

CITY OF LAKEWAY, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2012**

CITY OF LAKEWAY, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

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INTRODUCTORY SECTION

MAYOR
David P. DeOme

MAYOR PRO TEM
Joe Bain

COUNCILMEMBERS
Dee Ann Burns-Farrell
Bruce Harris
Dave Taylor
Alan Tye
Dennis Wallace

CITY MANAGER
Steve Jones

DEPUTY CITY MANAGER
Chessie Blanchard



December 21, 2012

To the Honorable Mayor, Members of the City Council, and the Citizens of the City of Lakeway:

The Comprehensive Annual Financial Report (“CAFR”) of the City of Lakeway (“the City”) for the fiscal year ended September 30, 2012, including the independent auditors’ report, is hereby submitted. The CAFR is published to provide the Mayor and City Council, city staff, citizens, representatives of financial institutions, bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City.

The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the results of our operations in each of the various funds reported by the City. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

The City has established and maintains a system of internal accounting controls designed in part to provide reasonable assurance that assets are safeguarded against loss, theft, or unauthorized use, and that financial records can be relied upon to produce financial statements in accordance with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute assurance, that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

In compliance with Section 8.12 of the Lakeway City Charter, the financial statements and notes contained in this report have been audited by the independent auditors of Singleton, Clark & Company, PC—Certified Public Accountants. The independent auditors have issued an unqualified opinion on the City of Lakeway’s financial statements for the year ended September 30, 2012. The auditor’s opinion is located at the front of the financial section of this report.

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

Profile of the government

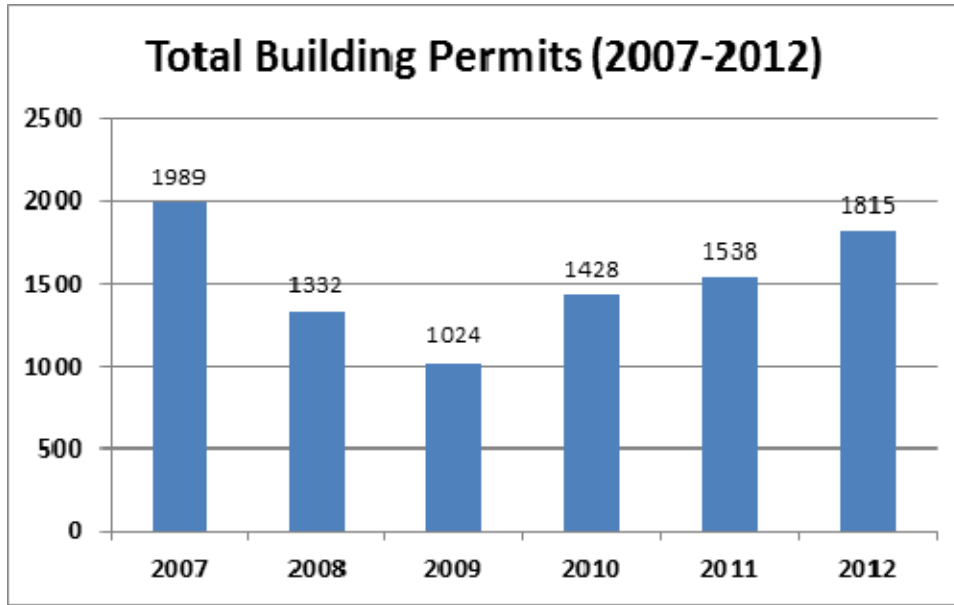
The City of Lakeway, incorporated in 1974, is located in the western portion of Travis County 16 miles west of Austin. The 2010 U.S. Census population was 11,391 up from 8,002 in 2000. The population estimate reflects a 42% population increase since the 2000 Census. The original development of what is currently known as the City of Lakeway began with the construction of the Lakeway Inn in 1963, now Lakeway Resort and Spa, near Lake Travis. The City's fortunate location near Lake Travis makes the City a frequent recreation and leisure destination. The City's commercial corridor encompasses Ranch Road 620, near the City's eastern boundary. According to the 2010 U.S. Census, the 2006-2010 median household income in Lakeway was \$96,771--nearly twice that of the state of Texas as a whole. The estimated median housing value for the same period was also higher--\$362,800 compared to \$123,500 for Texas.

The City operates as a home rule city, under a council-manager form of government and provides a full range of services as authorized by the City's charter, including police protection; construction and maintenance of highways, streets and other infrastructure; parks and recreation; municipal court; solid waste collection; building and development; and general administrative services. The City is governed by a Mayor and six City Council members with day-to-day activities directed by the City Manager.

