

**Lakeway
Municipal Utility District**

**Financial Statements and
Supplemental Information
as of and for the Year Ended
September 30, 2020 and
Independent Auditors' Report**



Lakeway Municipal Utility District

Table of Contents

	<u>Page</u>
Annual Filing Affidavit	1
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-10
Basic Financial Statements:	
Statement of Net Position and Governmental Funds Balance Sheet	11
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances	12
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	13
Notes to Basic Financial Statements	14-33
Required Supplementary Information:	
Schedule of Changes in Net Pension Liability and Related Ratios	34
Schedule of District Contributions	35
Notes to Required Supplementary Information	36
Texas Commission on Environmental Quality Supplementary Information:	
Index of Supplemental Schedules Required by the Texas Commission on Environmental Quality	37
Supplemental Schedules Required by the Texas Commission on Environmental Quality	38-50

Annual Filing Affidavit

The State of Texas

County of Travis

I, JERRY HIETPAS
(Name of Duly Authorized District Representative)

of the Lakeway Municipal Utility District

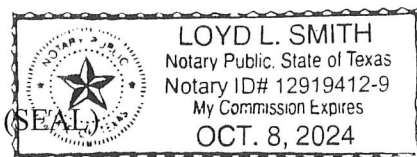
hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 13th day of JANUARY, 20 21, its annual audit report for the fiscal year ended September 30, 2020 and that copies of the annual audit report have been filed in the District office, located at 1097 Lohmans Crossing, Lakeway, TX 78734.

The annual filing affidavit and the attached copy of the annual 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: JANUARY 13, 20 21. By: [Signature]
(Signature of District Representative)

Jerry Hietpas, Board President
(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this 13th day of JANUARY, 20 21.



[Signature]
(Signature of Notary)

LOYD L. SMITH
(Printed Name of Notary)

My Commission Expires On: 10-8-2024
Notary Public in and for the State of Texas.



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250
www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100
Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300
Round Rock, TX 78664

Independent Auditors' Report

To the Board of Directors of
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 Lakeway Municipal Utility District (the "District"), as of and for the year ended September 30, 2020, 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 District as of September 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance 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 the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of district contributions, and the notes to required supplementary information on pages 5 through 10, 34, 35, and 36, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information required by the Texas Commission on Environmental Quality (the "TCEQ") listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information required by the TCEQ listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information required by the TCEQ listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maxwell Locke + Ritter LLP

Austin, Texas
January 13, 2021

Lakeway Municipal Utility District

Management's Discussion and Analysis For the Year Ended September 30, 2020

In accordance with Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), the management of Lakeway Municipal Utility District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2020. Please read it in connection with the District's financial statements that follow.

For purposes of GASB 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Total Governmental Funds" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements:*
 - *Statement of Net Position and Governmental Funds Balance Sheet*
 - *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*
 - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
 - *Notes to Basic Financial Statements*

Other supplementary information is also included.

The *Statement of Net Position and Governmental Funds Balance Sheet* includes a column (titled "Total Governmental Funds") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health.

The *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances* includes a column (titled "Total Governmental Funds") that derives the change in fund balances resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund* presents a comparison statement between the District's adopted budget to its actual results.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*.

Required supplementary information related to the District's participation in the Texas County and District Retirement System pension plan is presented immediately following the *Notes to Basic Financial Statements*.

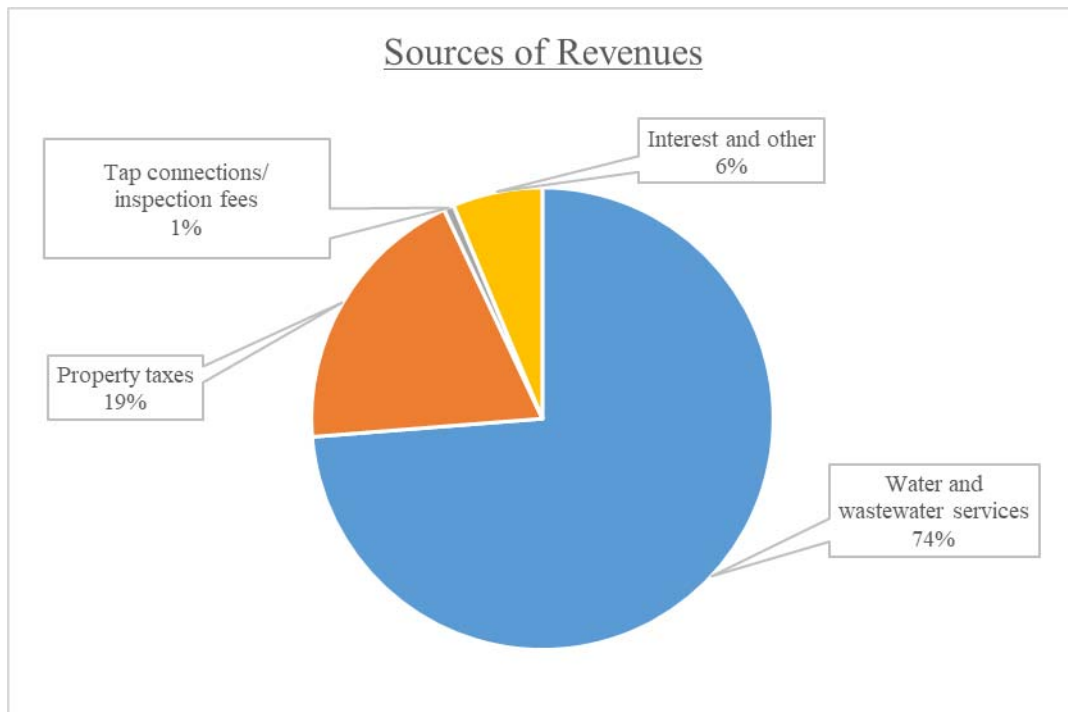
Schedules required by the Texas Commission on Environmental Quality and other supplemental information are presented immediately following the *Notes to Basic Financial Statements*.

Comparative Financial Statements

Statement of Net Position

	Governmental Activities		
	2020	2019	% Change
Current assets	\$ 19,516,233	\$ 20,933,259	(7%)
Other assets	106,966	274,390	(61%)
Capital assets	27,494,091	24,886,905	10%
Total assets	<u>47,117,290</u>	<u>46,094,554</u>	<u>2%</u>
Deferred outflows of resources	249,055	590,996	(58%)
Current liabilities	2,701,243	2,100,110	29%
Long-term liabilities	9,118,736	10,873,081	(16%)
Total liabilities	<u>11,819,979</u>	<u>12,973,191</u>	<u>(9%)</u>
Deferred inflows of resources	170,673	23,566	624%
Net investment in capital assets	18,794,900	17,034,524	10%
Restricted	137,057	83,397	64%
Unrestricted	16,443,736	16,570,872	(1%)
Total net position	<u>\$ 35,375,693</u>	<u>\$ 33,688,793</u>	<u>5%</u>

The District's total assets were approximately \$47.1 million as of September 30, 2020. Of this amount, approximately \$27.5 million is accounted for by capital assets. The District had outstanding liabilities of approximately \$11.8 million of which \$9.9 million represents bonds payable.



