



## **LAKEWAY MUNICIPAL UTILITY DISTRICT**

Annual Financial Report  
For the Year Ended September 30, 2011

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
Annual Financial Report  
For the Year Ended September 30, 2011

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS   §  
                                  §  
COUNTY OF TRAVIS    §

I, Karl Ansbach, 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 8th day of February, 2012, its annual audit report for the fiscal year ended September 30, 2011 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 8, 2012

By: \_\_\_\_\_

Karl Ansbach, President

Sworn to and subscribed to before me this 8th day of February, 2012.

\_\_\_\_\_  
Notary Public in the State of Texas

(SEAL)

## Independent Auditors' Report

Board of Directors  
Lakeway Municipal Utility District

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and pages 27 through 28, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental schedules on pages 32 through 40 are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules on pages 32 through 40 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 41 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 8, 2012  
Austin, Texas

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2011

**PURPOSE**

In June 1999, the Governmental Accounting Standards Board issued Statement 34, "Basic Financial Statements and Management's Discussion and Analysis". The financial statements include a 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, 2011.

**OVERVIEW**

We (the District) are on a sound financial footing. Moody's Investors Service established an 'AAA' credit rating in May of 2009 and there have been no events since that date that would change that rating. The financial statements show continued growth in net assets and taxpayer equity. We are reducing bonded debt and our budgeting and rate setting process is effective. Management and the Board of Directors effectively monitors and controls 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 assets and the statement of activities) and the governmental fund financial statements are combined and are presented in pages 10 and 11, and report our financial information.

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

The Statement of Activities presents information showing how our net assets changed during the fiscal year. All changes in net assets 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 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 ASSETS**

We ended fiscal year 2011 with \$18,707,565 in total net assets. This was made up of \$33,670,171 in assets comprised of cash, investments and capital assets with Liabilities of \$14,962,606 including accounts payable and long term liabilities (debt service). See page 10.

**STATEMENT OF ACTIVITIES**

Program revenues totaled \$5,572,284 while total general revenue was \$2,415,807. Therefore, total revenue for the year was \$7,988,091. Total expenses for the year were \$7,773,554, so the change in net assets increased to \$214,537. See page 11.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2011

**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, our governmental funds reported combined ending fund balances of \$6,390,875. Approximately 67% of this total amount (\$4,269,430) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for future construction (\$1,151,466) and 2) to pay for debt service (\$969,979).

Due to revenues being less than expenses and transfers out, the actual general fund balance decreased by \$26,260. Debt service fund balance increased by \$407,841. The capital projects fund balance increased by \$160,829 due to ongoing construction.

**SOURCE OF FUNDS**

We generate operating funds in two ways:

**Rates**

About half of the total cost of service is received through bi-monthly customer billings for water and wastewater service. We had 4,001 active water connections as of September 30, 2011. This was an increase of 8 connections over the prior fiscal year. We had 2,966 active wastewater connections as of September 30, 2011. This was an increase of 8 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 1<sup>st</sup> to May 31<sup>st</sup>, after adjustments for known and measurable change. Generally, the rates will change annually. In FY 2011 water base rates decreased from \$23.12 to \$22.33 and wastewater base rates increased from \$13.49 to \$19.57. 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 \$.1852 per \$100 valuation were collected to make principal and interest payments on wastewater debt. Tax charges, included \$.02 per \$100 valuation, were collected for general maintenance and operations. Ninety-nine percent of the taxes levied in 2010 were collected and the remaining 1% is considered collectable. Total assessed valuation decreased from \$1,076 million in fiscal 2010 to \$957 million in fiscal 2010.

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. The total principal and interest payment is \$3,309,076.

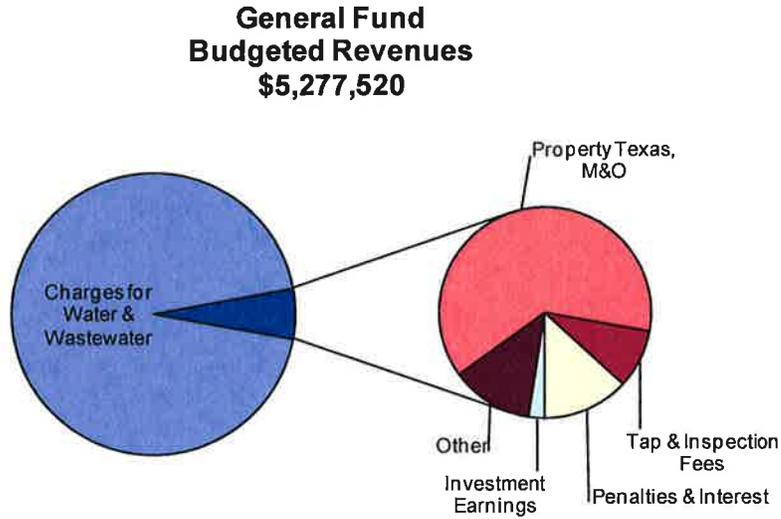
**OPERATING REVENUES AND EXPENDITURES**

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 FY 2011.

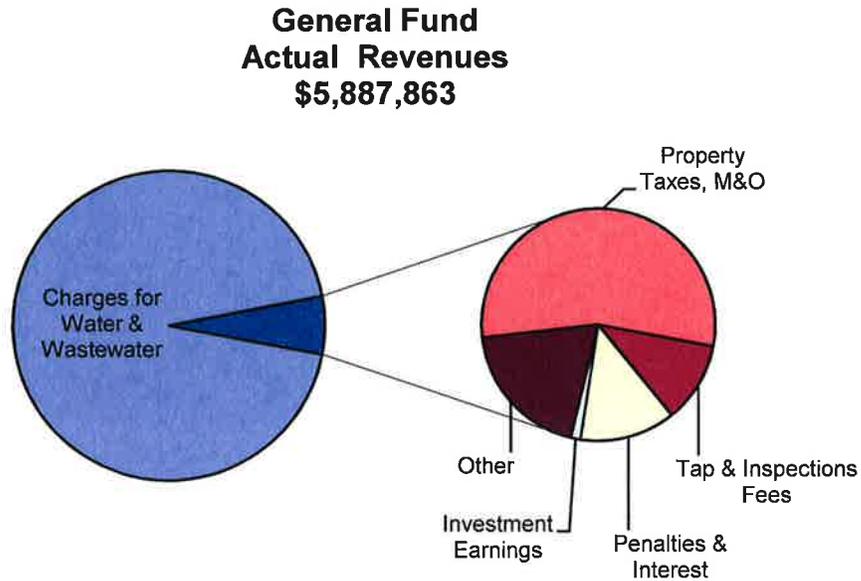
**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2011**

**REVENUES**

General Fund Revenues were \$610,343, or 11.5%, above the original budget. This was due, in part, to a dry year.



