b>	<b>\$ 226,347</b>	<b>\$ 3,036,347</b>	<b>\$ 6,565,000</b>	<b>\$ 2,159,620</b>	<b>\$ 8,724,620</b>	<b>\$ 3,400,000</b>	<b>\$ 610,976</b>	<b>\$ 4,010,976</b>

See accompanying notes and report of independent auditor.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
(E) Long-Term Debt Service Requirements by Years  
For the Year Ended September 30, 2018

<b>Due During Fiscal Year Ending September 30</b>	<b>Annual Requirements for All Series</b>			
	<b>Principal Due Sept. 1</b>	<b>Interest Due March 1 and Sept. 1</b>	<b>Accumulated Accretion</b>	<b>Total</b>
2019	\$ 1,450,000	\$ 416,501	\$ -	\$ 1,866,501
2020	1,385,000	370,132	-	1,755,132
2021	1,275,000	324,563	-	1,599,563
2022	1,110,000	288,011	-	1,398,011
2023	670,000	256,992	-	926,992
2024	700,000	241,340	-	941,340
2025	725,000	221,132	-	946,132
2026	760,000	201,744	-	961,744
2027	795,000	176,794	-	971,794
2028	835,000	150,131	-	985,131
2029	875,000	120,381	-	995,381
2030	515,000	89,231	-	604,231
2031	535,000	68,631	-	603,631
2032	560,000	47,231	-	607,231
2033	585,000	24,129	-	609,129
<b>TOTALS</b>	<b>\$ <u>12,775,000</u></b>	<b>\$ <u>2,996,943</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>15,771,943</u></b>

Cash and Temporary Investment Balance at September 30, 2018

Debt Service Fund \$ 43,887

See accompanying notes and report of independent auditor.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

(F) Analysis of Changes in Long-Term Debt

For the Year Ended September 30, 2018

	<u>Series 2005</u>	<u>Series 2009</u>	<u>Series 2013 (2)</u>	<u>Series 2018</u>	<u>Totals</u>
Interest Rate	3.57%	4.375-4.50%	2.0-4.125%	2.0-4.0%	
Dates Interest Payable	3/1:9/1	3/1:9/1	3/1:9/1	3/1:9/1	
Bonds Outstanding					
Beginning of Current Year	\$ 3,695,000	\$ 4,745,000	\$ 6,865,000	\$ -	\$ 15,305,000
Bonds Issued During					
Current Year	-	-	-	3,400,000	3,400,000
Current Year Accretion	-	-	-	-	-
Retirements:					
Principal	<u>885,000</u>	<u>4,745,000</u>	<u>300,000</u>	<u>-</u>	<u>5,930,000</u>
Bonds Outstanding					
End of Current Year	\$ <u>2,810,000</u>	\$ <u>-</u>	\$ <u>6,565,000</u>	\$ <u>3,400,000</u>	\$ <u>12,775,000</u>
Retirements:					
Interest	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Paying Agent's Name & Address:	Bond Authority:				
J.P. Morgan Chase Bank					
P.O. Box 911542			Tax		
Dallas, Texas 75391-1542			<u>Bonds*</u>		
	Amount Authorized by Voters			\$	53,115,000
The Bank of New York	Amount Issued			\$	53,115,000
P.O. Box 14099	Remaining to be Issued			\$	-
New York, New York 07198-0099					

Debt Service Fund Cash and Temporary Investments  
balances as of September 30, 2018: \$43,887  
Average Annual Debt Service Payment (Principal and Interest)  
for remaining term of all debt: \$1,051,463

See accompanying notes and report of independent auditor.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
(G) Comparative Schedule of Revenues and Expenditures  
For the Five Years Ended September 30, 2018