Statement of Activities

	Governmental Activities		
	2020	2019	% Change
Program revenues	\$ 5,612,716	\$ 4,951,914	13%
General revenues	2,171,223	2,138,560	2%
Other	-	389,265	(100%)
Total revenues	7,783,939	7,479,739	4%
Program expenses	4,435,826	4,001,845	11%
Debt service	366,162	409,592	(11%)
Depreciation	1,295,051	1,245,953	4%
Total expenses	6,097,039	5,657,390	8%
Change in net position	1,686,900	1,822,349	(7%)
Beginning net position	33,688,793	31,866,444	6%
Ending net position	\$ 35,375,693	\$ 33,688,793	5%

Total operating revenues increased by approximately \$300 thousand to approximately \$7.8 million for the fiscal year ended September 30, 2020. Program revenues provided approximately \$5.6 million and general revenues and other generated approximately \$2.1 million in revenues for the fiscal year ended September 30, 2020. Total expenses increased approximately \$440 thousand to approximately \$6.1 million for the fiscal year ended September 30, 2020. Net position increased approximately \$1.7 million and \$1.8 million for the fiscal years ended September 30, 2020 and 2019, respectively.

Analysis of Governmental Funds

Government Funds by Year

	<u>2020</u>	<u>2019</u>
Cash and temporary investments	\$ 18,089,948	\$ 19,578,816
Receivables	1,503,228	1,603,182
Prepays and other assets	30,023	25,651
Due from other funds	<u>40,050</u>	<u>58,024</u>
Total assets	<u>\$ 19,663,249</u>	<u>\$ 21,265,673</u>
Accounts payable	\$ 979,515	\$ 301,004
Accrued liabilities	148,343	147,763
Due to other funds	<u>40,050</u>	<u>58,024</u>
Total liabilities	<u>1,167,908</u>	<u>506,791</u>
Deferred inflows of resources	<u>81,495</u>	<u>74,278</u>
Nonspendable	30,023	25,651
Restricted for debt service	90,191	46,438
Restricted for capital projects	1,240,809	3,472,619
Assigned	9,346,795	9,848,887
Unassigned	<u>7,706,028</u>	<u>7,291,009</u>
Total fund balances	<u>18,413,846</u>	<u>20,684,604</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,663,249</u>	<u>\$ 21,265,673</u>

The *General Fund* pays for daily operating expenditures. When comparing actual to budget, actual revenues were greater than budgeted revenues primarily due to the District receiving more water service income than budgeted. Expenditures were more than budget primarily due to more capital outlay expenditures than anticipated. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

The *Debt Service Fund* remitted bond principal of \$1.385 million and interest of approximately \$370 thousand. More detailed information about the District's debt is presented in the *Notes to Basic Financial Statements*.

The *Capital Projects Fund* primarily purchases the District's infrastructure. Capital outlay expenditures were approximately \$3.3 million for the year ended September 30, 2020.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the duration. Due to the nature of the District's services, the pandemic may negatively impact the District's business, results of operations, and financial position; however, the related financial impact cannot be reasonably estimated at this time.

Capital Assets and Long-Term Debt Activity

Capital Assets

	<u>2020</u>	<u>2019</u>
Land	\$ 1,748,065	\$ 1,748,065
Construction in progress	4,324,572	1,331,857
Infrastructure	55,193,562	55,001,728
Buildings	6,037,287	5,898,393
Machinery and equipment	<u>1,800,242</u>	<u>1,251,398</u>
Subtotal	<u>69,103,728</u>	<u>65,231,441</u>
Accumulated depreciation	<u>(41,609,637)</u>	<u>(40,344,536)</u>
Total	<u>\$ 27,494,091</u>	<u>\$ 24,886,905</u>

More detailed information about the District's capital assets is presented in the *Notes to Basic Financial Statements*.

Long-Term Debt Activity

	<u>2020</u>	<u>2019</u>
Current portion	\$ 1,275,000	\$ 1,385,000
Long term portion	<u>8,665,000</u>	<u>9,940,000</u>
Total	<u>\$ 9,940,000</u>	<u>\$ 11,325,000</u>

More detailed information about the District's long-term debt is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

The adopted budget for 2021 projects an increase in revenue of approximately \$193,000 compared to the 2020 operating budget and an increase in expenditures of approximately \$329,000 from the 2020 operating budget. The tax rate has been set at \$0.0150 per \$100 of assessed value for operations and maintenance funds, and \$0.0880 per \$100 assessed value for debt service funds.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at 1097 Lohmans Crossing, Lakeway, Texas 78734.

Lakeway Municipal Utility District

Statement of Net Position and Governmental Funds Balance Sheet September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Net Position
Assets:						
Cash and cash equivalents	\$ 251,583	2,792	75,062	329,437	-	329,437
Temporary investments	6,357,876	87,399	11,315,236	17,760,511	-	17,760,511
Accounts receivable:						
Property taxes	7,582	73,913	-	81,495	-	81,495
Service accounts, net	1,060,381	-	-	1,060,381	-	1,060,381
Due from Rough Hollow - current	167,424	-	-	167,424	-	167,424
Due from Rough Hollow - noncurrent	106,966	-	-	106,966	-	106,966
Other	86,962	-	-	86,962	-	86,962
Due from other funds	40,050	-	-	40,050	(40,050)	-
Prepays and other assets	30,023	-	-	30,023	-	30,023
Capital assets (net of accumulated depreciation):						
Land	-	-	-	-	1,748,065	1,748,065
Construction in progress	-	-	-	-	4,324,572	4,324,572
Infrastructure	-	-	-	-	16,548,313	16,548,313
Buildings	-	-	-	-	4,154,283	4,154,283
Machinery and equipment	-	-	-	-	718,858	718,858
Total assets	8,108,847	164,104	11,390,298	19,663,249	27,454,041	47,117,290
Deferred Outflows of Resources:						
Pension contributions after measurement date	-	-	-	-	151,774	151,774
Deferred outflows related to pension liability	-	-	-	-	97,281	97,281
Total deferred outflows of resources	-	-	-	-	249,055	249,055
Total assets and deferred outflows of resources	\$ 8,108,847	164,104	11,390,298	19,663,249	27,703,096	47,366,345
Liabilities:						
Accounts payable	\$ 216,871	-	762,644	979,515	-	979,515
Accrued liabilities	148,343	-	-	148,343	-	148,343
Compensated absences	-	-	-	-	271,338	271,338
Due to other funds	-	-	40,050	40,050	(40,050)	-
Accrued bond interest payable	-	-	-	-	27,047	27,047
Long-term liabilities:						
Due within one year	-	-	-	-	1,275,000	1,275,000
Due after one year	-	-	-	-	8,665,000	8,665,000
Net pension liability	-	-	-	-	453,736	453,736
Total liabilities	365,214	-	802,694	1,167,908	10,652,071	11,819,979
Deferred Inflows of Resources:						
Deferred revenue - property taxes	7,582	73,913	-	81,495	(81,495)	-
Deferred inflows related to pension liability	-	-	-	-	170,673	170,673
Total deferred inflows of resources	7,582	73,913	-	81,495	89,178	170,673
Fund Balances/Net Position:						
Fund balances:						
Nonspendable-						
Prepays and other assets	30,023	-	-	30,023	(30,023)	-
Restricted for:						
Debt service	-	90,191	-	90,191	(90,191)	-
Capital projects	-	-	1,240,809	1,240,809	(1,240,809)	-
Assigned for:						
Capital projects	-	-	9,346,795	9,346,795	(9,346,795)	-
Unassigned	7,706,028	-	-	7,706,028	(7,706,028)	-
Total fund balances	7,736,051	90,191	10,587,604	18,413,846	(18,413,846)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 8,108,847	164,104	11,390,298	19,663,249		
Net position:						
Net investment in capital assets					18,794,900	18,794,900
Restricted for debt service					137,057	137,057
Unrestricted					16,443,736	16,443,736
Total net position					\$ 35,375,693	35,375,693

The notes to the financial statements are an integral part of this statement.