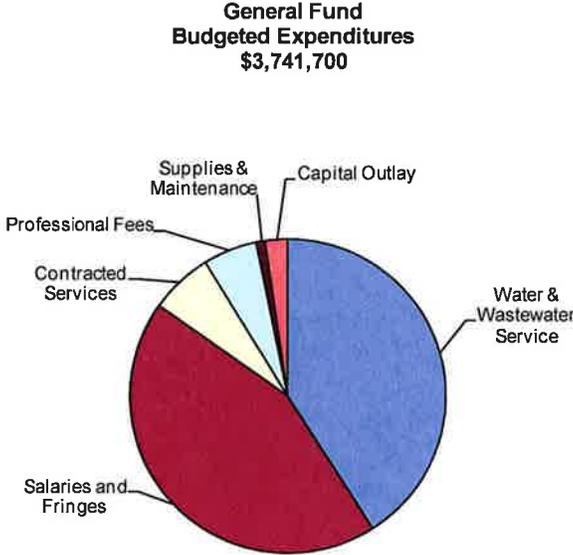
General Fund revenues increased from 2010 by 16.7% due to a very dry year in 2011.



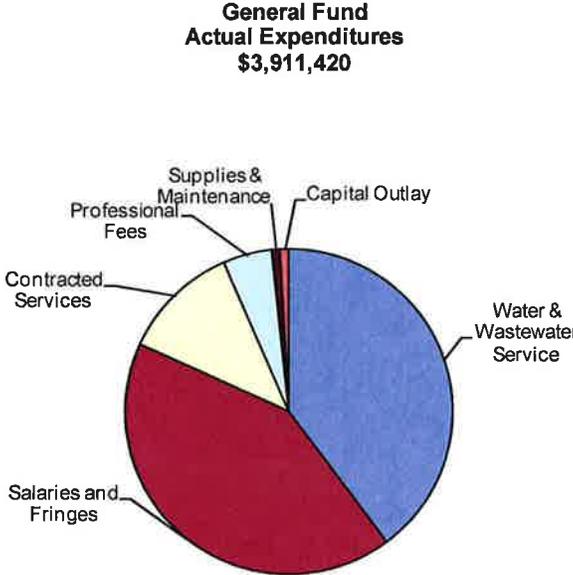
**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2011**

**EXPENDITURES**

General Fund Expenditures were \$169,720, or 4.5%, above budget. See page 26.



General Fund expenditures increased from 2010 by 12.7% due to a very dry year in 2011.



**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2011

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

Our investment in capital assets, net of accumulated depreciation, as of September 30, 2011, was \$26,792,358. 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 \$14,164,893, a decrease of 7.6% from the prior year. 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. No future construction of treatment plants is envisioned; however government regulatory agencies are constantly revising standards, so some 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 40.

**Management**

A professional General Manager controls daily operations. See page 40.

**Personnel**

We employ 20 full time people; this decreased from the previous year. There was one employee turnover in fiscal year 2011.

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 2011. We have an incentive program to encourage employees to obtain more advanced certifications.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2011

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 2011 was 11.00%. The District contributed \$125,172. The funding for the retirement system is sound.

In addition, we offer an optional deferred compensation plan to all employees, IRC 457(b). The District will match up to 5% of the employee's salary.

