



Lakeway Municipal Utility District

Annual Financial Report

September 30, 2014



PMB Helin Donovan
CERTIFIED PUBLIC ACCOUNTANTS

LAKEWAY MUNICIPAL UTILITY DISTRICT
Annual Financial Report
For the Year Ended September 30, 2014

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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 11th day of February, 2015, its annual audit report for the fiscal year ended September 30, 2014 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.

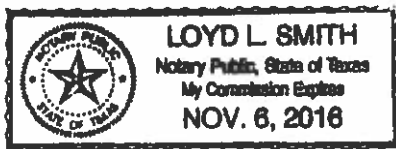
Date: February 11, 2015

By:



Larry Burrmeier, President

Sworn to and subscribed to before me this 11th day of February, 2015.



(SEAL)


Notary Public in the State of Texas

Independent Auditors' Report

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, 2014, 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

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

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, 2014, 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 schedule of funding progress and budgetary comparison information on pages 26 through 27, 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 30 through 42 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules on pages 32 through 41 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 30 through 31 and page 42 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.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

February 3, 2015
Austin, Texas

LAKEWAY MUNICIPAL UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2014

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, 2014.

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 2014. The financial statements show continued growth in net position and taxpayer equity. We increased bonded debt in 2014 for capital projects, and 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. 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 2014 with \$16,712,702 in total net position. This was made up of \$38,448,164 in assets, comprised of cash, investments, accounts receivable, and capital assets, and with liabilities of \$21,735,462 including accounts payable, security deposits payable, salaries and benefits payable, and long term liabilities (debt service). See page 9.

STATEMENT OF ACTIVITIES

Program revenues totaled \$4,706,512, general revenue totaled \$2,206,289 , and total revenue for the year was \$6,912,801. Total expenses for the year were \$6,466,763, resulting in an increase in net position of \$446,038. See page 10.

LAKEWAY MUNICIPAL UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2014
(Continued)

CONDENSED FINANCIAL STATEMENTS

Table I
Summary Statements of Net Position
As of September 30, 2014 and 2013

	Governmental Activities	
	2014	2013
Current assets	\$ 12,754,711	\$ 6,388,113
Capital assets (net of depreciation)	24,571,871	25,603,025
Other assets	1,121,582	1,292,886
Total assets	38,448,164	33,284,024
Current liabilities	672,401	811,161
Long-term liabilities	21,063,061	16,206,199
Total liabilities	21,735,462	17,017,360
Net Position:		
Invested in capital assets	11,138,539	9,396,826
Restricted	475,840	1,327,059
Unrestricted	5,098,323	5,542,779
Total net position	\$ 16,712,702	\$ 16,266,664

Table II
Summary Statements of Activities
For the Years ended September 30, 2014 and 2013

	Governmental Activities	
	2014	2013
Expenses:		
Program expenses	\$ 3,411,597	\$ 3,464,202
Capital outlay	348,026	245,377
Debt service	1,124,356	959,361
Depreciation	1,582,784	1,681,592
Other	-	52,250
Total expenses	6,466,763	6,402,782
Revenues:		
Program revenues	4,706,512	4,986,656
General revenues	2,206,289	2,237,097
Total revenues	6,912,801	7,223,753
Change in net position	446,038	820,971
Beginning of year	16,266,664	15,445,693
End of year	\$ 16,712,702	\$ 16,266,664

LAKEWAY MUNICIPAL UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2014
(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 \$6,317,760 over prior year to \$13,369,591. Approximately 8% of this total is a nonspendable noncurrent receivable balance. The restricted funds of \$475,840, or 4%, represent debt service funds restricted for principal and interest payments on long term debt. The assigned fund balance of \$7,629,729, or 57%, 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, \$4,142,440, or 31%, is unassigned 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 4,105 active water connections as of September 30, 2014. This was an increase of 22 connections over the prior fiscal year. We had 3,059 active wastewater connections as of September 30, 2014. This was an increase of 35 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 FY 2014, water base rates decreased from \$23.18 to \$23.00 and wastewater base rates decreased from \$17.19 to \$17.00. Water volume rate charges remained the same: 0-15,000 gallons (\$2.50 per thousand); 15,001-30,000 (\$3.25); 30,001-50,000 (\$3.50); 50,001-80,000 (\$4.00); 80,001-100,000 (\$4.50); and over 100,000 (\$5.00). Rates were adequate to cover the projected cost of operations. See page 30.

Ad Valorem Taxes

Ad Valorem taxes of \$.1963 per \$100 valuation were collected to make principal and interest payments on wastewater debt. Tax charges of \$.0151 per \$100 valuation, were collected for general maintenance and operations. Ninety-nine percent of the taxes levied in 2013 were collected and the remaining 1% is considered collectable. Total assessed valuation increased from \$940 million in fiscal 2013 to \$979 million in fiscal 2014.

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 and interest payments made by the District during the fiscal year ended September 30, 2014 totaled \$3,489,183.

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 2014.

REVENUES

General Fund revenues for the year totaled \$5,143,273, approximately \$3,500 less than originally budgeted. This was mainly due to slightly lower volume than expected for water service.

LAKEWAY MUNICIPAL UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2014
(Continued)

EXPENDITURES

General Fund expenditures for the year totaled \$3,713,883, approximately \$144,000 lower than budgeted expenditures. The decrease was primarily due to slightly lower than expected variable costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Our investment in capital assets, net of accumulated depreciation, as of September 30, 2014, was \$24,571,871, and increase of \$1,031,154 over the total of \$25,603,025 as of September 30, 2013. 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 \$21,063,061, an increase of 30% from the prior year, due to the issuance of bonds in fiscal year 2014. See Note E 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. All were completed or modernized in May of 2003. These plants have the capacity to serve us through build out. The CIP Plan calls for replacement of a treatment plant in 2017. 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.

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 42.

Management

A professional General Manager controls daily operations. See page 42.

LAKEWAY MUNICIPAL UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2014
(Continued)

Personnel

We employ 21 full time and -0- part-time employees. There was turnover in one employee position in fiscal year 2014.

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 2014. 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 FY 2014 was 13.03%. The District contributed \$144,365. The funding for the retirement system is sound. In addition, we offer an optional deferred compensation plan to all employees, IRC 457(b).