Lakeway Municipal Utility District

Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances Year Ended September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
Expenditures/expenses:						
Service operations:						
Water	\$ 908,954	-	-	908,954	-	908,954
Wastewater	758,316	-	-	758,316	-	758,316
Salary and related expenditures	2,160,989	-	-	2,160,989	45,527	2,206,516
Professional services	233,177	-	-	233,177	-	233,177
Contracted services	275,542	-	-	275,542	-	275,542
Administrative supplies and maintenance	39,578	-	-	39,578	-	39,578
Other	-	13,743	-	13,743	-	13,743
Capital outlay	644,627	-	3,257,610	3,902,237	(3,902,237)	-
Debt service:						
Principal payments	-	1,385,000	-	1,385,000	(1,385,000)	-
Interest payments	-	369,944	-	369,944	(3,782)	366,162
Depreciation	-	-	-	-	1,295,051	1,295,051
Total expenditures/expenses	5,021,183	1,768,687	3,257,610	10,047,480	(3,950,441)	6,097,039
Revenues:						
Program revenues:						
Water	3,597,195	-	-	3,597,195	-	3,597,195
Wastewater	1,961,821	-	-	1,961,821	-	1,961,821
Connection and service fees	53,700	-	-	53,700	-	53,700
Total program revenues	5,612,716	-	-	5,612,716	-	5,612,716
Total program expense, net						(484,323)
General revenues:						
Property taxes, including penalties and interest	200,437	1,243,199	-	1,443,636	7,217	1,450,853
Interest income	58,377	6,931	277,523	342,831	-	342,831
Other income	129,686	1,668	-	131,354	246,185	377,539
Total general revenues	388,500	1,251,798	277,523	1,917,821	253,402	2,171,223
Total revenues	6,001,216	1,251,798	277,523	7,530,537	253,402	7,783,939
Excess (deficiency) of revenues over (under) expenditures	980,033	(516,889)	(2,980,087)	(2,516,943)	(4,203,843)	1,686,900
Other financing sources (uses):						
Proceeds from sale of land	-	-	246,185	246,185	(246,185)	-
Transfers in (out)	(560,642)	560,642	-	-	-	-
Total other financing sources (uses)	(560,642)	560,642	246,185	246,185	(246,185)	-
Changes in fund balances/net position:	419,391	43,753	(2,733,902)	(2,270,758)	3,957,658	1,686,900
Fund balances/net position:						
Beginning of year	7,316,660	46,438	13,321,506	20,684,604	13,004,189	33,688,793
End of year	\$ 7,736,051	90,191	10,587,604	18,413,846	16,961,847	35,375,693

The notes to the financial statements are an integral part of this statement.

Lakeway Municipal Utility District

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Year Ended September 30, 2020

	Original and Final Budget	Actual	Variance
Revenues:			
Water service	\$ 2,848,734	3,597,195	748,461
Wastewater service	1,889,000	1,961,821	72,821
Property taxes, including penalties and interest	200,000	200,437	437
Connection and service fees	32,700	53,700	21,000
Interest income	95,000	58,377	(36,623)
Other income	106,900	129,686	22,786
Total revenues	<u>5,172,334</u>	<u>6,001,216</u>	<u>828,882</u>
Expenditures:			
Service operations:			
Water	999,000	908,954	90,046
Wastewater	487,000	758,316	(271,316)
Salary and related expenditures	2,243,866	2,160,989	82,877
Professional services	238,500	233,177	5,323
Contracted services	475,500	275,542	199,958
Administrative supplies and maintenance	90,000	39,578	50,422
Capital outlay	-	644,627	(644,627)
Total expenditures	<u>4,533,866</u>	<u>5,021,183</u>	<u>(487,317)</u>
Excess of revenues over expenditures	638,468	980,033	341,565
Other financing uses-			
Transfers out	(718,072)	(560,642)	157,430
Change in fund balance	(79,604)	419,391	498,995
Fund balances:			
Beginning of year	<u>7,316,660</u>	<u>7,316,660</u>	<u>-</u>
End of year	<u>\$ 7,237,056</u>	<u>7,736,051</u>	<u>498,995</u>

The notes to the financial statements are an integral part of this statement.

Lakeway Municipal Utility District

Notes to Basic Financial Statements Year Ended September 30, 2020

1. Summary of Significant Accounting Policies

Lakeway Municipal Utility District (the “District”) was created by an order of the Texas Water Rights Commission on February 17, 1972, under Chapter 54 of the Texas Water Code and confirmed by the electorate of the District at a confirmation election held on April 28, 1972. The Board of Directors (the “Board”) held its first meeting on February 21, 1972, and the first bonds were sold on September 1, 1972.

The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five member Board which has been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”) since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units which are included in the District’s reporting entity.

Government-Wide and Fund Financial Statements

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the “Total Governmental Funds” column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net position and the statement of activities.

The government-wide financial statements report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

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. 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. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 District 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. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due.

The Capital Projects Fund is used to account for financial resources restricted or assigned for authorized construction and other capital asset acquisitions.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. The budget is proposed by the District General Manager for the fiscal year commencing the following October 1, and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Investments - Temporary investments throughout the year consisted of investments in an external local government investment pool, a money market fund, and certificates of deposit. The external local government investment pool is recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Accounts Receivable - The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. As of September 30, 2020, there was no allowance for uncollectible accounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid assets in both the government-wide and fund financial statements. Prepaid assets are charged to expenditures when consumed.

Capital Assets - Capital assets, which include land, construction in progress, infrastructure (water, wastewater, drainage and distribution systems, and water tanks purchased, constructed or donated), buildings, and machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets (other than land and construction in progress) are depreciated using the straight-line method over the following estimated useful lives: infrastructure - ten to thirty years, buildings - thirty years, machinery and equipment - five to twenty years.

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, including bond insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond insurance costs are reported as assets and amortized over the term of the related debt.

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

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Pensions - The fiduciary net position of the Texas County and District Retirement System (“TCDRS”) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCERS’s fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Deferred Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District’s net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District’s acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 13 for additional information on deferred outflows and deferred inflows of resources.

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 8 for additional information on those fund balance classifications.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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 for full-time employees up 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 in the government-wide financial statements (the statement of net position and the statement of activities). The governmental fund financial statements includes only compensated absences payable to terminated employees as of year-end. The estimated liabilities include required salary-related payments.

Recently Issued Accounting Pronouncements

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 84 is to improve accounting and financial reporting for fiduciary activities by establishing criteria for identifying fiduciary activities, requiring that all fiduciary funds present a statement of fiduciary net position and a statement of changes in fiduciary net position, except for business-type activities that normally expect to hold custodial assets for three months or less, and providing descriptions of the four types of fiduciary funds that should be reported, if applicable. GASB Statement No. 84 also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Management is evaluating the effects that the full implementation of GASB Statement No. 84 will have on its financial statements for the year ended September 30, 2021.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2022.

2. Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds total fund balances	\$ 18,413,846
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	27,494,091
Deferred tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds.	81,495
The following liabilities and deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(9,940,000)
Bond interest payable	(27,047)
Compensated absences	(271,338)
Net pension liability	(453,736)
Pension contributions after measurement date	151,774
Deferred outflows related to pension liability	97,281
Deferred inflows related to pension liability	(170,673)
Total net position	<u>\$ 35,375,693</u>

Amounts reported for governmental activities in the statement of activities are different because:

Changes in fund balances	\$ (2,270,758)
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 as depreciation expense:	
Capital outlay	3,902,237
Depreciation expense	(1,295,051)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds-	
Change in deferred tax revenue	7,217
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position-	
Repayment of bond principal	1,385,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in bond interest payable	3,782
Change in compensated absences	(35,824)
Pension contributions before the measurement date	44,837
Pension contributions made after the measurement date	151,774
Adjustments for ending deferred inflows and outflows related to net pension liability	(206,314)
Change in net position	<u>\$ 1,686,900</u>

3. Cash, Cash Equivalents and Temporary Investments

The District's deposits are required to be secured in the manner provided by law for the security of the funds. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2020, the District's bank deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

The District is entitled to invest in direct and other obligations of the United States or its agencies and instrumentalities, obligations of the State of Texas and their agencies or any state, county, city and any other political subdivisions of any state, certificates of deposit of state or national banks or savings and loan associations within the State of Texas, fully collateralized repurchase agreements, no-load money market mutual funds regulated by the United States Securities and Exchange Commission, and eligible public funds investment pools.

Investments held at September 30, 2020 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Governmental Investment Pool- TexPool	\$ 9,183,505	1	AAAm
Certificates of Deposit	6,043,143	354	N/A
Money Market	2,533,863	1	AAAm
Total	<u>\$ 17,760,511</u>		

The District had investments in an external local government investment pool, Texas Local Governmental Investment Pool ("TexPool"). Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This investment is stated at amortized cost, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool's investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manages daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

In accordance with GASB Statement No. 79, the external local government investment pool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. This pool does not impose any liquidity fees or redemption gates.

The District also invests in a money market mutual fund subject to the maturity, quality, liquidity and diversification requirements of Rule 2a7 and seeks to maintain a stable share price of \$1.00. The fund does not impose any liquidity fees or redemption gates. Money market mutual funds are valued using Level 1 inputs that are based on market data obtained from independent sources. The investments are reported by the District at fair value in accordance with GASB Statement No. 72.

Credit Risk - At September 30, 2020, investments were included in an external local governmental investment pool, certificates of deposit, and money market mutual funds with ratings from Standard & Poor’s in compliance with the District’s investment policy.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District’s total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government. At September 30, 2020, the District had approximately 14% of its investments in a money market mutual fund.

Interest Rate Risk - The District considers the holdings in the external local governmental investment pool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At September 30, 2020, the District’s holdings in certificates of deposit had a weighted average maturity of 354 days. The District’s money market mutual fund is subject to sharp and unexpected rises in interest rates which could impair the fund’s ability to maintain a stable net asset value. In addition, a low interest rate environment may prevent the fund from providing a positive yield or paying fund expenses out of fund assets and could impair the fund’s ability to maintain a stable net asset value.

4. Interfund Receivables, Payables, and Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of September 30, 2020, was as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects	\$ 40,050

During the year, the General Fund transferred \$560,642 to the Debt Service Fund for the payment of bond interest and principal.

5. Capital Assets

Capital assets activity for the year ended September 30, 2020, was as follows:

	Balance 9/30/2019	Additions	Retirements and Transfers	Balance 9/30/2020
Capital assets not being depreciated:				
Land	\$ 1,748,065	-	-	1,748,065
Construction in progress	1,331,857	3,257,610	(264,895)	4,324,572
Total capital assets not being depreciated	<u>3,079,922</u>	<u>3,257,610</u>	<u>(264,895)</u>	<u>6,072,637</u>
Capital assets being depreciated:				
Infrastructure	55,001,728	-	191,834	55,193,562
Buildings	5,898,393	84,108	54,786	6,037,287
Machinery and equipment	1,251,398	560,519	(11,675)	1,800,242
Total capital assets being depreciated	<u>62,151,519</u>	<u>644,627</u>	<u>234,945</u>	<u>63,031,091</u>
Less accumulated depreciation for:				
Infrastructure	(37,671,290)	(992,234)	18,275	(38,645,249)
Buildings	(1,687,531)	(195,473)	-	(1,883,004)
Machinery and equipment	(985,715)	(107,344)	11,675	(1,081,384)
Total accumulated depreciation	<u>(40,344,536)</u>	<u>(1,295,051)</u>	<u>29,950</u>	<u>(41,609,637)</u>
Total capital assets being depreciated, net	<u>21,806,983</u>	<u>(650,424)</u>	<u>264,895</u>	<u>21,421,454</u>
Capital assets, net	<u>\$ 24,886,905</u>	<u>2,607,186</u>	<u>-</u>	<u>27,494,091</u>

6. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2020:

	Balance 9/30/2019	Additions	Retirements	Balance 9/30/2020
Bonds payable	\$ 11,325,000	-	(1,385,000)	9,940,000
Total	<u>\$ 11,325,000</u>	<u>-</u>	<u>(1,385,000)</u>	<u>9,940,000</u>

Long-term debt at September 30, 2020 is comprised of the following:

	Balance September 30, 2020	Due in One Year
\$7,304,990, Series 2005 Unlimited Tax Refunding Bonds, maturing annually on September 1 through 2022. Interest is 3.57% and is payable on March 1 and September 1 each year.	\$ 1,130,000	\$ 660,000
\$7,430,000, Series 2013, Unlimited Tax Bonds, maturing annually on September 1 through 2033. Interest varies from 2.0% to 4.125% and is payable on March 1 and September 1 each year. Bonds are callable on September 1, 2022.	5,920,000	345,000
\$3,400,000, Series 2018, Unlimited Tax Refunding Bonds, maturing annually on September 1 through 2029. Interest varies from 2.0% to 4.0% and is payable on March 1 and September 1 each year. Bonds are callable on September 1, 2023.	2,890,000	270,000
Total	<u>\$ 9,940,000</u>	<u>\$ 1,275,000</u>

The bond resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and cover the cost of assessing and collecting taxes. These provisions have been met, and the cash allocated for these purposes is sufficient to meet debt service requirements through the fiscal year ended September 30, 2020.

As of September 30, 2020, the debt service requirements to maturity on the long-term debt outstanding is as follows:

Fiscal Year	Principal	Interest	Total Requirement
2021	\$ 1,275,000	324,563	1,599,563
2022	1,110,000	288,011	1,398,011
2023	670,000	256,992	926,992
2024	700,000	241,340	941,340
2025	725,000	221,132	946,132
2026-2030	3,780,000	738,281	4,518,281
2031-2033	1,680,000	139,991	1,819,991
Total	<u>\$ 9,940,000</u>	<u>2,210,310</u>	<u>12,150,310</u>

At September 30, 2020, there were no unlimited tax bonds authorized by the voters of the District, but unissued.

7. Property Taxes

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Travis Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred revenue. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

In September 2019, the District levied a combined tax rate of \$0.1058 per \$100 assessed valuation to finance operating expenditures and debt service requirements. The maintenance tax rate and the debt tax rate were \$0.0147 and \$0.0911, respectively. The total 2019 tax levy was \$1,450,609 based on a taxable valuation of \$1,369,228,282.