**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.

**LAKESIDE MUNICIPAL UTILITY DISTRICT**  
Statement of Assets and Governmental Funds Balance Sheet  
As of September 30, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total</u>	<u>Adjustments (Note L)</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>						
Cash and investments	\$ 3,477,637	969,690	1,151,466	\$ 5,598,793	-	\$ 5,598,793
Taxes Receivable	10,744	84,791	-	95,535	-	95,535
Other Receivables	1,162,065	-	-	1,162,065	-	1,162,065
Prepayments	21,420	-	-	21,420	-	21,420
Capital assets, net						
Land and construction in progress	-	-	-	-	2,010,768	2,010,768
Other capital assets	-	-	-	-	24,781,590	24,781,590
Total assets	<u>\$ 4,671,866</u>	<u>1,054,481</u>	<u>1,151,466</u>	<u>\$ 6,877,813</u>	<u>26,792,358</u>	<u>\$ 33,670,171</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 284,392	(289)	-	\$ 284,103	-	\$ 284,103
Security deposits payable	107,300	-	-	107,300	-	107,300
Salaries/benefits payable	-	-	-	-	190,387	190,387
Accrued interest payable	-	-	-	-	215,923	215,923
Deferred revenues	10,744	84,791	-	95,535	(95,535)	-
Long-term liabilities:						
Due within one year	-	-	-	-	691,330	691,330
Due after one year	-	-	-	-	13,473,563	13,473,563
Total liabilities	<u>402,436</u>	<u>84,502</u>	<u>-</u>	<u>486,938</u>	<u>14,475,668</u>	<u>14,962,606</u>
Fund balances:						
Committed	-	969,979	-	969,979	(969,979)	-
Assigned	-	-	1,151,466	1,151,466	(1,151,466)	-
Unassigned	4,269,430	-	-	4,269,430	(4,269,430)	-
Total fund balances	<u>4,269,430</u>	<u>969,979</u>	<u>1,151,466</u>	<u>6,390,875</u>	<u>(6,390,875)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 4,671,866</u>	<u>1,054,481</u>	<u>1,151,466</u>	<u>\$ 6,877,813</u>		
Net Assets:						
Invested in capital assets, net of related debt					12,627,465	12,627,465
Restricted for debt service					969,979	969,979
Restricted for capital projects					1,151,466	1,151,466
Unrestricted					3,958,655	3,958,655
Total net assets					<u>\$ 18,707,565</u>	<u>\$ 18,707,565</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, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total</u>	<u>Adjustments (Note M)</u>	<u>Statement of Activities</u>
<b>Expenditures/Expenses</b>						
Service operations:						
Water service	\$ 1,092,342	-	-	1,092,342	\$ -	\$ 1,092,342
Wastewater service	463,430	-	-	463,430	-	463,430
Salaries, benefits & payroll taxes	1,644,173	-	-	1,644,173	13,388	1,657,561
Contracted services	457,095	-	-	457,095	-	457,095
Professional fees	188,808	-	-	188,808	-	188,808
Administrative supplies & maintenance:	31,402	-	-	31,402	-	31,402
Capital outlay-Capitalized	56,514	-	154,182	210,696	(210,696)	-
Capital outlay-Not Capitalized	34,170	-	-	34,170	37,569	71,739
Debt service:						
Principal	-	1,168,208	-	1,168,208	(1,168,208)	-
Interest and fiscal charges	-	2,157,649	-	2,157,649	37,790	2,195,439
Depreciation	-	-	-	-	1,615,738	1,615,738
Total expenditures/expenses	<u>3,967,934</u>	<u>3,325,857</u>	<u>154,182</u>	<u>7,447,973</u>	<u>325,581</u>	<u>7,773,554</u>
<b>REVENUES:</b>						
Program revenues:						
Charges for water service	3,723,145	-	-	3,723,145	-	3,723,145
Charges for wastewater service	1,809,365	-	-	1,809,365	-	1,809,365
Tap connection & inspection fees	39,774	-	-	39,774	-	39,774
Total program revenues	<u>5,572,284</u>	<u>-</u>	<u>-</u>	<u>5,572,284</u>	<u>-</u>	<u>5,572,284</u>
Net program revenue/expense						<u>(2,201,270)</u>
General revenues:						
Property taxes	194,751	1,773,454	-	1,968,205	(2,292)	1,965,913
Investment earnings	4,812	-	1,715	6,527	-	6,527
Penalties and interest	47,044	14,055	-	61,099	-	61,099
Other	68,972	-	313,296	382,268	-	382,268
Transfers-internal activities	(1,946,189)	1,946,189	-	-	-	-
Total general revenues/transfers	<u>(1,630,610)</u>	<u>3,733,698</u>	<u>315,011</u>	<u>2,418,099</u>	<u>(2,292)</u>	<u>2,415,807</u>
Total revenues and transfers	<u>3,941,674</u>	<u>3,733,698</u>	<u>315,011</u>	<u>7,990,383</u>	<u>(2,292)</u>	<u>7,988,091</u>
Other financing sources						
Excess (deficiency) of revenues, transfers in, and other sources over expenditures and transfers out	(26,260)	407,841	160,829	542,410	(542,410)	-
Change in net assets					214,537	214,537
Fund balance/net assets:						
Beginning of the year	4,295,690	562,138	990,637	5,848,465	12,644,563	18,493,028
End of the year	<u>\$ 4,269,430</u>	<u>969,979</u>	<u>1,151,466</u>	<u>6,390,875</u>	<u>\$ 12,316,690</u>	<u>\$ 18,707,565</u>

See Accompanying Notes to Financial Statements

## LAKEWAY MUNICIPAL UTILITY DISTRICT

Notes to the Financial Statements

Year Ended September 30, 2011

### 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 assets 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

Year Ended September 30, 2011

(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.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

Year Ended September 30, 2011

(continued)

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 JPMorgan Chase 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).

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 assets. 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, 2011.
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 assets, long-term debt is reported as liabilities. Payments of bond principal and interest is reported as expenditures in the debt service fund.

## LAKEWAY MUNICIPAL UTILITY DISTRICT

Notes to the Financial Statements

Year Ended September 30, 2011

(continued)

- 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 assets 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.
- 12. Classification of Fund Balance** - The District classifies its fund balance into five categories: nonspendable, restricted, committed, assigned or unassigned. *Nonspendable* fund balances include amounts that cannot be spent because they are in not in spendable form or 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. *Committed* fund balances are used for specific purposes pursuant to constraints imposed by the formal action of the District's highest level of decision making. *Assigned* fund balances are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed by the District. *Unassigned* fund balance is the residual classification for the general fund.
- 13. Net Assets** - Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are 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 Revenues** - Deferred revenue arises 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 revenue in the general fund and debt service fund is recorded as revenue in the statement of activities. Accordingly, deferred tax revenue is excluded in the statement of net assets.
- 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, 2011, for the maintenance and operation of the District, and for the payment of debt service on the District's outstanding bonds were \$.02 and \$.1852 per \$100 valuation, respectively, for a total of \$.2052 per \$100 valuation, and was based on an assessed valuation of \$957,219,493.

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

Year Ended September 30, 2011

(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, 2011, this date was February 8, 2012.

**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 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, 2011, the District had the following investments:

<u>Summary of Investments by Type</u>	<u>2011</u>
Cash	\$ 280,531
TexPool	5,318,262
Total investments	<u>\$ 5,598,793</u>
Interest income	\$ 9,161
Total investment income	<u>\$ 9,161</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.

At September 30, 2011, the carrying amount of the District's cash and cash equivalents was \$5,642,310. The Chase bank balance was \$327,412 and petty cash was \$300 as of September 30, 2011. The remaining amount was maintained in TexPool.

There is no limit on the amount the District may deposit in any one institution. The District is fully collateralized with pledged securities for amounts in excess of the FDIC limit for the year ended September 30, 2011.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

Year Ended September 30, 2011

(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 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's investments are insured or registered and are held by the District or its agent in the District's name.

As of September 30, 2011, the District's portfolio consisted of the following:

	<u><b>2011</b></u>
TexPool	100%

***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.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

Year Ended September 30, 2011

(continued)

**Credit Risk**

Credit risk is the risk than 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 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.