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, 2014

	<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>
ASSETS						
Cash and investments	\$ 3,357,278	\$ 641,862	\$ 7,629,729	\$ 11,628,869	\$ -	\$ 11,628,869
Taxes receivable, net	6,508	82,947	-	89,455	-	89,455
Other receivables, net	864,628	-	-	864,628	-	864,628
Prepayments and other assets	4,335	-	-	4,335	-	4,335
Due from/to other funds	166,022	(166,022)	-	-	-	-
Due from Rough Hollow - current	167,424	-	-	167,424	-	167,424
Due from Rough Hollow - noncurrent	1,121,582	-	-	1,121,582	-	1,121,582
Capital assets, net						
Land and construction in progress	-	-	-	-	2,547,610	2,547,610
Capital assets	-	-	-	-	22,024,261	22,024,261
Total assets	<u>\$ 5,687,777</u>	<u>\$ 558,787</u>	<u>\$ 7,629,729</u>	<u>\$ 13,876,293</u>	<u>\$ 24,571,871</u>	<u>\$ 38,448,164</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 228,747	\$ -	\$ -	\$ 228,747	\$ -	\$ 228,747
Security deposits payable	188,500	-	-	188,500	-	188,500
Salaries/benefits payable	-	-	-	-	198,200	198,200
Accrued interest payable	-	-	-	-	56,954	56,954
Deferred inflows	6,508	82,947	-	89,455	(89,455)	-
Long-term liabilities:						
Due within one year	-	-	-	-	2,830,000	2,830,000
Due after one year	-	-	-	-	18,233,061	18,233,061
Total liabilities	<u>423,755</u>	<u>82,947</u>	<u>-</u>	<u>506,702</u>	<u>21,228,760</u>	<u>21,735,462</u>
Fund balances:						
Nonspendable	1,121,582	-	-	1,121,582	(1,121,582)	-
Restricted for Debt Service	-	475,840	-	475,840	(475,840)	-
Assigned to Construction	-	-	7,629,729	7,629,729	(7,629,729)	-
Unassigned	4,142,440	-	-	4,142,440	(4,142,440)	-
Total fund balances	<u>5,264,022</u>	<u>475,840</u>	<u>7,629,729</u>	<u>13,369,591</u>	<u>(13,369,591)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 5,687,777</u>	<u>\$ 558,787</u>	<u>\$ 7,629,729</u>	<u>\$ 13,876,293</u>		
Net Position:						
Invested in capital assets					11,138,539	11,138,539
Restricted					475,840	475,840
Unrestricted					5,098,323	5,098,323
Total net position					<u>\$ 16,712,702</u>	<u>\$ 16,712,702</u>

See accompanying notes to financial statements

LAKEWAY MUNICIPAL UTILITY DISTRICT
Statement of Activities and Governmental Funds Revenue, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2014

	General Fund	Debt Service Fund	Capital Projects Funds	Total	Adjustments (Note O)	Statement of Activities
EXPENDITURES/EXPENSES:						
Service operations:						
Water service	\$ 857,343	-	-	857,343	-	\$ 857,343
Wastewater service	504,283	-	-	504,283	-	504,283
Salaries, benefits & payroll taxes	1,538,396	-	-	1,538,396	(19,064)	1,519,332
Contracted services	296,762	-	-	296,762	-	296,762
Professional fees	132,274	-	64,804	197,078	-	197,078
Administrative supplies & maintenance	36,799	-	-	36,799	-	36,799
Capital outlay-Capitalized	-	-	551,632	551,632	(551,632)	-
Capital outlay-Not Capitalized	348,026	-	-	348,026	-	348,026
Debt service:						
Principal	-	2,815,000	-	2,815,000	(2,815,000)	-
Interest and fiscal charges	-	674,183	260,011	934,194	13,926	948,120
Accretion	-	-	-	-	176,236	176,236
Depreciation	-	-	-	-	1,582,784	1,582,784
Total expenditures/expenses	<u>3,713,883</u>	<u>3,489,183</u>	<u>876,447</u>	<u>8,079,513</u>	<u>(1,612,750)</u>	<u>6,466,763</u>
REVENUES:						
Program revenues:						
Charges for water service	2,899,748	-	-	2,899,748	-	2,899,748
Charges for wastewater service	1,699,630	-	-	1,699,630	-	1,699,630
Tap connection & inspection fees	107,134	-	-	107,134	-	107,134
Total program revenues	<u>4,706,512</u>	<u>-</u>	<u>-</u>	<u>4,706,512</u>	<u>-</u>	<u>4,706,512</u>
Net program revenue/(expense)						<u>(1,760,251)</u>
General revenues:						
Property taxes	145,928	1,745,463	-	1,891,391	14,607	1,905,998
Investment earnings	1,144	1,063	2,107	4,314	-	4,314
Penalties and interest	36,980	6,288	-	43,268	-	43,268
Intergovernmental revenue	180,000	-	-	180,000	-	180,000
Other	72,709	-	-	72,709	-	72,709
Transfers-internal activities	(885,150)	885,150	-	-	-	-
Total general revenues/transfers	<u>(448,389)</u>	<u>2,637,964</u>	<u>2,107</u>	<u>2,191,682</u>	<u>14,607</u>	<u>2,206,289</u>
Total revenues and transfers	<u>4,258,123</u>	<u>2,637,964</u>	<u>2,107</u>	<u>6,898,194</u>	<u>14,607</u>	<u>6,912,801</u>
OTHER FINANCING SOURCES:						
Proceeds from issuance of bonds	-	-	7,499,079	7,499,079	(7,499,079)	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>7,499,079</u>	<u>7,499,079</u>	<u>(7,499,079)</u>	<u>-</u>
Excess (deficiency) of revenues, transfers in, and other sources over expenditures and transfers out	544,240	(851,219)	6,624,739	6,317,760	(5,871,722)	
Change in net position						446,038
Fund balance/net position:						
Beginning of the year	4,719,782	1,327,059	1,004,990	7,051,831	9,214,833	16,266,664
End of the year	<u>\$ 5,264,022</u>	<u>475,840</u>	<u>7,629,729</u>	<u>13,369,591</u>	<u>3,343,111</u>	<u>\$ 16,712,702</u>

See accompanying notes to financial statements

LAKEWAY MUNICIPAL UTILITY DISTRICT

Notes to the Financial Statements
For the Year Ended September 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Creation of District** - Lakeway Municipal Utility 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 unity 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, 2014
(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. 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.