8. Fund Balances

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances is included in the Governmental Funds Balance Sheet on page 11.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated the authority to assign fund balance for a specific purpose to the General Manager of the District.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

9. Risk Management

The District's risk management program includes coverage through third party insurance providers for automobile liability, commercial property - real and personal property, tax collector bond, errors and omissions liability, public official position liability, and general liability. The District pays premiums to the Texas Municipal League Intergovernmental Risk Pool and the Texas Political Subdivisions Joint Self-Insurance Funds for workers' compensation. Losses in excess of the various deductible levels are covered through traditional indemnity coverage. Settled claims have not exceeded insurance limits for the past three years. During the year ended September 30, 2020, there were no significant reductions in insurance coverage from coverage in the prior year.

10. Relationships with Other Districts

The District has two interconnects, one with Hurst Creek Municipal Utility District ("HCMUD") and one with 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, Travis County Water Control and Improvement District No. 17, and the District.

The District has two wholesale contracts - water and wastewater with Travis County Municipal Utility District No.11 (aka Rough Hollow) ("TCMUD11") and wastewater with Travis County Water Control and Improvement District No. 17. The District entered into a contract with Rough Hollow to expand its West Wastewater Plant to accommodate future growth.

In November 1997, the District entered an exclusion and development agreement with Lakeway Partners, LLC ("LP"). The agreement was revised and restated in June 1998. The agreement provides that LP shall pay the capital costs portion owed by the District for the proposed Lower Colorado River Authority ("LCRA") barge, including the on-shore connection cost. LP has since been acquired by Rough Hollow. During 2012, the District entered into a Joint Ownership and Operating Agreement to purchase the barge and water intake, pumping and transportation facilities from LCRA. As such, the District has recorded intergovernmental revenue in the amount of capital cost spent by the District to acquire its portion of the barge and system, including the additional installation and connection costs, which totaled \$1,725,398. As of September 30, 2020, there is a receivable balance due from Rough Hollow of \$274,390. Of this amount, the District has classified \$167,424 as current on its Statement of Net Position and Governmental Funds Balance Sheet as this represents the expected collections in the subsequent fiscal year. Rough Hollow has deposited \$900,000 into an escrow fund maintained by Stewart Title of Austin, LLC in order to secure the remaining balance due to the District.

11. 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”), HCMUD, TCMUD11, and Lakeway Rough Hollow South Community, Inc. (“RH South”). Each of the parties has a separate agreement with the LCRA whereby the 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%
- RH South 7%

The District 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.

12. Commitments and Contingencies

The District has entered into a construction contract for the ODWW Project - Lift Station, Force Main & S-5 WRP Improvements. As of September 30, 2020, the remaining commitment was \$134,857.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the duration. Due to the nature of the District’s services, the pandemic may negatively impact the District’s business, results of operations, and financial position; however, the related financial impact cannot be reasonably estimated at this time.

13. Defined Benefit Pension Plan

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan administered by the TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 798 active participating counties and districts throughout Texas. 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 TCDRS 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.

Benefits Provided

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and the 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 contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employee membership data related to the plan, as of the valuation date of December 31, 2019 was as follows:

Retirees and beneficiaries currently receiving benefits	10
Terminated employees entitled to but not yet receiving benefits	11
Active plan members	27
Total	48

Contributions

The District has elected the annually determined contribution rate (ADCR) 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 District contributed using the actuarially determined rate for the year ended December 31, 2019 of 12.91% for 2020 as adopted by the governing body of the District. The employee contribution rate was 7.00%. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act. The required contribution and actual contributions for the year ended September 30, 2020 equaled \$196,611.

Net Pension Liability

Actuarial Assumptions

The District's net pension liability was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Amortization Period	11.4 years
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the District are not considered to be automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB 68 calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Between ages 40 and 74 with various rates of service retirement by gender: low of 4.5% for age 40-44 to high of 25.0% for age 65-66 for males and females
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality:	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The actuarial assumptions that determined the total pension liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB 68.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation (a)</u>	<u>Geometric Real Rate of Return (Expected minus Inflation) (b)</u>
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (c)	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities - Developed	MSCI World Ex USA (net) Index	7.00%	5.20%
International Equities - Emerging	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index (d)	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (e)	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

- (a) Target asset allocation adopted at the June 2020 TCDRS Board meeting.
- (b) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per Cliffwater's 2020 capital market assumptions.
- (c) Includes vintage years 2006-present of Quarter Pooled Horizon internal rates of return.
- (d) Includes vintage years 2005-present of Quarter Pooled Horizon internal rates of return.
- (e) Includes vintage years 2007-present of Quarter Pooled Horizon internal rates of return.

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Changes in Net Pension Liability

Changes in the District's net pension liability for the valuation year ended December 31, 2019 were as follows:

	<u>Total Pension Liability</u>	<u>Increase (Decrease) Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance as of December 31, 2018	\$ 6,879,680	\$ 5,946,599	\$ 933,081
Changes for the year:			
Service cost	157,186	-	157,186
Interest on total pension liability (1)	559,282	-	559,282
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	51,156	-	51,156
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(2,807)	(2,807)	-
Benefit payments	(266,747)	(266,747)	-
Administrative expenses	-	(5,276)	5,276
Member contributions	-	100,363	(100,363)
Net investment income	-	976,545	(976,545)
Employer contributions	-	174,202	(174,202)
Other (3)	-	1,135	(1,135)
Balance as of December 31, 2019	<u>\$ 7,377,750</u>	<u>\$ 6,924,014</u>	<u>\$ 453,736</u>

- (1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
- (2) No plan changes valued.
- (3) Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease <u>7.10%</u>	Current Discount Rate <u>8.10%</u>	1% Increase <u>9.10%</u>
Total pension liability	\$ 8,409,515	\$ 7,377,750	\$ 6,512,448
Fiduciary net position	<u>6,924,014</u>	<u>6,924,014</u>	<u>6,924,014</u>
Net pension liability	<u>\$ 1,485,501</u>	<u>\$ 453,736</u>	<u>\$ (411,566)</u>

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended September 30, 2020, the District recognized pension expense of \$206,314. As of September 30, 2020, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 75,654	\$ 15,711
Changes of assumptions	21,627	-
Net difference between projected and actual earnings	-	154,962
Contributions made subsequent to measurement date	<u>151,774</u>	<u>-</u>
Total	<u>\$ 249,055</u>	<u>\$ 170,673</u>

The \$151,774 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. The remaining amounts currently reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Pension Expense Amount</u>
Year ended September 30:	
2021	\$ (19,951)
2022	(27,675)
2023	44,051
2024	(84,433)
2025	7,308
Thereafter	<u>7,308</u>
	<u>\$ (73,392)</u>

Lakeway Municipal Utility District

Schedule of Changes in Net Position Liability and Related Ratios September 30, 2020