**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, 2011, was as follows:

<u>CAPITAL ASSETS</u>	<u>Land</u>	<u>Construction In Progress</u>	<u>Buildings</u>	<u>Infrastructure and Improvements</u>	<u>Machinery and Equipment</u>	<u>TOTALS</u>
September 30, 2009	\$ 1,901,958	\$ 4,781,988	\$ 1,109,263	\$ 47,573,409	\$ 501,940	\$ 55,868,558
Increases	-	138,767	2,844,282	1,971,129	33,124	4,987,302
Decreases	-	(4,811,945)	-	-	-	(4,811,945)
September 30, 2010	<u>1,901,958</u>	<u>108,810</u>	<u>3,953,545</u>	<u>49,544,538</u>	<u>535,064</u>	<u>56,043,915</u>
 <u>ACCUMULATED DEPRECIATION</u>						
September 30, 2009	-	-	448,327	26,833,719	353,773	27,635,819
Increases	-	-	110,219	1,469,179	36,340	1,615,738
Decreases	-	-	-	-	-	-
September 30, 2010	<u>-</u>	<u>-</u>	<u>558,546</u>	<u>28,302,898</u>	<u>390,113</u>	<u>29,251,557</u>
<b>CAPITAL ASSETS-NET</b>	<u>\$ 1,901,958</u>	<u>\$ 108,810</u>	<u>\$ 3,394,999</u>	<u>\$ 21,241,640</u>	<u>\$ 144,951</u>	<u>\$ 26,792,358</u>

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

Year Ended September 30, 2011

(continued)

**E. LONG-TERM DEBT**

Bonded Debt consists of Lakeway Municipal Utility District Water and Sewer Combination Revenue and Unlimited Tax Bonds, Series 1997, Series 1998-A, Series 1998-B, Series 1999, Unlimited Tax Bonds, Series 2000 and Series 2000-A, Unlimited Tax Refunding Bonds, Series 2005, and Unlimited Tax Bonds, Series 2009. 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, 2011, are comprised of the following individual issues:

Series 1997, due in annual principal installments ranging from \$165,000 to \$220,000 through September 1, 2017; interest rate is variable from 3.95% to 4.30%.	\$ 1,195,000
Series 1998-A, due in annual principal installments ranging from \$46,897 to \$1,380,000 through September 1, 2015; interest rate is variable from 4.70% to 5.30%	278,577
Series 1998-B, due in annual principal installments ranging from \$355,000 to \$400,000 through September 1, 2011; interest rate remaining is at 6.50%	-
Series 1999, due in annual principal installments ranging from \$85,000 to \$90,000 through September 1, 2011; interest rate is variable from 4.5% to 6.5%	-
Series 2000-A, due in annual principal installments ranging from \$250,000 to \$265,000 and through September 1, 2012; interest rate is variable from 4.80% to 6.25%	250,000
Series 2005, due in annual principal installments ranging from \$105,000 to \$885,000 through September 1, 2022; interest rate is fixed at 3.57%	6,671,316
Series 2009, due in annual principal installments ranging From \$100,000 to \$530,000 through September 1, 2029; Interest rate is variable from 4.375% to 4.50%	<u>5,770,000</u>
Total Bonds Payable at September 30, 2011	<u>\$14,146,893</u>

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

Year Ended September 30, 2011

(continued)

At September 30, 2011, the District had \$7,430,000 in remaining authorized but unissued bonds.

<u>Due Fiscal Year</u> <u>Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$691,330	2,593,496	\$3,284,826
2013	465,098	2,870,195	3,335,293
2014	1,026,568	2,295,706	3,322,274
2015	1,141,897	2,163,553	3,305,450
2016	1,130,000	433,878	1,563,878
2017-2021	5,740,000	1,488,635	7,228,635
2022-2026	2,470,000	623,467	3,093,467
2027-2029	1,500,000	137,113	1,637,113
Totals	<u>\$14,164,893</u>	<u>12,606,043</u>	<u>\$26,770,936</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 1997:**

Bonds maturing in years 2009 through 2017 are callable September 1, 2009, or any date thereafter, in whole or in part, in inverse order of maturity in increments of \$5,000 at par plus accrued interest.

**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 2000-A:**

Bonds maturing on and after September 1, 2011, are subject to redemption, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2011, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

**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.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

Year Ended September 30, 2011

(continued)

**Advance Refunding**

On May 24, 2005, the District issued \$7,304,991 of unlimited tax refunding bonds for the purpose of an advance refunding on a portion of the District's Series 1999 bonds of \$1,055,000, Series 2000 bonds of \$2,250,000, and on Series 2000-A bonds of \$4,000,000. The resources from the issue were deposited in an irrevocable trust with an escrow agent to provide resources for all future debt service payments on the above Series 1999, 2000, and 2000-A bonds. As a result, these refunded bonds are considered to be defeased and the liability has been removed from the District's Statement of Net Assets. The trust account asset and liabilities for the defeased bonds are not included in the District's financial statements. As of September 30, 2011, \$4,000,000 of bonds considered defeased are still outstanding.

**F. 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, 2011, the District contracted with the Texas Municipal League Intergovernmental Risk Pool for liability, property, and crime damage. 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	\$ 10,182,147
Tax Collector Bond	\$ 100,000
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 Joint Self-Insurance Funds. The premium is calculated based upon accident history and administrative costs.

**G. OPERATING TRANSFERS**

During the year ended September 30, 2011, the General Fund transferred \$1,946,189 to the Debt Service Fund for the payment of bond interest and principal.

**H. INTEREST AND FISCAL CHARGES**

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

	<b>Debt Service</b>
Interest	\$ 2,144,121
Appraisal Services	10,152
Collection Expenses	3,576
Total	<u>\$ 2,157,649</u>

## **LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

Year Ended September 30, 2011

(continued)

### **I. RELATIONSHIPS WITH OTHER DISTRICTS**

The District has interconnects with the Hurst Creek Municipal Utility District and Travis County Water Control and Improvement District No. 17 for use in emergency situations. The cost of the interconnects was shared equally with Hurst Creek Municipal Utility District and Travis County Water Control and Improvement District No. 17.