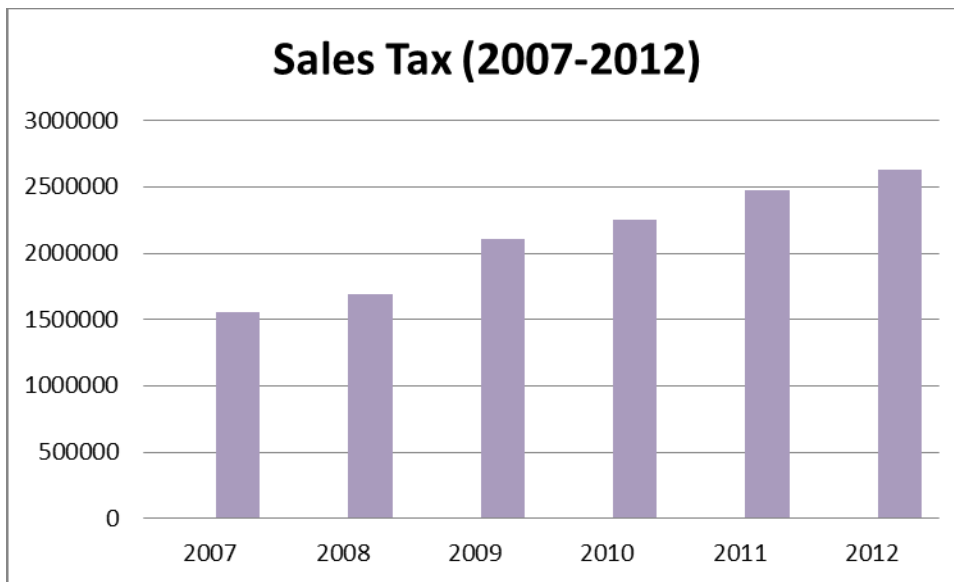
Each year, on or before September 30, the City Council adopts an annual operating budget for the ensuing fiscal year. The budget includes projected revenues and expenditures for the general fund, debt service fund, special revenue funds, and proprietary fund. The budget is a planning tool that defines the type, quality, and quantity of goods and services that will be provided to our citizens. The annual budget is also a control mechanism that serves as a system of "checks and balances" between levels of City government. The budgetary system ensures that departments contain their expenditures within the limitations set by City management, and that City management contains expenditures for the City within limitations set by the City Council.

Local economy

The City's economic position remains strong. Although the City has not experienced the dramatically dreary economy weathered by many areas of the country, Lakeway has not been completely immune as evidenced by the building permits graph below. However, steady increases in building permits since 2009 signals complete economic recovery is on the horizon. Building permits increased 18% from fiscal year 2011 to 2012.



Sales tax receipts for the City totaled \$2,631,974 for fiscal year 2012, a 6% increase compared to the previous year.



Fiscal year 2012 continued to bring exciting news in development with the construction of The Lakeway Regional Medical Center (“LRMC”) in April of 2012. The facility provides a full continuum of both inpatient and outpatient services including cardiology, obstetrics, oncology, and orthopedics. LRMC also provides a full array of diagnostic and treatment services, including an emergency department/urgent care clinic planned to manage up to 40,000 visits per year. The key to the facility’s success is its ability to expand in the future. The medical center employs approximately 345 employees.

Financial planning

The City is in the process of developing a capital improvements plan and needs assessment for all the City's departments and facilities. The plan will be a tool from which the City can methodically prepare for future needs over the next twenty years. The City is positioning itself to provide the highest quality of service to the community by planning for growth proactively. The plan will include evaluation of potential projects for infrastructure, parks and recreation, police, municipal court, and an animal shelter.

It has been an established intention of the City Council and City management to maintain a sound financial foundation which includes the goal of maintaining at least a 25% General Fund fund balance to expenditure ratio. The fund balance in the General Fund was \$3,113,002 as of September 30, 2012, which was 31% of budgeted expenditures for fiscal year 2013. These resources allow the City to avoid disruptions in services during economic downturns and to ensure that there will be adequate liquid resources to serve as a financial "cushion" against the potential shock of unanticipated circumstances and events.

Additionally, the City has a special revenue fund titled the Capital Reserve Fund which is intended to provide a source of funding for significant capital asset additions, improvements, and replacements too large to be funded in a single budget year, yet not large enough to warrant separate bond funding. The policy that governs the Capital Reserve Fund states that appropriation of assets from the fund typically have a lifespan in excess of ten years and a value in excess of \$100,000. Proceeds from the fund may also be used to make bond payments or otherwise reduce the city's long-term debt obligations. From time to time, the City Council may direct the transfer of certain funds to the Capital Reserve Fund. Typically these transfers would represent general funds which are deemed to be in excess of an appropriate reserve level. The fund balance in the Capital Reserve Fund as of September 30, 2012 was \$984,786.