	Year Ended December 31, 2019*	Year Ended December 31, 2018*	Year Ended December 31, 2017*	Year Ended December 31, 2016*
Total Pension Liability				
Service cost	\$ 157,186	\$ 153,166	\$ 157,323	\$ 154,942
Interest on total pension liability	559,282	534,248	507,275	461,660
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	-	-	20,606	-
Effect on economic/demographic (gains) or losses	51,156	24,482	1,427	21,858
Benefit payments/refunds of contributions	(269,554)	(538,907)	(167,274)	(146,497)
Net change in total pension liability	498,070	172,989	519,357	491,963
Total pension liability, beginning	6,879,680	6,706,691	6,187,334	5,695,371
Total pension liability, ending (a)	<u>\$ 7,377,750</u>	<u>\$ 6,879,680</u>	<u>\$ 6,706,691</u>	<u>\$ 6,187,334</u>
Fiduciary Net Position				
Employer contributions	\$ 174,202	\$ 150,934	\$ 142,601	\$ 140,943
Member contributions	100,363	87,317	85,390	82,977
Investment income net of investment expenses	976,545	(122,265)	806,533	374,606
Benefit payments/refunds of contributions	(269,554)	(538,907)	(167,274)	(146,497)
Administrative expenses	(5,276)	(4,776)	(4,245)	(4,069)
Other	1,135	(8,316)	775	10,607
Net change in fiduciary net position	977,415	(436,013)	863,780	458,567
Fiduciary net position, beginning	5,946,599	6,382,612	5,518,832	5,060,265
Fiduciary net position, ending (b)	\$ 6,924,014	\$ 5,946,599	\$ 6,382,612	\$ 5,518,832
Net pension liability / (asset), ending = (a) - (b)	\$ 453,736	\$ 933,081	\$ 324,079	\$ 668,502
Fiduciary net position as a % of total pension liability	93.85%	86.44%	95.17%	89.20%
Pensionable covered payroll	\$ 1,434,064	\$ 1,247,385	\$ 1,219,858	\$ 1,185,392
Net pension liability as a % of covered payroll	31.64%	74.80%	26.57%	56.40%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Lakeway Municipal Utility District

Schedule of District Contributions September 30, 2020

Year Ending September 30 **	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Pensionable Covered Payroll *	Actual Contribution as a % of Covered Payroll
2010***	127,196	131,748	(4,552)	1,197,706	11.0%
2011***	119,221	125,495	(6,274)	1,140,866	11.0%
2012***	116,449	117,733	(1,284)	1,070,304	11.0%
2013***	131,812	131,812	-	1,113,276	11.8%
2014***	148,842	148,842	-	1,142,301	13.0%
2015***	137,964	137,964	-	1,151,618	12.0%
2016***	140,943	140,943	-	1,185,392	11.9%
2017***	142,601	142,601	-	1,219,858	11.7%
2019	167,081	167,081	-	1,376,811	12.1%
2020	196,611	196,611	-	1,527,874	12.9%

* Payroll is calculated based on contributions as reported to TCDRS.

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*** TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report on a fiscal year basis. The District is reporting contributions on a calendar year basis for years 2010-2017 and a fiscal year basis thereafter.

Lakeway Municipal Utility District

Notes to Required Supplementary Information Year Ended September 30, 2020

1. Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The following methods and assumptions were used to determine the contribution rates:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Amortization Period	11.4 years
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the District are not considered to be automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB 68 calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Between ages 40 and 74 with various rates of service retirement by gender: low of 4.5% for age 40-44 to high of 25.0% for age 65-66 for males and females
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality:	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

2. Change in Assumptions

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

Lakeway Municipal Utility District

Index of Supplemental Schedules Required by the Texas Commission on Environmental Quality Year Ended September 30, 2020

Schedule Included

<u>Yes</u>	<u>No</u>		
<u>X</u>	<u> </u>	TSI-0	Notes Required by the Water District Accounting Manual
<u>X</u>	<u> </u>	TSI-1	Schedule of Services and Rates
<u>X</u>	<u> </u>	TSI-2	Schedule of General Fund Expenditures
<u>X</u>	<u> </u>	TSI-3	Schedule of Temporary Investments
<u>X</u>	<u> </u>	TSI-4	Analysis of Taxes Levied and Receivable
<u>X</u>	<u> </u>	TSI-5	Long-Term Debt Service Requirements by Years
<u>X</u>	<u> </u>	TSI-6	Analysis of Changes in Long-Term Debt
<u>X</u>	<u> </u>	TSI-7	Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Years
<u>X</u>	<u> </u>	TSI-8	Board Members, Key Personnel and Consultants

Lakeway Municipal Utility District

TSI-0 Notes Required by the Water District Accounting Manual Year Ended September 30, 2020

The notes which follow are not necessarily required for fair presentation of the audited financial statements of the District which are contained in the preceding section of this report. They are presented in conformity with requirements of the Texas Commission on Environmental Quality to assure disclosure of specifically required facts.

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

See Note 12 to basic financial statements

(C) Pension Coverage

See Note 13 to basic financial statements.

(D) Pledge of Revenues

See Note 6 to basic financial statements

(E) Compliance with Debt Service Requirements

See Note 6 to basic financial statements

(F) Redemption of Bonds

See Note 6 to basic financial statements.

Lakeway Municipal Utility District

TSI-1 Schedule of Services and Rates Year Ended September 30, 2020

1. Services Provided by the District:

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

2. Retail Service Providers:

a. Retail Rates for a 5/8" Meter (or equivalent):

	Base Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum	Usage Levels
Water	\$ 20.00	-	Y	\$ 2.50	0 to 15,000
			N	3.25	15,001 to 30,000
			N	4.06	30,001 to 50,000
			N	5.08	50,001 to 80,000
			N	6.35	80,001 to 100,000
			N	7.94	Over 100,000
Wastewater	\$ 14.00	-	N	2.50	0 to No Limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage (including surcharges): Water: \$45.00 Wastewater: \$39.00

(continued)

Lakeway Municipal Utility District

TSI-1 Schedule of Services and Rates (continued)

Year Ended September 30, 2020

b. Water and Wastewater Retail Connections: (ESFC Factors based on 3/4" standard meter size)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
5/8"	-	4,138	x 1.0	4,138
3/4"	-	- (2)		-
1"	-	35	x 1.7	59.5
1 1/2"	-	20	x 3.3	66.0
2"	-	16	x 5.3	84.8
3"	-	-	x 10.0	-
4"	-	3	x 16.7	50.1
6"	-	1	x 33.3	33.3
8"	-	-	x 53.3	-
10"	-	-	x 76.7	-
Total Water	-	4,213		4,431.7
Total Wastewater	-	3,192	x1.0	3,192

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system:	<u>809,495,000</u>	Water accountability ratio:
		(Gallons billed/gallons pumped)
Gallons billed to customers:	<u>716,873,000</u>	<u>88.56% (1)</u>

(1) The water accountability ratio does not include water lost to flushing and unmetered water.