The District has two wholesale contracts – water and wastewater with Travis County Municipal Utility No.11 and wastewater with Travis County Water Control and Improvement District No. 17.

### **J. 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 586 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. 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 11.00% for the months of the accounting year in 2011. 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.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

Year Ended September 30, 2011

(continued)

**Annual Pension Cost**

For the accounting year ending September 30, 2011, the amount of employer's contribution to the plan was \$125,172 and the employee's contribution amount was \$79,655.

**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, 2009	\$ 106,842	100%	\$ -
September 30, 2010	\$ 124,962	100%	\$ -
September 30, 2011	\$ 125,172	100%	\$ -

While the actual contributions for the months of the accounting year in 2011 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 2010 was in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2010, the basis for assessing the adequacy of the financing arrangement beginning with the contribution rate for calendar year 2010. The part of the annual required contributions for the months of the accounting year in 2011 was actuarially determined as a percent of the covered payroll of the participating employees, and was in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2010, the basis for determining the contribution rate for calendar year 2011. The December 31, 2010 actuarial valuation is the most recent valuation.

The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2010 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 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 payroll on a closed basis. The remaining amortization period at December 31, 2010 was 17.3 years.

**Funded Status and Funding Progress**

As of December 31, 2010, the most recent actuarial valuation date, the plan was 83.33 percent funded. The actuarial accrued liability for benefits was \$3,543,568, and the actuarial value of assets was \$2,952,818 resulting in an unfunded actuarial accrued liability (UAAL) of \$590,750. The covered payroll (annual payroll of active employees covered by the plan) was \$1,197,706, and the ratio of the UAAL to the covered payroll was 49.32 percent.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

Year Ended September 30, 2011

(continued)

**Actuarial Valuation Information**

Actuarial valuation date	12/31/08	12/31/09	12/31/10
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	16.4	15.0	17.3
Asset valuation method	SAF: 10-yr. smoothed value ESF: Fund Value	SAF: 10-yr. smoothed value ESF: Fund value	SAF: 10-yr. smoothed value ESF: Fund value

Actuarial Assumptions:

Investment return'	8%	8%	8%
Projection salary increases'	5.3%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost of living adjustments	0.0%	0.0%	0.0%

'Includes inflation at the stated rate

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll<sup>1</sup> (c)</b>	<b>Percentage of Covered Payroll ((b-a)/c)</b>
12/31/2008	2,290,117	2,826,332	536,215	81.03%	1,036,108	51.75%
12/31/2009	2,614,467	3,108,808	494,341	84.10%	1,091,433	45.29%
12/31/2010	2,952,818	3,543,568	590,750	83.33%	1,197,706	49.32%

<sup>1</sup> The annual covered payroll is based on the employee contributions received by TCDR for the year ending with the valuation date.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

Year Ended September 30, 2011

(continued)

**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.

**K. LITIGATION**

The District has no pending litigation that would materially affect the general purpose financial statements.

**L. EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

<u>Explanation</u>	<u>Amount of Adjustment</u>
Capital assets are not reported as assets in the governmental funds but are reported as expenditures when acquired. However, in the statement of net assets, these assets are capitalized and reported at cost net of depreciation:	
Land and construction in progress	\$ 2,010,768
Other capital assets	24,781,590
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 assets:	
Salaries/benefits payable:	
(Compensated absences)	(190,387)
Accrued interest payable	(215,923)
Long-term liabilities:	
(Bonds payable)	
Due within one year	(691,330)
Due after one year	(13,473,563)
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 assets.	
Total	\$ 95,535 12,316,690

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

Notes to the Financial Statements

Year Ended September 30, 2011

(continued)

**M. Explanation of Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities**

<u>Explanation</u>	<u>Amount of Adjustment</u>
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.	\$ 13,388
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	(210,696)
Depreciation expense	1,615,738
Other	37,569
Repayment of bond principal is an expenditure in the governmental funds, and a reduction in long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.	(1,168,208)
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:	37,790
Tax revenues in the statement of activities that do not provide current financial resources, "not available", are not reported in the funds.	2,292
<b>Total</b>	<b>\$ 327,873</b>

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
 Budgetary Comparison Schedule-Required Supplementary Information  
 General Fund  
 For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original (unaudited)</u>	<u>Final (unaudited)</u>		
<b>Revenues:</b>				
Charges for water services	\$ 3,288,200	3,288,200	3,723,145	\$ 434,945
Charges for wastewater service	1,687,620	1,687,620	1,809,365	121,745
Property taxes	189,500	189,500	194,751	5,251
Tap connection and inspection fees	27,200	27,200	39,774	12,574
Investment earnings	7,200	7,200	4,812	(2,388)
Penalties and interest	39,800	39,800	47,044	7,244
Other	38,000	38,000	68,972	30,972
Total Revenues	<u>5,277,520</u>	<u>5,277,520</u>	<u>5,887,863</u>	<u>610,343</u>
<b>Expenditures/expenses:</b>				
<b>Service operations:</b>				
Water service	837,700	1,068,600	1,092,342	(23,742)
Wastewater service	485,300	464,100	463,430	670
Salaries, benefits, and payroll taxes	1,639,900	1,640,300	1,644,173	(3,873)
Contracted services	226,300	240,400	262,447	(22,047)
Professional fees	191,700	207,100	188,808	18,292
Administrative Supplies and Maintenance-	34,100	34,100	31,402	2,698
<b>Capital outlay</b>	<u>87,100</u>	<u>87,100</u>	<u>34,170</u>	<u>52,930</u>
Total expenditures/expenses	<u>\$ 3,502,100</u>	<u>3,741,700</u>	<u>3,716,772</u>	<u>\$ 24,928</u>
<b>Reserve Accounts<sup>1</sup></b>				
Inflow and Infiltration Repairs	N/A	N/A	194,648	
Capital construction expenses	N/A	N/A	<u>56,514</u>	
			<u>\$ 251,162</u>	
Excess (deficiency) of revenues over expenditures	<u>1,775,420</u>	1,535,820	1,919,929	635,271
Other financing sources (uses):				
Transfers-internal activities	<u>(1,946,189)</u>	<u>(1,946,189)</u>	<u>(1,946,189)</u>	<u>-</u>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(170,769)	(410,369)	(26,260)	635,271
<b>Fund balance:</b>				
Beginning of the year	<u>4,295,690</u>	<u>4,295,690</u>	<u>4,295,690</u>	<u>-</u>
End of the year	<u>\$ 4,124,921</u>	<u>3,885,321</u>	<u>4,269,430</u>	<u>\$ 635,271</u>