Acknowledgements

The preparation of the CAFR would not have been possible without the efficient and dedicated services of the entire staff of the finance department. I would like to express my appreciation to all members of the finance department and other City staff who assisted and contributed to the preparation of the CAFR. Credit also must be given to the Mayor, the City Council, the City Manager, and the Deputy City Manager for their support for maintaining the highest standards of professionalism in the management of the City of Lakeway's finances.

Respectfully submitted,

Julie Oakley, CPA

Julie Oakley, CPA
Director of Finance

**CITY OF LAKEWAY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the fiscal year ended September 30, 2012

MAYOR

David P. DeOme

MAYOR PRO TEM

Joe Bain

COUNCILMEMBERS

Dee Ann Burns-Farrell

Bruce Harris

Dave Taylor

Alan Tye

Dennis Wallace

CITY MANAGER

Steve Jones

DEPUTY CITY MANAGER

Chessie Blanchard

CITY SECRETARY

Donna Boyle

DEPARTMENT DIRECTORS

Julie Oakley

Todd Radford

David Ferry

Andra Dearing

Troy Anderson

Finance Director

Chief of Police

Director of Public Works

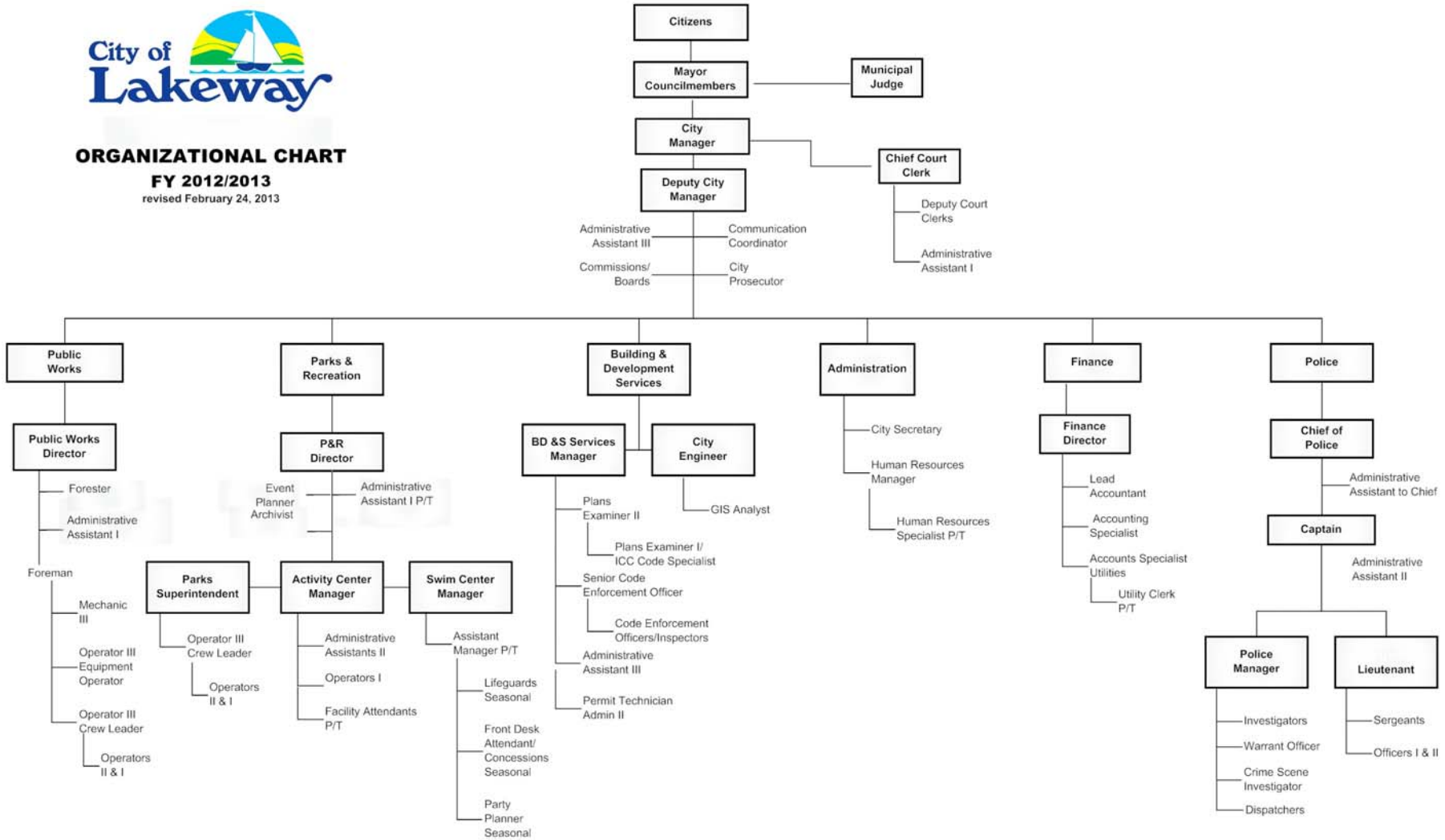
Director of Parks & Recreation

Manager of Building & Development

CITY OF LAKEWAY, TEXAS ORGANIZATIONAL CHART



ORGANIZATIONAL CHART FY 2012/2013 revised February 24, 2013



FINANCIAL SECTION



Independent Auditors' Report

Honorable Mayor and City Council Members
City of Lakeway, Texas

We have audited the accompanying financial statements of the governmental activities, the proprietary activities, each major fund, and the aggregate remaining fund information of the City of Lakeway, Texas ("the City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