(2) 3/4" connections are included in the 5/8" connections total

Lakeway Municipal Utility District

TSI-1 Schedule of Services and Rates (continued)

Year Ended September 30, 2020

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent Commission Order: N/A

Does the District have Operation and Maintenance standby fees? Yes No

If yes, Date of the most recent Commission Order: N/A

5. Location of District:

County(ies) in which district is located: Travis

Is the District located entirely within one county? Yes No

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

ETJ's in which district is located: City of Lakeway

Are Board members appointed by an office outside the District? Yes No

If yes, by whom? N/A

Lakeway Municipal Utility District

TSI-2 Schedule of General Fund Expenditures Year Ended September 30, 2020

Personnel expenditures (including benefits)	\$ 2,160,989
Professional fees:	
Auditing	19,000
Legal	40,385
Engineering	50,610
Financial advisor	-
Purchased services for resale-	
Bulk water and wastewater service purchases	1,022,435
Contracted services:	
Bookkeeping	-
General manager	-
Appraisal district	-
Tax collector	-
Other contracted services	225,991
Utilities	-
Repairs and maintenance	519,565
Administrative expenditures:	
Directors' fees	1,090
Office supplies	16,004
Insurance	49,551
Other administrative expenditures	22,484
Capital outlay:	
Capitalized assets	644,627
Expenditures not capitalized	-
Tap connection expenditures	-
Solid waste disposal	-
Fire fighting	-
Parks and recreation	-
Other expenditures	248,452
Total expenditures	<u>\$ 5,021,183</u>

Number of persons employed by the District:
(Does not include independent contractors or consultants)
Full-Time - 27 Part-Time - 0

Lakeway Municipal Utility District

TSI-3 Schedule of Temporary Investments September 30, 2020

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at September 30, 2020	Accrued Interest Receivable at September 30, 2020
<u>General Fund</u>					
Investment in TexPool	8121300002	Variable	N/A	\$ 6,357,876	\$ -
Total general fund				6,357,876	-
<u>Debt Service Fund</u>					
Investment in TexPool	8121300017	Variable	N/A	87,399	-
Total debt service fund				87,399	-
<u>Capital Projects Fund</u>					
Investment in TexPool	8121300015	Variable	N/A	2,738,230	-
Money market	DGCXX	Variable	N/A	2,533,863	-
Certificate of deposit	08883ACH3	2.0%	11/16/2020	249,603	-
Certificate of deposit	45667EDX3	2.5%	11/23/2020	249,896	-
Certificate of deposit	07833EAA5	1.7%	12/4/2020	249,727	-
Certificate of deposit	49254FAC0	3.1%	12/21/2020	246,678	-
Certificate of deposit	92891CCF7	3.3%	12/21/2020	250,810	-
Certificate of deposit	79772FAA4	1.8%	12/30/2020	249,979	-
Certificate of deposit	33715LDQ0	3.1%	2/8/2021	251,644	-
Certificate of deposit	07356PAC3	1.7%	3/31/2021	251,039	-
Certificate of deposit	313812DA4	2.5%	5/28/2021	253,006	-
Certificate of deposit	14042RMY4	2.0%	8/16/2021	251,085	-
Certificate of deposit	227563BK8	1.8%	11/15/2021	249,711	-
Certificate of deposit	856285RR4	1.9%	11/29/2021	252,051	-
Certificate of deposit	49228XAJ9	1.8%	12/10/2021	254,060	-
Certificate of deposit	38149MLZ4	1.8%	12/27/2021	252,066	-
Certificate of deposit	61690UQT0	1.7%	12/27/2021	251,913	-
Certificate of deposit	61760A4R7	1.8%	12/27/2021	252,066	-
Certificate of deposit	74048EBV9	1.7%	12/30/2021	253,975	-
Certificate of deposit	949495AK1	1.8%	12/30/2021	254,129	-
Certificate of deposit	949763S80	1.8%	1/31/2022	254,632	-
Certificate of deposit	052392AD9	1.7%	2/28/2022	253,589	-
Certificate of deposit	02616AAF6	1.6%	3/7/2022	254,319	-
Certificate of deposit	59013KGX8	1.5%	3/31/2022	254,177	-
Certificate of deposit	204161BK8	1.2%	4/25/2022	253,024	-
Certificate of deposit	649447TY5	0.4%	7/5/2022	249,964	-
Total capital projects fund				11,315,236	-
Total - All Funds				\$ 17,760,511	\$ -

Lakeway Municipal Utility District

TSI-4 Analysis of Taxes Levied and Receivable Year Ended September 30, 2020

	General Fund	Debt Service Fund
Taxes receivable, September 30, 2019	\$ 6,490	\$ 67,788
2019 Tax Roll	201,550	1,249,059
Adjustments	(597)	(3,656)
Total to be accounted for	<u>207,443</u>	<u>1,313,191</u>
Tax collections:		
Current year	199,402	1,235,751
Prior years	459	3,527
Total collections	<u>199,861</u>	<u>1,239,278</u>
Taxes receivable, September 30, 2020	<u>\$ 7,582</u>	<u>\$ 73,913</u>
Taxes receivable, by years		
2019	\$ 1,430	8,862
2018	462	3,783
2017	518	3,182
2016	532	3,297
2015 and prior	4,640	54,789
Taxes receivable, September 30, 2020	<u>\$ 7,582</u>	<u>\$ 73,913</u>

	2019	2018	2017	2016
Property valuations	\$ 1,369,228,282	\$ 1,327,048,426	\$ 1,248,243,751	\$ 1,167,187,921
Tax rates per \$100 valuation:				
Maintenance tax rates	0.0147	0.0129	0.1082	0.1171
Debt service rates	0.0911	0.1029	0.0176	0.0189
Total tax rates per \$100 valuation	<u>\$ 0.1058</u>	<u>0.1158</u>	<u>0.1258</u>	<u>0.1360</u>
Original tax levy	<u>\$ 1,450,609</u>	<u>\$ 1,534,351</u>	<u>\$ 1,570,291</u>	<u>\$ 1,587,376</u>
Percent of taxes collected to taxes levied	<u>99.29%</u>	<u>99.72%</u>	<u>99.76%</u>	<u>99.76%</u>

Lakeway Municipal Utility District

TSI-5 Long-Term Debt Service Requirements - By Years September 30, 2020

Due During Fiscal Years Ending 9/30	Series 2005			Series 2013			Series 2018		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
2021	\$ 660,000	40,341	700,341	345,000	208,334	553,334	270,000	75,888	345,888
2022	470,000	16,779	486,779	360,000	200,744	560,744	280,000	70,488	350,488
2023	-	-	-	375,000	192,104	567,104	295,000	64,888	359,888
2024	-	-	-	395,000	182,354	577,354	305,000	58,986	363,986
2025	-	-	-	410,000	171,294	581,294	315,000	49,838	364,838
2026	-	-	-	430,000	158,994	588,994	330,000	42,750	372,750
2027	-	-	-	450,000	143,944	593,944	345,000	32,850	377,850
2028	-	-	-	470,000	127,631	597,631	365,000	22,500	387,500
2029	-	-	-	490,000	108,831	598,831	385,000	11,550	396,550
2030	-	-	-	515,000	89,231	604,231	-	-	-
2031	-	-	-	535,000	68,631	603,631	-	-	-
2032	-	-	-	560,000	47,231	607,231	-	-	-
2033	-	-	-	585,000	24,129	609,129	-	-	-
	<u>\$ 1,130,000</u>	<u>57,120</u>	<u>1,187,120</u>	<u>5,920,000</u>	<u>1,723,452</u>	<u>7,643,452</u>	<u>2,890,000</u>	<u>429,738</u>	<u>3,319,738</u>

(continued)

Lakeway Municipal Utility District

TSI-5 Long-Term Debt Service Requirements - By Years (continued) September 30, 2020

Due During Fiscal Years Ending 9/30	Annual Requirements for All Series		
	Principal Due	Interest Due	Total
2021	1,275,000	324,563	1,599,563
2022	1,110,000	288,011	1,398,011
2023	670,000	256,992	926,992
2024	700,000	241,340	941,340
2025	725,000	221,132	946,132
2026	760,000	201,744	961,744
2027	795,000	176,794	971,794
2028	835,000	150,131	985,131
2029	875,000	120,381	995,381
2030	515,000	89,231	604,231
2031	535,000	68,631	603,631
2032	560,000	47,231	607,231
2033	585,000	24,129	609,129
	<u>\$ 9,940,000</u>	<u>2,210,310</u>	<u>12,150,310</u>