<sup>1</sup> Represents funds available for use that are not included in budget consideration

See Accompanying Note to Required Supplementary Information

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
Notes to Required Supplementary Information  
September 30, 2011

**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, 2011**

- 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, 2011

1 Services Provided by the District:

<u>  X  </u> Retail Water	<u>  X  </u> Wholesale Water
<u>  X  </u> Retail Wastewater	<u>  X  </u> Wholesale Wastewater
<u>      </u> Parks/Recreation	<u>      </u> Fire Protection
<u>      </u> Solid Waste/Garbage	<u>      </u> Flood Control
<u>      </u> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)	<u>      </u> Irrigation
<u>      </u> Drainage	<u>      </u> Security
<u>      </u> Other	<u>      </u> 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:	\$ 22.33	0	N	\$ 2.50	0 to 15,000
				3.25	15,001-30,000
				3.50	30,001-50,000
				4.00	50,001-80,000
				4.50	80,001-100,000
				5.00	Over 100,000

Wastewater: \$ 19.57 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) \$ 91.90

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>
4017	4184	43

\* Number of connections relates to water service.

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

Gallons pumped into system:	964,521
Gallons billed to customers:	842,863
Gallons of District use:	26,771

**LAKEWAY MUNICIPAL UTILITY DISTRICT**

(A) Schedule of Services and Rates (unaudited)

For the Year Ended September 30, 2011

(continued)

5 Standby Fees:

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

For the most recent full fiscal year, FYE 9/30/11:

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	\$	2,079,403
b. Water and Wastewater Revenue		1,205,423
c. Debt Service Fund Balances To Be Used		-
<b>TOTAL ANTICIPATED FUNDS TO BE USED*</b>	<b>\$</b>	<b><u>3,284,826</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? \_\_\_\_\_

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
 (B) Schedule of General Fund Expenditures  
 For the Year Ended September 30, 2011

Personnel (including benefits)	\$ <u>1,644,173</u>
Professional Fees:	
Auditing	18,043
Legal	78,569
Engineering	53,108
Other	39,088
	<u>188,808</u>
Water Services:	
Treated Water and Chemicals	51,854
Bulk Water	494,951
LCRA Variable Cost	226,266
LCRA Barge Surcharge	19,962
Utilities	131,724
Supplies	25,568
Maintenance	142,017
	<u>1,092,342</u>
Wastewater Services:	
Chemicals	52,961
Utilities	210,958
Supplies	25,444
Maintenance	174,067
	<u>463,430</u>
Supplies and Maintenance-Administrative:	
Supplies	14,916
Maintenance	16,486
	<u>31,402</u>
Capital Outlay:	
Capitalized Assets	56,514
Not Capitalized	34,170
	<u>90,684</u>

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
**(B) Schedule of General Fund Expenditures**  
**For the Year Ended September 30, 2011**  
**(continued)**

Purchased and Contracted Services:		
Inflow and Infiltration	\$	194,648
Insurance		65,800
Communications		35,286
Testing and Lab Fees		19,678
Inspection Fees		10,150
Permits		10,973
Custodial		5,450
Equipment Rental		5,130
Security Fees		1,380
Transportation		5,500
Employee Welfare		3,594
Education		13,141
Medical		547
Bank Fees		49,790
Safety		7,177
Miscellaneous		28,851
		<u>457,095</u>
TOTAL EXPENDITURES	\$	<u>3,967,934</u>
Number of persons employed by the District:		<u>20 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, 2011**

<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	\$ 3,306,152	\$ -
Total				<u>3,306,152</u>	<u>-</u>
Debt Service Fund					
Investment Pool -					
TexPool	8121300017	*	Open	958,463	-
Total				<u>958,463</u>	<u>-</u>
Capital Projects Fund					
Investment Pool -					
TexPool	8121300015	*	Open	182,247	-
TexPool	8121300020	*	Open	871,400	-
Total				<u>1,053,647</u>	<u>-</u>
Total - All Funds				\$ <u>5,318,262</u>	\$ <u>-</u>

\* Variable Rate - Interest Rate as of 9/30/11 on a Simple Basis was .0843%.

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
**(D) Schedule of Taxes Levied and Receivables**  
**For the Year Ended September 30, 2011**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
Taxes Receivable, Beginning of Year	\$ 8,318	\$ 91,739
2010 Original Tax Levy - Net of Adjustments	191,444	1,772,770
Adjustments - Prior Years	5,733	(6,264)
Total to be Accounted For	205,495	1,858,245
Tax Collections:		
Current Year	(189,721)	(1,756,815)
Prior Years	(5,030)	(16,639)
Total Collections	(194,751)	(1,773,454)
 Taxes Receivable, End of Year	 \$ 10,744	 \$ 84,791
Taxes Receivable, By Years:		
1990 and earlier	-	11,496
1991	-	70
1992	-	27
1993	-	340
1994	-	663
1995	-	1,298
1996	-	746
1997	-	556
1998	-	713
1999	-	1,275
2000	-	2,354
2001	545	3,312
2002	345	2,095
2003	191	1,157
2004	881	5,352
2005	1,298	7,880
2006	711	4,318
2007	1,355	8,228
2008	1,342	8,153
2009	1,577	9,578
2010	2,499	15,180
 Taxes Receivable, End of Year	 \$ 10,744	 \$ 84,791