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).

LAKEWAY MUNICIPAL UTILITY DISTRICT

Notes to the Financial Statements
For the Year Ended September 30, 2014
(Continued)

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. 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, 2014.
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, 2014
(Continued)

- 12. Classification of Fund Balance** - The District classifies its fund balance into five categories: nonspendable, restricted, committed, assigned or unassigned. Only restrictions 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, 2014, for the maintenance and operation of the District, and for the payment of debt service on the District's outstanding bonds were \$.0151 and \$.1812 per \$100 valuation, respectively, for a total of \$.1963 per \$100 valuation, and was based on an assessed valuation of \$978,797,382.

Property tax revenues are recognized in the governmental funds when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. 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, 2014 (Continued)

16. **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 issued. For the financial statements as of and for the year ending September 30, 2014, this date was February 3, 2015.

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.

As of September 30, 2014, the District had the following investments:

Summary of Cash and Investments by Type		2014
Cash	\$	470,581
TexPool		11,158,288
Total investments	\$	11,628,869
Interest income	\$	4,314
Total investment income	\$	4,314

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, 2014. .

At September 30, 2014, the carrying amount of the District's cash and cash equivalents was \$11,628,869. The bank balance was \$470,281 and petty cash was \$300 as of September 30, 2014. The remaining amount was maintained in TexPool.

LAKEWAY MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
For the Year Ended September 30, 2014
(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, 2014, the District's portfolio consisted of the following:

	2014
TexPool	<u>\$11,158,288</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

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

LAKEWAY MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
For the Year Ended September 30, 2014
(Continued)

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.

D. CAPITAL ASSETS

The capital asset activity for the District for the year ended September 30, 2014, was as follows:

CAPITAL ASSETS	Land	Construction In Progress	Buildings	Infrastructure and Improvements	Machinery and Equipment	TOTALS
September 30, 2013	\$ 1,901,958	\$ 94,020	\$ 4,314,736	\$ 51,048,050	\$ 828,608	\$ 58,187,372
Increases	-	551,632	-	-	-	551,632
Decreases	-	-	-	-	-	-
September 30, 2014	<u>1,901,958</u>	<u>645,652</u>	<u>4,314,736</u>	<u>51,048,050</u>	<u>828,608</u>	<u>58,739,004</u>
ACCUMULATED DEPRECIATION						
September 30, 2013	-	-	734,219	31,101,619	748,511	32,584,349
Increases	-	-	137,981	1,364,706	80,097	1,582,784
Decreases	-	-	-	-	-	-
September 30, 2014	<u>-</u>	<u>-</u>	<u>872,200</u>	<u>32,466,325</u>	<u>828,608</u>	<u>34,167,133</u>
CAPITAL ASSETS-NET	<u>\$ 1,901,958</u>	<u>\$ 645,652</u>	<u>\$ 3,442,536</u>	<u>\$ 18,581,725</u>	<u>\$ -</u>	<u>\$ 24,571,871</u>

E. CHANGES IN LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
Unlimited Tax Bonds:					
Series 1998-A	\$ 3,316,200	\$ 176,236	\$ (1,845,000)	\$ 1,647,436	\$ 1,735,000
Series 2005	6,530,000	-	(640,000)	5,890,000	755,000
Series 2009	5,540,000	-	(130,000)	5,410,000	135,000
Series 2013 (1)	820,000	-	(200,000)	620,000	205,000
Series 2013 (2)	-	7,430,000	-	7,430,000	-
Total Bonds Payable	<u>16,206,200</u>	<u>7,606,236</u>	<u>(2,815,000)</u>	<u>20,997,436</u>	<u>2,830,000</u>
Plus deferred amount:					
Issuance premiums	-	69,079	(3,454)	65,625	-
TOTAL	<u>\$ 16,206,200</u>	<u>\$ 7,675,315</u>	<u>\$ (2,818,454)</u>	<u>\$ 21,063,061</u>	<u>\$ 2,830,000</u>

LAKEWAY MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
For the Year Ended September 30, 2014
(Continued)

F. LONG-TERM DEBT

Bonded Debt consists of Lakeway Municipal Utility District Water and Sewer Combination Revenue and Unlimited Tax Bonds, Series 1998-A, Series 2005, Series 2009, and Series 2013 (1) and Series 2013 (2). 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, 2014, are comprised of the following individual issues:

Series 1998-A, due in annual principal installments ranging from \$46,897 to \$1,850,000 through September 1, 2015; interest rate is variable from 4.70% to 5.30%	\$1,647,436
Series 2005, due in annual principal installments ranging from \$83,860 to \$885,000 through September 1, 2022; interest rate is fixed at 3.57%	5,890,000
Series 2009, due in annual principal installments ranging From \$120,000 to \$530,000 through September 1, 2029; Interest rate is variable from 4.375% to 4.50%	5,410,000
Series 2013, due in annual principal installments ranging from \$200,000 to \$210,000 through September 1, 2017; interest rate is fixed at 1.25%	620,000
Series 2013, due in annual principal installments ranging from \$275,000 to \$585,000 through September 1, 2033; interest rate is variable from 2% to 4.125%	<u>7,430,000</u>
Total Bonds Payable at September 30, 2014	<u>\$20,997,436</u>

Debt service requirements to maturity are as follows:

Due Fiscal Year Ended September 30	Principal	Interest	Accumulated Accretion	Total
2015	\$ 2,742,436	\$ 694,531	\$ 87,564	\$ 3,524,531
2016	1,400,000	659,110	-	2,059,110
2017	1,550,000	616,110	-	2,166,110
2018	1,470,000	568,028	-	2,038,028
2019	1,505,000	517,963	-	2,022,963
2020-2024	5,520,000	1,892,000	-	7,412,000
2025-2029	4,615,000	1,038,944	-	5,653,944
2030-2033	2,195,000	229,222	-	2,424,222
Totals	\$ <u>20,997,436</u>	\$ <u>6,215,908</u>	\$ <u>87,564</u>	\$ <u>27,300,908</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.