Lakeway Municipal Utility District

TSI-6 Analysis of Changes in Long-Term Debt September 30, 2020

	Series 2005	Series 2013	Series 2018	Total
Interest rate	3.57%	2.00 to 4.125%	2.00 to 4.00%	
Dates interest payable	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	
Maturity dates	9/1/2022	9/1/2033	9/1/2029	
Bonds outstanding, beginning of year	\$ 1,925,000	6,250,000	3,150,000	11,325,000
Bonds issued during current year	-	-	-	-
Bonds retired during current year	(795,000)	(330,000)	(260,000)	(1,385,000)
Bonds outstanding, end of year	<u>\$ 1,130,000</u>	<u>5,920,000</u>	<u>2,890,000</u>	<u>9,940,000</u>
Interest paid during current year	<u>\$ 68,722</u>	<u>214,934</u>	<u>86,288</u>	<u>369,944</u>
Paying agent's name & address:	J.P.Morgan Chase Bank Dallas, TX	J.P.Morgan Chase Bank Dallas, TX	J.P.Morgan Chase Bank Dallas, TX	
			<u>Tax Bonds</u>	
Bond authority:				
Bond authorized by voters			\$ 53,115,000	
Amount issued			<u>53,115,000</u>	
Remaining to be issued			<u>\$ -</u>	
Debt Service Fund cash and temporary investments balances as of September 30, 2020:			<u>\$ 90,191</u>	
Average annual debt service payments (principal & interest) for remaining term of debt:			<u>\$ 934,639</u>	

Lakeway Municipal Utility District

TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Years Ended September 30, 2020

	Amounts					Percentage of Fund Total Revenues				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
General Fund										
Revenues and other financing uses:										
Water and wastewater charges	\$ 5,559,016	4,906,104	5,160,497	4,892,330	4,982,542	102.2 %	101.3	113.7	110.3	110.2
Connection and service fees	53,700	45,810	44,043	75,476	74,654	1.0	0.9	1.0	1.7	1.7
Property taxes, including penalties and interest	200,437	165,716	220,754	219,944	206,171	3.7	3.4	4.9	5.0	4.6
Interest and other income	188,063	228,860	168,043	187,805	127,655	3.4	4.7	3.7	4.2	2.8
Transfers out	(560,642)	(504,039)	(1,053,811)	(940,576)	(870,984)	(10.3)	(10.3)	(23.3)	(21.2)	(19.3)
Total revenues and other uses	5,440,574	4,842,451	4,539,526	4,434,979	4,520,038	100.0	100.0	100.0	100.0	100.0
Expenditures:										
Current:										
Salary and related expenditures	2,160,989	1,940,136	1,736,682	1,690,072	1,330,684	39.7	40.1	38.3	38.1	29.4
Purchased and contracted services	2,175,989	1,838,169	1,593,348	1,457,245	1,451,112	40.0	38.0	35.1	32.9	32.1
Administrative supplies and maintenance	39,578	28,682	404,393	384,956	364,386	0.7	0.6	8.9	8.7	8.1
Other	-	-	65,819	58,202	54,856	-	-	1.4	1.4	1.2
Capital outlay	644,627	561,736	409,798	277,742	178,574	11.8	11.5	9.0	6.3	4.0
Total expenditures	5,021,183	4,368,723	4,210,040	3,868,217	3,379,612	92.2	90.2	92.7	87.4	74.8
Excess of revenues and other uses over expenditures	\$ 419,391	473,728	329,486	566,762	1,140,426	7.8 %	9.8	7.3	12.6	25.2
Debt Service Fund										
Revenues and other financing sources (uses):										
Property taxes, including penalties and interest	\$ 1,243,199	1,357,132	1,353,002	1,361,801	1,496,971	68.6 %	72.1	55.3	58.6	62.5
Interest and other income	8,599	21,271	38,359	20,200	27,104	0.5	1.1	1.7	0.9	1.1
Proceeds from bond refunding	-	-	3,400,000	-	-	-	-	139.0	-	-
Payment for bond refunding	-	-	(3,400,000)	-	-	-	-	(139.0)	-	-
Transfers in	560,642	504,039	1,053,811	940,576	870,984	30.9	26.8	43.0	40.5	36.4
Total revenues and other financing sources	1,812,440	1,882,442	2,445,172	2,322,577	2,395,059	100.0	100.0	100.0	100.0	100.0
Expenditures:										
Principal payments	1,385,000	1,450,000	2,530,000	1,340,000	1,610,000	76.4	77.0	103.5	57.7	67.2
Interest payments	369,944	416,501	590,335	627,226	661,420	20.4	22.1	24.1	26.9	27.6
Bond issuance costs	-	-	131,608	-	-	-	-	5.5	-	-
Other	13,743	13,391	-	-	12,329	0.8	0.7	-	-	0.4
Total expenditures	1,768,687	1,879,892	3,251,943	1,967,226	2,283,749	97.6	99.8	133.1	84.6	95.4
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ 43,753	2,550	(806,771)	355,351	111,310	2.4 %	0.2	(33.1)	15.4	4.6
Total active retail water connections	4,213	4,208	4,205	4,129	4,113					
Total active retail wastewater connections	3,192	3,155	3,142	3,096	3,072					

Lakeway Municipal Utility District

TSI-8 Board Members, Key Personnel and Consultants Year Ended September 30, 2020

Complete District Mailing Address: 1097 Lohmans Crossing, Lakeway, TX 78734

District Business Telephone Number: (512) 261-6222

Submission date of the most recent District Registration Form:
(TWC Sections 36.054 and 49.054): August 13, 2020

Limit on fees of office that a director may receive during a fiscal year:
(Set by Board Resolution - TWC Sections 49.060): \$7,200

<u>Name and Address</u>	<u>Term of Office Elected & Expires or Date Hired</u>	<u>Fees 9/30/20</u>	<u>Expense Reimbursements 9/30/20</u>	<u>Title at Year End</u>
Board Members:				
Jerry Hietpas	Elected 05/18 - 05/22	\$ -	-	President
Larry Burmeier	Elected 05/18 - 05/22	-	-	Vice-President
Don Goff	Elected 05/20 - 05/24	-	-	Secretary
Lawrence Christian	Elected 05/20 - 05/24	-	-	Treasurer
John Sayre	Elected 05/20 - 05/24	-	-	Director
Key Administrative Personnel:				
Earl Foster	2010	172,302 (Salary)	413	General Manager
Loyd Smith	2012	82,438	472	Finance Manager

Note: No director is disqualified from serving on this board under the Texas Water Code.

(continued)

Lakeway Municipal Utility District

TSI-8 Board Members, Key Personnel and Consultants (continued) Year Ended September 30, 2020

Name and Address	Date Hired	Fees and Expense Reimbursements 9/30/20	Title at Year End
Consultants:			
Castleberry Engineering, LLC	2006	\$ 191,937	Engineer
Travis Central Appraisal District	1982	7,516	Tax Appraiser
Maxwell Locke & Ritter LLP	2019	19,000	Auditor
Specialized Public Finance, Inc.	2008	-	Financial Advisor
Law Offices of Patricia Erlinger Carls	2010	42,523	Attorney