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Property Valuations:	\$ 957,219,493	\$ 1,075,843,925	\$ 982,675,349	\$ 897,114,882
Tax Rates per \$100 Valuation:				
Debt Service tax rates	\$ 0.1852	\$ 0.1767	\$ 0.1622	\$ 0.1822
Maintenance tax rates	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.03
Total Tax Rates per \$100 Valuation	\$ 0.2052	\$ 0.1967	\$ 0.1922	\$ 0.2122
Original Tax Levy:	\$ 1,963,683	\$ 1,991,970	\$ 1,887,211	\$ 1,897,786
Percent of Taxes Collected to Taxes Levied *	99.09%	99.44%	99.50%	99.50%

\* 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**  
**As of September 30, 2011**

Due During Fiscal Year Ending September 30	Series 1997			Series 1998-A			Series 2000-A		
	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
2012	\$ 180,000	\$ 50,730	\$ 230,730	\$ 93,874	\$ 1,751,126	\$ 1,845,000	\$ 250,000	\$ 12,250	\$ 262,250
2013	185,000	43,260	228,260	76,238	1,773,762	1,850,000	-	-	-
2014	195,000	35,490	230,490	61,568	1,783,432	1,845,000	-	-	-
2015	205,000	27,203	232,203	46,897	1,688,103	1,735,000	-	-	-
2016	210,000	18,490	228,490	-	-	-	-	-	-
2017	220,000	9,460	229,460	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-
<b>TOTALS</b>	<u>\$ 1,195,000</u>	<u>\$ 184,633</u>	<u>\$ 1,379,633</u>	<u>\$ 278,577</u>	<u>\$ 6,996,423</u>	<u>\$ 7,275,000</u>	<u>\$ 250,000</u>	<u>\$ 12,250</u>	<u>\$ 262,250</u>



**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
**(F) Analysis of Changes in Long-Term Debt**  
**For the Year Ended September 30, 2011**

	<b>BOND ISSUES</b>							<b>Totals</b>
	<b>Series 1997</b>	<b>Series 1998-A</b>	<b>Series 1998-B</b>	<b>Series 1999</b>	<b>Series 2000-A</b>	<b>Series 2005</b>	<b>Series 2009</b>	
Interest Rate	3.85-4.30%	4.65-4.75%	6.45-6.50%	4.50-6.50%	4.80-6.25%	3.57%	4.375-4.50%	
Dates Interest Payable	3/1:9/1	3/1:9/1	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	\$ 1,365,000	\$ 368,110	\$ 400,000	\$ 90,000	\$ 515,000	\$ 6,724,991	\$ 5,870,000	\$ 15,333,101
Bonds Issued During Current Year	-	-	-	-	-	-	-	-
Retirements:								
Principal	<u>170,000</u>	<u>89,533</u>	<u>400,000</u>	<u>90,000</u>	<u>265,000</u>	<u>53,675</u>	<u>100,000</u>	<u>1,168,208</u>
Bonds Outstanding End of Current Year	\$ <u>1,195,000</u>	\$ <u>278,577</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>250,000</u>	\$ <u>6,671,316</u>	\$ <u>5,770,000</u>	\$ <u>14,164,893</u>
Retirements:								
Interest	\$ <u>184,633</u>	\$ <u>6,996,423</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>12,250</u>	\$ <u>2,474,470</u>	\$ <u>2,938,270</u>	\$ <u>12,606,046</u>

Paying Agent's Name & Address:

J.P. Morgan Chase Bank  
P.O. Box 911542  
Dallas, Texas 75391-1542

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

Debt Service Fund Cash and Temporary Investments  
balances as of September 30, 2011: \$969,690  
Average Annual Debt Service Payment (Principal and Interest)  
for remaining term of all debt: \$1,487,274

Bond Authority:

	<u>Tax Bonds*</u>
Amount Authorized by Voters	\$ 53,115,000
Amount Issued	\$ 45,685,000
Remaining to be Issued	\$ 7,430,000

\* 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**  
**Comparative Schedule of Revenues and Expenditures**  
**For the Year Ended September 30, 2011**

	<u>Amounts</u>					<u>Percent of Fund Total Revenues</u>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b><u>General Fund Revenues</u></b>										
Property Taxes - M&O	\$ 194,751	\$ 203,484	\$ 294,447	\$ 267,020	\$ 245,019	3.31%	4.15%	4.96%	4.98%	4.45%
Water & Wastewater Charges	5,532,510	4,485,169	4,841,806	4,188,066	3,764,575	93.96%	91.50%	81.57%	78.14%	68.37%
Meter Installation	39,774	9,600	11,675	64,400	83,900	0.68%	0.20%	0.20%	1.20%	1.52%
Interest, Penalties & Other	120,828	203,507	788,129	840,452	1,412,885	2.05%	4.15%	13.28%	15.68%	25.66%
Total General Fund Revenues	<u>5,887,863</u>	<u>4,901,760</u>	<u>5,936,057</u>	<u>5,359,938</u>	<u>5,506,379</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	1,644,173	1,641,939	1,573,614	1,441,522	1,364,505	27.92%	33.50%	26.51%	26.89%	24.78%
Supplies	65,928	68,221	72,638	91,815	70,529	1.12%	1.39%	1.22%	1.71%	1.28%
Maintenance & Repair	527,218	732,414	685,156	535,613	753,824	8.95%	14.94%	11.54%	9.99%	13.69%
Purchased & Contracted Services	1,639,931	1,320,830	1,639,251	1,320,654	1,002,548	27.85%	26.95%	27.62%	24.64%	18.21%
Capital Outlay	90,684	253,452	231,849	994,961	184,938	1.54%	5.17%	3.91%	18.56%	3.36%
Total General Fund Expenditures	<u>3,967,934</u>	<u>4,016,856</u>	<u>4,202,508</u>	<u>4,384,565</u>	<u>3,376,344</u>	<u>67.39%</u>	<u>81.95%</u>	<u>70.80%</u>	<u>81.80%</u>	<u>61.32%</u>
General Fund Revenue Over/Under Expenditures	1,919,929	884,904	1,733,549	975,373	2,130,035	32.61%	18.05%	29.20%	18.20%	38.68%
<b><u>Other Finance Sources (Uses)</u></b>										
Operating Transfers In	-	-	197,463	-	-	0.00%	0.00%	3.33%	0.00%	0.00%
Operating Transfers Out	(1,946,189)	(943,118)	(1,327,031)	(1,052,436)	(977,550)	-33.05%	-19.24%	-22.36%	-19.64%	-17.75%
Total Other Financing Sources (Uses)	<u>(1,946,189)</u>	<u>(943,118)</u>	<u>(1,129,568)</u>	<u>(1,052,436)</u>	<u>(977,550)</u>	<u>-33.05%</u>	<u>-19.24%</u>	<u>-19.03%</u>	<u>-19.64%</u>	<u>-17.75%</u>
General Fund Revenue And Other Sources Over/Under Expenditures And Other Uses	\$ <u>(26,260)</u>	\$ <u>(58,214)</u>	\$ <u>603,981</u>	\$ <u>(77,063)</u>	\$ <u>1,152,485</u>	<u>-0.45%</u>	<u>-1.19%</u>	<u>10.17%</u>	<u>-1.44%</u>	<u>20.93%</u>