LAKEWAY MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
For the Year Ended September 30, 2014
(Continued)

Redemption of Bonds

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

Series 1998-A:

Current Interest Bonds maturing on or after September 1, 2009, are callable September 1, 2009, or any date thereafter, in whole or in part, in increments of \$5,000 at par plus accrued interest.

The Capital Appreciation Bonds are not subject to redemption prior to maturity.

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 2009:

Bonds maturing on and after September 1, 2019 callable in whole or in part on any date beginning September 1, 2018 at par value plus accrued interest to the date of redemption.

Series 2013 (1):

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

Series 2013 (2):

Bonds 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, 2014, 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	\$	50,000
Errors and Omissions Liability	\$	5,000,000

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

LAKEWAY MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
For the Year Ended September 30, 2014
(Continued)

Joint Self-Insurance Funds. The premium is calculated based upon accident history and administrative costs.

H. OPERATING TRANSFERS

During the year ended September 30, 2014, the General Fund transferred \$885,150 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:

	Debt Service
Interest	\$ 659,970
Appraisal Services	9,756
Collection Expenses	3,957
Fiscal Charges	500
Total	<u>\$ 674,183</u>

The Capital Projects Fund incurred interest and fiscal charges broken down as follows:

	Capital Projects
Bond Issuance Costs	\$ 244,386
Bond Application Fees	15,625
Total	<u>\$ 260,011</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 contract with Rough Hollow includes a Debt Service Component (DSC) cost for wastewater service. The District receives a minimum of \$15,000 per month (\$180,000 per year) for this DSC and the funds are then accounted for in the District's rate design to pay wastewater debt service. The District records the DSC as intergovernmental revenue and transfers to its Debt Service Fund.

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 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

LAKEWAY MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
For the Year Ended September 30, 2014
(Continued)

installation and connection costs, which totaled \$1,725,398. Rough Hollow paid the District \$171,304 during 2014. As of September 30, 2014, there is a receivable balance of \$ 1,289,006. Rough Hollow is scheduled to pay the District monthly installments of \$13,952 per month in 2014. As such, the District has classified the total expected to be collected in 2014 as a current receivable, \$167,424, with the remaining balance of \$1,121,582 recorded as a long-term receivable included in nonspendable fund balance. Rough Hollow has a letter of credit with the Bank of New York Mellon for \$1,500,000 on file at Lakeway MUD.

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 consisting of 656 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state 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.

LAKEWAY MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
For the Year Ended September 30, 2014
(Continued)

Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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.

Funding Policy

The employer elected effective January 1, 2001 the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The Plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 13.03% for the months of the accounting year in 2014. The deposit rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost

For the accounting year ending September 30, 2014, the amount of employer's contribution to the plan was \$144,365 and the employees' contribution amount was \$79,576.

Trend Information
for the Retirement Plan for the Employees of Lakeway Municipal Utility District

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2012	\$ 119,872	100%	\$ -
September 30, 2013	\$ 126,339	100%	\$ -
September 30, 2014	\$ 144,365	100%	\$ -

While the actual contributions for the months of the accounting year in 2014 were not actuarially determined but were a fixed percent of the covered payroll of the participating employees, the part of the annual required contributions for the months of the accounting year in 2013 was in compliance based on the actuarial valuations as of December 31, 2012, the basis for assessing the adequacy of the financing arrangement beginning with the contribution rate for calendar year 2012. The part of the annual required contributions for the months of the accounting year in 2014 was actuarially determined as a percent of the covered payroll of the participating employees, and was in compliance based on the actuarial valuation as of December 31, 2013, the basis for determining the contribution rate for calendar year 2014. The December 31, 2013 actuarial valuation is the most recent valuation.

LAKEWAY MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
For the Year Ended September 30, 2014
(Continued)

The required contribution was determined as part of the December 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2013 was 20.0 years.

Funded Status and Funding Progress

See Required Supplementary Information on page 26.

Deferred Compensation Plan

The District offers employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457(b). The assets of the plans were held in trust for the exclusive benefit of the employees. An agreement was made with a Service Provider to act as the District's agent to provide administrative services under the plan. Under provisions of GASB Statement 32, plan balances and activities are not reflected in Lakeway Municipal Utility District's financial statements.

M. LITIGATION

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

LAKEWAY MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
For the Year Ended September 30, 2014
(Continued)

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

Explanation	Amount of Adjustment
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:	
Land and construction in progress	\$ 2,547,610
Other capital assets	22,024,261
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:	
Salaries/benefits payable:	
Compensated absences	(198,200)
Accrued interest payable	(56,954)
Long-term liabilities:	
Bonds payable	
Due within one year	(2,830,000)
Due after one year	(18,233,061)
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.	
Total	<div style="display: inline-block; text-align: right;">89,455</div> <div style="display: inline-block; text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 3,343,111</div>

LAKEWAY MUNICIPAL UTILITY DISTRICT

Notes to the Financial Statements
For the Year Ended September 30, 2014
(Continued)

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

Explanation	Amount of Adjustment
Salaries/benefits payable (compensated absences) 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.	\$ (19,064)
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 Capitalized purchased or constructed	(551,632)
Depreciation expense	1,582,784
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.	(2,815,000)
Interest expense reported in the statement of activities includes accrued interest at year end whereas in the governmental funds interest expense is reported when due.	190,162
Proceeds from the issuance of bonds is a revenue in the governmental funds, and an addition to long-term liabilities in the statement of net position and does not result in a revenue in the statement of activities.	7,499,079
Tax revenues in the statement of activities that do not provide current financial resources, "not available", are not reported in the funds.	(14,607)
Total	<u>\$ 5,871,722</u>

LAKEWAY MUNICIPAL UTILITY DISTRICT
Schedule of Funding Progress-Required Supplementary Information
For the Year Ended September 30, 2014

EMPLOYEE RETIREMENT PLAN

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 83.65 percent funded. The actuarial accrued liability for benefits was \$3,977,502, and the actuarial value of assets was \$3,327,311 resulting in an unfunded actuarial accrued liability (UAAL) of \$650,191. The covered payroll (annual payroll of active employees covered by the plan) was \$1,113,276, and the ratio of the UAAL to the covered payroll was 58.40 percent.