						<b>Percent of Fund Total Revenues</b>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>General Fund Revenues</u></b>										
Property Taxes - M&O	\$ 220,754	219,944	206,171	\$ 104,527	\$ 145,928	3.95%	4.09%	3.82%	2.04%	2.84%
Water & Wastewater Charges	5,160,497	4,892,330	4,982,542	4,622,121	4,599,378	92.26%	91.01%	92.42%	90.39%	89.43%
Meter Installation	44,043	75,476	74,654	80,020	107,134	0.79%	1.40%	1.38%	1.56%	2.08%
Interest, Penalties & Other	168,043	187,805	127,655	306,781	290,833	3.00%	3.49%	2.37%	6.00%	5.65%
Total General Fund Revenues	<u>5,593,337</u>	<u>5,375,555</u>	<u>5,391,022</u>	<u>5,113,449</u>	<u>5,143,273</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<b><u>General Fund Expenditures</u></b>										
Salaries	1,736,682	1,690,072	1,330,684	1,577,316	1,538,396	41.25%	43.69%	39.37%	30.85%	29.91%
Supplies	65,819	58,202	54,856	52,692	73,189	1.56%	1.50%	1.62%	1.03%	1.42%
Maintenance & Repair	404,393	384,956	364,386	377,529	435,271	9.61%	9.95%	10.78%	7.38%	8.46%
Purchased & Contracted Services	1,593,348	1,457,245	1,451,112	1,370,640	1,319,001	37.85%	37.67%	42.94%	26.80%	25.65%
Capital Outlay	409,798	277,742	178,574	256,147	348,026	9.73%	7.18%	5.28%	5.01%	6.77%
Total General Fund Expenditures	<u>4,210,040</u>	<u>3,868,217</u>	<u>3,379,612</u>	<u>3,634,324</u>	<u>3,713,883</u>	<u>78.09%</u>	<u>71.75%</u>	<u>62.69%</u>	<u>62.69%</u>	<u>72.21%</u>
General Fund Revenue Over/Under Expenditures	1,383,297	1,507,338	2,011,410	1,479,125	1,429,390	24.73%	28.04%	37.31%	28.93%	27.79%
<b><u>Other Finance Sources (Uses)</u></b>										
Operating Transfers Out	(887,789)	(940,576)	(870,984)	(1,626,555)	(885,150)	-15.87%	-17.50%	-16.16%	-31.81%	-17.21%
Other	(166,022)	-	-	-	-	-2.97%	0.00%	0.00%	0.00%	0.00%
Total Other Financing Sources (Uses)	<u>(1,053,811)</u>	<u>(940,576)</u>	<u>(870,984)</u>	<u>(1,626,555)</u>	<u>(885,150)</u>	<u>-18.84%</u>	<u>-17.50%</u>	<u>-16.16%</u>	<u>-31.81%</u>	<u>-17.21%</u>
General Fund Revenue And Other Sources Over/Under Expenditures And Other Uses	<u>\$ 329,486</u>	<u>566,762</u>	<u>1,140,426</u>	<u>\$ (147,430)</u>	<u>\$ 544,240</u>	<u>5.89%</u>	<u>10.54%</u>	<u>21.15%</u>	<u>-2.88%</u>	<u>10.58%</u>

See accompanying notes and report of independent auditor.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
(G) Comparative Schedule of Revenues and Expenditures  
For the Five Years Ended September 30, 2018  
(continued)

	<u>Amounts</u>					<u>Percent of Fund Total Revenues</u>						
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	
<b><u>Debt Service Fund Revenues</u></b>												
Property Taxes - M&O	\$ 1,353,002	\$ 1,361,801	1,496,971	\$ 1,810,877	\$ 1,745,463	\$	97.24%	98.54%	98.22%	99.37%	99.58%	99.01%
Penalties & Interest	38,359	20,200	27,104	11,544	7,351		2.76%	1.46%	1.78%	0.63%	0.42%	0.99%
Total Debt Service Fund Revenues	<u>1,391,361</u>	<u>1,382,001</u>	<u>1,524,075</u>	<u>1,822,421</u>	<u>1,752,814</u>		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<b><u>Debt Service Fund Expenditures</u></b>												
Tax Collection Expenditures	-	-	12,329	12,329	12,329		0.00%	0.00%	0.81%	0.68%	0.70%	0.67%
Debt Service Interest & Fees	590,335	627,226	661,420	698,489	661,854		42.43%	41.15%	43.40%	38.33%	37.76%	29.53%
Debt Service Principal	2,530,000	1,340,000	1,610,000	2,830,000	2,815,000		181.84%	87.92%	105.64%	155.29%	160.60%	152.40%
Refunding Bonds Issuance Costs	131,608	-	-	-	-		9.46%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Debt Service Fund Expenditures	<u>3,251,943</u>	<u>1,967,226</u>	<u>2,283,749</u>	<u>3,540,818</u>	<u>3,489,183</u>		<u>213.37%</u>	<u>129.08%</u>	<u>149.84%</u>	<u>202.01%</u>	<u>199.06%</u>	<u>221.69%</u>
Debt Service Revenue Over/Under Expenditures	(1,860,582)	(585,225)	(759,674)	(1,718,397)	(1,736,369)		-133.72%	-42.35%	-49.84%	-94.29%	-99.06%	-82.60%
<b><u>Other Financing Sources</u></b>												
Proceeds from bond refunding	3,400,000	-	-	-	-		244.37%	0.00%	0.00%	0.00%	0.00%	0.00%
Payment for bond refunding	(3,400,000)	-	-	-	-		-244.37%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Transfers In From General Fund	887,789	940,576	870,984	1,626,555	885,150		63.81%	68.06%	57.15%	89.25%	50.50%	89.41%
Other	166,022	-	-	-	-		11.93%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Other Financing Sources	<u>1,053,811</u>	<u>940,576</u>	<u>870,984</u>	<u>1,626,555</u>	<u>885,150</u>		<u>75.74%</u>	<u>68.06%</u>	<u>57.15%</u>	<u>89.25%</u>	<u>50.50%</u>	<u>89.41%</u>
Debt Service Revenue And Other Sources Over/Under Expenditures	\$ <u>(806,771)</u>	\$ <u>355,351</u>	<u>111,310</u>	\$ <u>(91,842)</u>	\$ <u>(851,219)</u>	\$	<u>-57.98%</u>	<u>25.71%</u>	<u>7.30%</u>	<u>-5.04%</u>	<u>-48.56%</u>	<u>6.81%</u>
Total Active Retail Water Connections	<u>4,205</u>	<u>4,129</u>	<u>4,113</u>	<u>4,135</u>	<u>4,105</u>							
Total Active Retail Wastewater	<u>3,142</u>	<u>3,096</u>	<u>3,072</u>	<u>3,024</u>	<u>3,024</u>							