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
**Comparative Schedule of Revenues and Expenditures**  
**For the Year Ended September 30, 2011**  
 (continued)

	Amounts					Percent of Fund Total Revenues				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
<b><u>Debt Service Fund Revenues</u></b>										
Property Taxes - M&O	\$ 1,773,454	\$ 1,796,574	\$ 1,588,322	\$ 1,623,130	\$ 1,617,441	99.21%	98.94%	98.38%	95.00%	91.09%
Penalties & Interest	14,055	19,192	26,235	85,372	158,117	0.79%	1.06%	1.62%	5.00%	8.91%
Total Debt Service Fund Revenues	<u>1,787,509</u>	<u>1,815,766</u>	<u>1,614,557</u>	<u>1,708,502</u>	<u>1,775,558</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	13,728	13,449	13,234	13,459	12,256	0.77%	0.74%	0.82%	0.79%	0.69%
Debt Service Interest & Fees	2,143,921	828,792	594,411	708,713	817,301	119.94%	45.64%	36.82%	41.48%	46.03%
Debt Service Principal	1,168,208	2,480,000	2,365,000	2,245,000	2,135,000	65.35%	136.58%	146.48%	131.40%	120.24%
Refunding Bonds Issuance Costs	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Total Debt Service Fund Expenditures	<u>3,325,857</u>	<u>3,322,241</u>	<u>2,972,645</u>	<u>2,967,172</u>	<u>2,964,557</u>	<u>186.06%</u>	<u>182.97%</u>	<u>184.12%</u>	<u>173.67%</u>	<u>166.96%</u>
Debt Service Revenue Over/Under Expenditures	(1,538,348)	(1,506,475)	(1,358,088)	(1,258,670)	(1,188,999)	-86.06%	-82.97%	-84.12%	-73.67%	-66.96%
<b><u>Other Financing Sources</u></b>										
Operating Transfers In From General Fund	1,946,189	943,118	1,327,031	1,052,436	977,550	108.88%	51.94%	82.19%	61.60%	55.06%
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>1,946,189</u>	<u>943,118</u>	<u>1,327,031</u>	<u>1,052,436</u>	<u>977,550</u>	<u>108.88%</u>	<u>51.94%</u>	<u>82.19%</u>	<u>61.60%</u>	<u>55.06%</u>
Debt Service Revenue And Other Sources Over/Under Expenditures	<u>\$ 407,841</u>	<u>\$ (563,357)</u>	<u>\$ (31,057)</u>	<u>\$ (206,234)</u>	<u>\$ (211,449)</u>	<u>22.82%</u>	<u>-31.03%</u>	<u>-1.92%</u>	<u>-12.07%</u>	<u>-11.91%</u>
Total Active Retail Water Connections	<u>4001</u>	<u>3993</u>	<u>3998</u>	<u>4006</u>	<u>3928</u>					
Total Active Retail Wastewater	<u>2966</u>	<u>2958</u>	<u>2959</u>	<u>2952</u>	<u>2865</u>					

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
(H) Board Members, Key Personnel, and Consultants (Unaudited)  
For the Year Ended September 30, 2011

<u>Board Members</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Annual Fees Paid</u>	<u>Expense Reimb.</u>	<u>Title</u>	<u>Resident of District</u>	<u>*Relationship w/ Major Land Owner, Eng., Attorney &amp; Tax Asses.-Col.</u>
Karl Ansbach 1097 Lohmans Crossing Austin, Texas 78734	05/01/10 05/01/14	\$ 900	\$ -	President	Yes	None
Jerry Hietpas 1097 Lohmans Crossing Austin, Texas 78734	05/01/10 05/01/14	\$ -	\$ -	Vice President	Yes	None
Allan Hitchcock 1097 Lohmans Crossing Austin, Texas 78734	05/10/08 05/12/12	\$ -	\$ -	Secretary Treasurer	Yes	None
Tom Brewer 1097 Lohmans Crossing Austin, Texas 78734	06/08/11 05/12/12	\$ -	\$ -	Director	Yes	None
Kay Andrews 1097 Lohmans Crossing Austin, Texas 78734	05/10/08 05/12/12	\$ -	\$ -	Director	Yes	None
Earl Foster 1097 Lohmans Crossing Austin, Texas 78734	2010	\$ 121,972	\$ -	General Manager	No	None
Margaret Cathey 1097 Lohmans Crossing Austin, Texas 78734	1997	\$ 81,387	\$ 317	Finance/Administration Manager	No	None
<b><u>Consultants</u></b>						
Carls, McDonald & Dairymple 901 S. Mopac, Bldg 2, Suite 500 Austin, Texas 78746	2010	\$ 94,808	\$ -	Attorney	No	None
Travis Central Appraisal District P.O Box 149012 Austin, Texas 78714-9012	1982	\$ 10,152	\$ -	Central Appraisal District	No	None
Travis County Tax Collector P.O. Box 1748 Austin, Texas 78767	1982	\$ 3,576	\$ -	Tax Collector	No	None

\* Includes business or family relationship.