Actuarial Valuation Information			
Actuarial valuation date	12/31/11	12/31/12	12/31/13
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period in years	20.0	20.0	20.0
Asset valuation method	SAF: 10-yr. smoothed value ESF: Fund value	SAF: 10-yr. smoothed value ESF: Fund value	SAF: 5-yr. smoothed value ESF: Fund value
Actuarial Assumptions:			
Investment return ¹	8%	8%	8%
Projection salary increases	5.4%	5.4%	4.9%
Inflation	3.5%	3.5%	3.0%
Cost of living adjustments	0.0%	0.0%	0.0%

**Schedule of Funding Progress for the Retirement Plan
for the Employees of Lakeway Municipal Utility District**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll¹ (c)	Percentage of Covered Payroll ((b-a)/c)
12/31/2011	3,296,263	3,959,448	663,185	83.25%	1,140,866	58.13%
12/31/2012	2,924,286	3,665,617	741,331	79.78%	1,070,304	69.26%
12/31/2013	3,327,311	3,977,502	650,191	83.65%	1,113,276	58.40%

¹ The annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.

LAKEWAY MUNICIPAL UTILITY DISTRICT
Budgetary Comparison Schedule-Required Supplementary Information
General Fund
For the Year Ended September 30, 2014

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original (unaudited)	Final (unaudited)	Actual Amounts	
Revenues:				
Charges for water services	\$ 3,021,000	\$ 3,021,000	\$ 2,899,748	\$ (121,252)
Charges for wastewater service	1,662,800	1,662,800	1,699,630	36,830
Property taxes	148,000	148,000	145,928	(2,072)
Tap connection and inspection fees	28,400	28,400	107,134	78,734
Investment earnings	2,700	2,700	1,144	(1,556)
Penalties and interest	45,000	45,000	36,980	(8,020)
Intergovernmental revenue	180,000	180,000	180,000	-
Other	58,900	58,900	72,709	13,809
Total Revenues	5,146,800	5,146,800	5,143,273	(3,527)
Expenditures/expenses:				
Service operations:				
Water service	971,800	971,800	857,343	114,457
Wastewater service	494,100	494,100	504,283	(10,183)
Salaries, benefits, and payroll taxes	1,577,150	1,577,150	1,538,396	38,754
Contracted services	216,525	216,525	296,762	(80,237)
Professional fees	159,200	159,200	132,274	26,926
Administrative Supplies and Maintenance-	17,200	17,200	36,799	(19,599)
Capital outlay	422,065	422,065	348,026	74,039
Total expenditures/expenses	3,858,040	3,858,040	3,713,883	144,157
Excess (deficiency) of revenues over expenditures	1,288,760	1,288,760	1,429,390	140,630
Other financing sources (uses):				
Transfers-internal activities	(885,150)	(885,150)	(885,150)	-
Total other sources (uses)	(885,150)	(885,150)	(885,150)	-
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	403,610	403,610	544,240	140,630
Fund balance:				
Beginning of the year	4,719,782	4,719,782	4,719,782	-
End of the year	\$ 5,123,392	\$ 5,123,392	\$ 5,264,022	\$ 140,630

See Accompanying Note to Required Supplementary Information

LAKEWAY MUNICIPAL UTILITY DISTRICT
Notes to Required Supplementary Information
For the Year Ended September 30, 2014

Budgetary Information

The General Manager submits an annual budget to the Finance Committee, which in turn presents it to the Board of Directors. 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, 2014

- 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*

1 Services Provided by the District

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

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

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:

* Number of connections relates to water service

4 Total Water Consumption (In Thousands) During the Fiscal Year:30

LAKEWAY MUNICIPAL UTILITY DISTRICT
(A) Schedule of Services and Rates (unaudited)
For the Year Ended September 30, 2014
 (continued)

5 Standby Fees

Does the District assess Standby Fees? Yes _____ No X

For the most recent full fiscal year, FYE 9/30/14:

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 _____

* 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	\$	1,802,366
b. Water and Wastewater Revenue		1,253,746
c. Debt Service Fund Balances To Be Used		-
TOTAL ANTICIPATED FUNDS TO BE USED*	\$	<u>3,056,112</u>

* 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? _____

LAKEWAY MUNICIPAL UTILITY DISTRICT
(B) Schedule of General Fund Expenditures
For the Year Ended September 30, 2014

Water Services:

Treated Water and Chemicals	\$ 54,594
Raw Water	375,320
LCRA Variable Cost (B-4 Energy)	98,340
Energy	95,560
Supplies	24,712
Maintenance	208,817
	<u>857,343</u>

Wastewater Services:

Chemicals	41,443
Energy	224,708
Supplies	26,523
Maintenance	211,609
	<u>504,283</u>

Personnel (including benefits)	<u>1,538,396</u>
---------------------------------------	------------------

Professional Fees:

Auditing	12,750
Legal	34,107
Engineering	33,291
Other	52,126
	<u>132,274</u>

Administrative Supplies and Maintenance:

Supplies	21,954
Maintenance	14,845
	<u>36,799</u>

Capital Outlay:

Capitalized Assets	-
Not Capitalized	348,026
	<u>348,026</u>

LAKEWAY MUNICIPAL UTILITY DISTRICT
(B) Schedule of General Fund Expenditures
For the Year Ended September 30, 2014
(continued)

Purchased and Contracted Services:

Inflow and Infiltration	\$ 106,325
Insurance	36,637
Communications	26,884
Testing and Lab Fees	20,832
Inspection Fees	25,950
Permits	11,769
Custodial	5,100
Equipment Rental	6,327
Security Fees	1,160
Transportation	6,300
Education	3,848
Medical	209
Bank Fees	34,950
Safety	3,261
Miscellaneous	7,210
	<u>296,762</u>

TOTAL EXPENDITURES	\$ <u>3,713,883</u>
---------------------------	----------------------------

Number of persons employed by the District:	<u>21 Full-Time</u>
(Does not include independent contractors or consultants)	<u>0 Part-Time</u>

LAKEWAY MUNICIPAL UTILITY DISTRICT
(C) Schedule of Temporary Investments
As of September 30, 2014

<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	\$ 3,227,124	\$ -
Total				<u>3,227,124</u>	<u>-</u>
Debt Service Fund					
Investment Pool -					
TexPool	8121300017	*	Open	638,605	-
Total				<u>638,605</u>	<u>-</u>
Capital Projects Fund					
Investment Pool -					
TexPool	8121300015	*	Open	7,292,559	-
TexPool					-
Total				<u>7,292,559</u>	<u>-</u>
Total - All Funds				\$ <u>11,158,288</u>	\$ <u>-</u>

* Variable Rate - Interest Rate as of 9/30/14 on a Simple Basis was .281%.