See accompanying notes and report of independent auditor.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
(H) Board Members, Key Personnel, and Consultants (Unaudited)  
For the Year Ended September 30, 2018

<u>Board Members</u>	<b>Term of Office (Elected or Appointed) or Date Hired</b>	<b>Annual Fees Paid</b>	<b>Expense Reimb.</b>	<b>Title</b>	<b>Resident of District</b>	<b>*Relationship w/ Major Land Owner, Eng., Attorney &amp; Tax Asses.-Col.</b>
Larry Burmeier 1097 Lohmans Crossing Lakeway, TX 78734	05/21/14 05/31/22	\$ -	\$ -	President	Yes	None
Tom Brewer 1097 Lohmans Crossing Lakeway, TX 78734	05/25/16 05/25/20	\$ -	\$ -	Vice President	Yes	None
Don Goff 1097 Lohmans Crossing Lakeway, TX 78734	05/07/16 05/25/20	\$ -	\$ -	Secretary	Yes	None
Lawrence M. Christian 1097 Lohmans Crossing Lakeway, TX 78734	05/07/16 05/25/20	\$ -	\$ -	Treasurer	Yes	None
Jerry Hietpas 1097 Lohmans Crossing Lakeway, TX 78734	05/31/06 05/31/22	\$ -	\$ -	Director	Yes	None
Earl Foster 1097 Lohmans Crossing Lakeway, TX 78734	2010	\$ 157,626	\$ 6,915	General Manager	No	None
Loyd Smith 1097 Lohmans Crossing Lakeway, TX 78734	2012	\$ 77,590	\$ -	Finance/Administration Manager	No	None
<b><u>Consultants</u></b>						
Patricia Erlinger Carls 901 S. Mopac, Bldg 2, Suite 500 Austin, Texas 78746	2010	\$ 28,354	\$ -	Attorney	No	None
Travis Central Appraisal District P.O Box 149012 Austin, Texas 78714-9012	1982	\$ 9,110	\$ -	Central Appraisal District	No	None
Travis County Tax Collector P.O. Box 1748 Austin, Texas 78767	1982	\$ 5,322	\$ -	Tax Collector	No	None

\* Includes business or family relationship.

See accompanying notes and report of independent auditor.



## 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

Board of Directors  
Lakeway Municipal Utility District:

We have audited, 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, the financial statements of the governmental activities and each major fund as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Lakeway Municipal Utility District's (the "District") basic financial statements, and have issued our report thereon dated February 13, 2019.

### *Internal Control over Financial Reporting*

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

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

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### *Compliance and Other Matters*

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



**Purpose of this Report**

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

**PMB HELIN DONOVAN, LLP**

*PMB Helin Donovan, LLP*

February 13, 2019  
Austin, Texas