LAKEWAY MUNICIPAL UTILITY DISTRICT
(D) Schedule of Taxes Levied and Receivable
For the Year Ended September 30, 2014

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>		
Taxes Receivable, Beginning of Year	\$ 5,225	\$ 69,620		
2013 Original Tax Levy - Net of Adjustments	146,963	1,763,553		
Adjustments - Prior Years	<u>15</u>	<u>89</u>		
Total to be Accounted For	<u>152,202</u>	<u>1,833,263</u>		
Tax Collections:				
Current Year	(145,152)	(1,741,826)		
Prior Years	<u>(543)</u>	<u>(8,489)</u>		
Total Collections	<u>(145,695)</u>	<u>(1,750,315)</u>		
Taxes Receivable, End of Year	<u>\$ 6,508</u>	<u>\$ 82,947</u>		
Taxes Receivable, By Years:				
1992 and earlier	-	11,586		
1993	-	126		
1994	-	216		
1995	-	856		
1996	-	294		
1997	-	131		
1998	-	255		
1999	-	849		
2000	-	1,876		
2001	482	2,870		
2002	174	1,675		
2003	71	679		
2004	271	2,601		
2005	355	3,416		
2006	332	3,195		
2007	402	3,865		
2008	501	2,708		
2009	382	3,373		
2010	506	4,690		
2011	667	6,457		
2012	554	9,501		
2013	<u>1,811</u>	<u>21,728</u>		
Taxes Receivable, End of Year	<u>\$ 6,508</u>	<u>\$ 82,947</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Property Valuations:	\$ 978,797,382	\$ 940,308,021	\$ 961,501,452	\$ 957,219,493
Tax Rates per \$100 Valuation:				
Debt Service tax rates	\$ 0.1812	\$ 0.1939	\$ 0.1860	\$ 0.1852
Maintenance tax rates	<u>\$ 0.0151</u>	<u>\$ 0.0113</u>	<u>\$ 0.0192</u>	<u>\$ 0.0200</u>
Total Tax Rates per \$100 Valuation	<u>\$ 0.1963</u>	<u>\$ 0.2052</u>	<u>\$ 0.2052</u>	<u>\$ 0.2052</u>
Original Tax Levy:	<u>\$ 1,910,620</u>	<u>\$ 1,928,890</u>	<u>\$ 1,763,643</u>	<u>\$ 1,963,683</u>
Percent of Taxes Collected to Taxes Levied *	99.24%	99.07%	99.09%	99.09%

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

LAKEWAY MUNICIPAL UTILITY DISTRICT
(E) Long-Term Debt Service Requirements by Years
For the Year Ended September 30, 2014

Due During Fiscal Year Ending September 30	Series 1998-A				Series 2005		
	Principal Due Sept. 1	Interest Due March 1 and Sept. 1	Accumulated Accretion	Total	Principal Due Sept. 1	Interest Due March 1 and Sept. 1	Total
2015	\$ 1,647,436	\$ -	\$ 87,564	\$ 1,735,000	\$ 755,000	\$ 210,273	\$ 965,273
2016	-	-	-	-	660,000	183,320	843,320
2017	-	-	-	-	780,000	159,758	939,758
2018	-	-	-	-	885,000	131,912	1,016,912
2019	-	-	-	-	885,000	100,317	985,317
2020	-	-	-	-	795,000	68,723	863,723
2021	-	-	-	-	660,000	40,341	700,341
2022	-	-	-	-	470,000	16,779	486,779
2023	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-
TOTALS	\$ 1,647,436	\$ -	\$ 87,564	\$ 1,735,000	\$ 5,890,000	\$ 911,423	\$ 6,801,423

LAKEWAY MUNICIPAL UTILITY DISTRICT
(E) Long-Term Debt Service Requirements by Years
For the Year Ended September 30, 2014

Due During Fiscal Year Ending September 30	Series 2009			Series 2013 (1)			Series 2013 (2)		
	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
2015	\$ 135,000	\$ 237,974	\$ 372,974	\$ 205,000	\$ 7,750	\$ 212,750	\$ -	\$ 238,534	\$ 238,534
2016	260,000	232,068	492,068	205,000	5,188	210,188	275,000	238,534	513,534
2017	270,000	220,693	490,693	210,000	2,625	212,625	290,000	233,034	523,034
2018	285,000	208,882	493,882	-	-	-	300,000	227,234	527,234
2019	305,000	196,412	501,412	-	-	-	315,000	221,234	536,234
2020	320,000	183,068	503,068	-	-	-	330,000	214,934	544,934
2021	335,000	169,069	504,069	-	-	-	345,000	208,334	553,334
2022	355,000	154,414	509,414	-	-	-	360,000	200,744	560,744
2023	380,000	138,880	518,880	-	-	-	375,000	192,104	567,104
2024	400,000	122,256	522,256	-	-	-	395,000	182,354	577,354
2025	420,000	104,756	524,756	-	-	-	410,000	171,294	581,294
2026	445,000	86,381	531,381	-	-	-	430,000	158,994	588,994
2027	470,000	66,913	536,913	-	-	-	450,000	143,944	593,944
2028	500,000	46,350	546,350	-	-	-	470,000	127,631	597,631
2029	530,000	23,850	553,850	-	-	-	490,000	108,831	598,831
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
TOTALS	\$ <u>5,410,000</u>	\$ <u>2,191,966</u>	\$ <u>7,601,966</u>	\$ <u>620,000</u>	\$ <u>15,563</u>	\$ <u>635,563</u>	\$ <u>7,430,000</u>	\$ <u>3,096,956</u>	\$ <u>10,526,956</u>

LAKEWAY MUNICIPAL UTILITY DISTRICT
(E) Long-Term Debt Service Requirements by Years
For the Year Ended September 30, 2014

Due During Fiscal Year Ending September 30	Annual Requirements for All Series			
	Principal Due Sept. 1	Interest Due March 1 and Sept. 1	Accumulated Accretion	Total
2015	\$ 2,742,436	\$ 694,531	\$ 87,564	\$ 3,524,531
2016	1,400,000	659,110	-	2,059,110
2017	1,550,000	616,110	-	2,166,110
2018	1,470,000	568,028	-	2,038,028
2019	1,505,000	517,963	-	2,022,963
2020	1,445,000	466,725	-	1,911,725
2021	1,340,000	417,744	-	1,757,744
2022	1,185,000	371,937	-	1,556,937
2023	755,000	330,984	-	1,085,984
2024	795,000	304,610	-	1,099,610
2025	830,000	276,050	-	1,106,050
2026	875,000	245,375	-	1,120,375
2027	920,000	210,857	-	1,130,857
2028	970,000	173,981	-	1,143,981
2029	1,020,000	132,681	-	1,152,681
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
TOTALS	\$ 20,997,436	\$ 6,215,908	\$ 87,564	\$ 27,300,908

Cash and Temporary Investment Balance at September 30, 2014

Debt Service Fund \$ 641,862

LAKEWAY MUNICIPAL UTILITY DISTRICT
(F) Analysis of Changes in Long-Term Debt
For the Year Ended September 30, 2014

	<u>Series 1998-A</u>	<u>Series 2005</u>	<u>Series 2009</u>	<u>Series 2013 (1)</u>	<u>Series 2013 (2)</u>	<u>Totals</u>
Interest Rate	4.70-5.30%	3.57%	4.375-4.50%	1.25%	2.0-4.125%	
Dates Interest Payable	3/1:9/1	3/1:9/1	3/1:9/1	3/1:9/1	3/1:9/1	
Bonds Outstanding						
Beginning of Current Year	\$ 3,316,200	\$ 6,530,000	\$ 5,540,000	\$ 820,000	\$ -	\$ 16,206,200
Bonds Issued During Current Year	-	-	-	-	7,430,000	7,430,000
Current Year Accretion	176,236	-	-	-	-	176,236
Retirements:						
Principal	<u>1,845,000</u>	<u>640,000</u>	<u>130,000</u>	<u>200,000</u>	<u>-</u>	<u>2,815,000</u>
Bonds Outstanding End of Current Year	\$ <u>1,647,436</u>	\$ <u>5,890,000</u>	\$ <u>5,410,000</u>	\$ <u>620,000</u>	\$ <u>7,430,000</u>	\$ <u>20,997,436</u>
Retirements:						
Interest	\$ <u>176,236</u>	\$ <u>234,120</u>	\$ <u>243,663</u>	\$ <u>10,250</u>	\$ <u>-</u>	\$ <u>664,269</u>

Paying Agent's Name & Address:
J.P. Morgan Chase Bank
P.O. Box 911542
Dallas, Texas 75391-1542

Bond Authority:

The Bank of New York
P.O. Box 14099
New York, New York 07198-0099

	<u>Tax Bonds*</u>	<u>Tax Bonds*</u>	
Amount Authorized by Voters			\$ 53,115,000
Amount Issued			\$ 53,115,000
Remaining to be Issued			\$ -

Debt Service Fund Cash and Temporary Investments
balances as of September 30, 2014: \$641,862
Average Annual Debt Service Payment (Principal and Interest)
for remaining term of all debt: \$1,436,890

* Includes all bonds secured with tax revenues. Bonds in this
category may also be secured with other revenues in combination
with taxes.

LAKEWAY MUNICIPAL UTILITY DISTRICT
(G) Comparative Schedule of Revenues and Expenditures
For the Five Years Ended September 30, 2010 to 2014

	Amounts					Percent of Fund Total Revenues				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
<u>General Fund Revenues</u>										
Property Taxes - M&O	\$ 145,928	\$ 108,295	\$ 187,229	\$ 194,751	\$ 203,484	2.84%	2.01%	2.48%	3.31%	4.15%
Water & Wastewater Charges	4,599,378	4,857,096	5,190,951	5,532,510	4,485,169	89.43%	90.22%	68.64%	93.96%	91.50%
Meter Installation	107,134	129,560	88,334	39,774	9,600	2.08%	2.41%	1.17%	0.68%	0.20%
Interest, Penalties & Other	290,833	288,934	2,096,493	120,828	203,507	5.65%	5.37%	27.72%	2.05%	4.15%
Total General Fund Revenues	<u>5,143,273</u>	<u>5,383,885</u>	<u>7,563,007</u>	<u>5,887,863</u>	<u>4,901,760</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<u>General Fund Expenditures</u>										
Salaries	1,538,396	1,464,767	1,517,235	1,644,173	1,641,939	29.91%	27.21%	20.06%	27.92%	33.50%
Supplies	73,189	62,025	71,743	65,928	68,221	1.42%	1.15%	0.95%	1.12%	1.39%
Maintenance & Repair	435,271	463,764	419,691	527,218	732,414	8.46%	8.61%	5.55%	8.95%	14.94%
Purchased & Contracted Services	1,319,001	1,427,541	1,521,437	1,639,931	1,320,830	25.65%	26.52%	20.12%	27.85%	26.95%
Capital Outlay	348,026	294,166	1,882,954	90,684	253,452	6.77%	5.46%	24.90%	1.54%	5.17%
Total General Fund Expenditures	<u>3,713,883</u>	<u>3,712,263</u>	<u>5,413,060</u>	<u>3,967,934</u>	<u>4,016,856</u>	<u>72.21%</u>	<u>68.95%</u>	<u>71.57%</u>	<u>67.39%</u>	<u>81.95%</u>
General Fund Revenue										
Over/Under Expenditures	1,429,390	1,671,622	2,149,947	1,919,929	884,904	27.79%	31.05%	28.43%	32.61%	18.05%
<u>Other Finance Sources (Uses)</u>										
Other Sources	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Transfers In	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Transfers Out	(885,150)	(1,654,392)	(1,716,825)	(1,946,189)	(943,118)	-17.21%	-30.73%	-22.70%	-33.05%	-19.24%
Total Other Financing Sources (Uses)	<u>(885,150)</u>	<u>(1,654,392)</u>	<u>(1,716,825)</u>	<u>(1,946,189)</u>	<u>(943,118)</u>	<u>-17.21%</u>	<u>-30.73%</u>	<u>-22.70%</u>	<u>-33.05%</u>	<u>-19.24%</u>
General Fund Revenue And Other Sources										
Over/Under Expenditures And Other Uses	\$ <u>544,240</u>	\$ <u>17,230</u>	\$ <u>433,122</u>	\$ <u>(26,260)</u>	\$ <u>(58,214)</u>	<u>10.58%</u>	<u>0.32%</u>	<u>5.73%</u>	<u>-0.45%</u>	<u>-1.19%</u>

LAKEWAY MUNICIPAL UTILITY DISTRICT
(G) Comparative Schedule of Revenues and Expenditures
For the Five Years Ended September 30, 2010 to 2014
(continued)

	Amounts					Percent of Fund Total Revenues				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
<u>Debt Service Fund Revenues</u>										
Property Taxes - M&O	\$ 1,745,463	\$ 1,832,151	\$ 1,792,524	\$ 1,773,454	\$ 1,796,574	99.58%	99.01%	102.27%	97.80%	100.51%
Penalties & Interest	7,351	18,261	20,874	14,055	19,192	0.42%	0.99%	1.19%	0.78%	1.07%
Total Debt Service Fund Revenues	<u>1,752,814</u>	<u>1,850,412</u>	<u>1,813,398</u>	<u>1,787,509</u>	<u>1,815,766</u>	<u>100.00%</u>	<u>100.00%</u>	<u>103.46%</u>	<u>98.57%</u>	<u>101.58%</u>
<u>Debt Service Fund Expenditures</u>										
Tax Collection Expenditures	12,329	12,329	12,329	13,728	13,449	0.70%	0.67%	0.70%	0.76%	0.75%
Debt Service Interest & Fees	661,854	546,442	551,847	2,143,921	828,792	37.76%	29.53%	31.48%	118.23%	46.37%
Debt Service Principal	2,815,000	2,820,000	2,735,000	1,168,208	2,480,000	160.60%	152.40%	156.03%	64.42%	138.74%
Refunding Bonds Issuance Costs	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Total Debt Service Fund Expenditures	<u>3,489,183</u>	<u>3,378,771</u>	<u>3,299,176</u>	<u>3,325,857</u>	<u>3,322,241</u>	<u>199.06%</u>	<u>182.60%</u>	<u>188.22%</u>	<u>183.40%</u>	<u>185.86%</u>
Debt Service Revenue Over/Under Expenditures	(1,736,369)	(1,528,359)	(1,485,778)	(1,538,348)	(1,506,475)	-99.06%	-82.60%	-81.93%	-86.06%	-84.28%
<u>Other Financing Sources</u>										
Operating Transfers In From General Fund	885,150	1,654,392	1,716,825	1,946,189	943,118	50.50%	89.41%	94.67%	108.88%	51.94%
Sale of Land	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Sale of Bonds	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Refunding Bonds Proceeds/Payments-Net	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Total Other Financing Sources	<u>885,150</u>	<u>1,654,392</u>	<u>1,716,825</u>	<u>1,946,189</u>	<u>943,118</u>	<u>50.50%</u>	<u>89.41%</u>	<u>94.67%</u>	<u>108.88%</u>	<u>51.94%</u>
Debt Service Revenue And Other Sources Over/Under Expenditures	\$ <u>(851,219)</u>	\$ <u>126,033</u>	\$ <u>231,047</u>	\$ <u>407,841</u>	\$ <u>(563,357)</u>	<u>-48.56%</u>	<u>6.81%</u>	<u>12.74%</u>	<u>22.82%</u>	<u>-32.34%</u>
Total Active Retail Water Connections	<u>4,105</u>	<u>4,671</u>	<u>4,140</u>	<u>4,001</u>	<u>3,993</u>					
Total Active Retail Wastewater	<u>3,059</u>	<u>3,024</u>	<u>2,987</u>	<u>2,966</u>	<u>2,958</u>					

LAKEWAY MUNICIPAL UTILITY DISTRICT
(H) Board Members, Key Personnel, and Consultants (Unaudited)
For the Year Ended September 30, 2014

Board Members	Term of Office (Elected or Appointed) or Date Hired	Annual Fees Paid	Expense Reimb.	Title	Resident of District	*Relationship w/ Major Land Owner, Eng., Attorney & Tax Asses.-Col.
Larry Burmeier 1097 Lohmans Crossing Lakeway, TX 78734	05/21/14 05/31/18	\$	\$ -	President	Yes	None
Kay Andrews 1097 Lohmans Crossing Lakeway, TX 78734	05/25/04 05/31/16	\$ -	\$ -	Vice President, Treasurer	Yes	None
Jerry Hiclipas 1097 Lohmans Crossing Lakeway, TX 78734	05/17/06 05/31/18	\$	\$ -	Secretary	Yes	None
Tom Brewer 1097 Lohmans Crossing Lakeway, TX 78734	06/08/11 05/31/16	\$ -	\$ -	Director	Yes	None
Mel Neese 1097 Lohmans Crossing Lakeway, TX 78734	05/23/12 05/31/16	\$ -	\$ -	Director	Yes	None
Earl Foster 1097 Lohmans Crossing Lakeway, TX 78734	2010	\$ 126,862	\$ 6,300	General Manager	No	None
Loyd Smith 1097 Lohmans Crossing Lakeway, TX 78734	2012	\$ 67,421	\$	Finance/Administration Manager	No	None
Consultants						
Carls, McDonald & Dalrymple 901 S. Mopac, Bldg 2, Suite 500 Austin, Texas 78746	2010	\$ 19,082	\$ -	Attorney	No	None
Travis Central Appraisal District P.O. Box 149012 Austin, Texas 78714-9012	1982	\$ 9,756	\$ -	Central Appraisal District	No	None
Travis County Tax Collector P.O. Box 1748 Austin, Texas 78767	1982	\$ 3,855	\$ -	Tax Collector	No	None

* Includes business or family relationship.