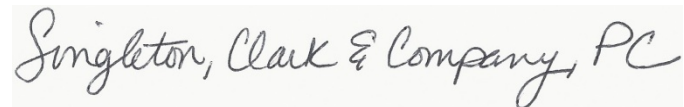
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the proprietary activities, each major fund, and the aggregate remaining fund information of the City of Lakeway, Texas as of September 30, 2012, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3-10 of this report is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in black ink on a light-colored background.

Singleton, Clark & Company, PC
Austin, Texas

December 21, 2012

CITY OF LAKEWAY, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012
(Unaudited)

MANAGEMENT’S DISCUSSION AND ANALYSIS

The City of Lakeway’s (“the City”) Management’s Discussion and Analysis (“MD&A”) is designed to provide a narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2012. Since the MD&A is designed to focus on the current year’s activities, resulting changes, and currently known facts, please read it in conjunction with the transmittal letter, financial statements, and related footnotes.

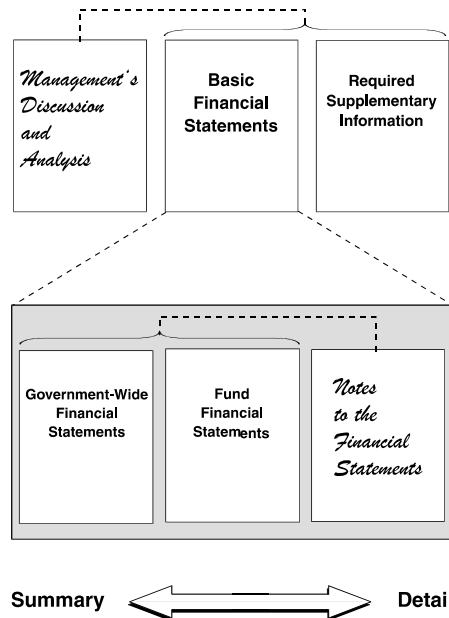
FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$19,738,718 (net assets). Of this amount, \$13,546,003 is invested in capital assets net of related debt, \$5,319,205 is unrestricted and may be used to meet ongoing obligations to citizens and creditors, and \$873,510 is restricted for specific future uses.
- The City’s total net assets increased by \$965,011. This is primarily the result of favorable budget variances in both revenues and expenditures of the General Fund during the year.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$5,941,278, an increase of \$1,392,456 in comparison with the prior year.
- As of September 30, 2012, unassigned fund balance for the General Fund was \$3,100,067, or 34.7% percent of the total actual fiscal year 2012 General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the financial statements themselves.

The following illustration summarizes the required components of this financial report.



CITY OF LAKEWAY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012
(Unaudited)

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances. Included in the government-wide financial statements are a *statement of net assets* and a *statement of activities*. Both of these statements are presented 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 the related cash flows*. This accounting method produces a view of financial position in a manner similar to private-sector companies.

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

The *statement of activities* presents the City's revenues and expenses for the period, with the difference between the two resulting in the current year *change in net assets*. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, municipal court, public safety, public works, parks and recreation, and building and development. The business-type activity of the City is solid waste services.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. *Fund financial statements* provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. All funds of the City can be divided into two categories – governmental funds and proprietary funds.

- *Governmental funds* – The City's governmental funds are used to account for essentially the same basic services reported in the governmental activities category of the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

CITY OF LAKEWAY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012
(Unaudited)

Also unlike the government-wide financial statements, governmental funds are reported using the modified accrual method of accounting, which measures cash and only those assets that can be readily converted to cash. Because governmental fund financial statements do not encompass the additional long-term focus of the government-wide financial statements, additional information is provided that explains the relationship (or differences) between the two statements in a reconciliation following the fund financial statements.

The City maintains fifteen governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Capital Reserve Fund and the Parkland Fund which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements beginning on page 37 of this report.

- *Proprietary fund* – The City charges customers for collection of solid waste and reports this service in an enterprise fund which is a type of proprietary fund. The proprietary fund financial statements provide the same type information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 18-20 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-35 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents combining fund statements and schedules that further support the information in the financial statements. The combining fund statements and schedules for non-major funds are presented immediately following the notes to the financial statements beginning on page 37 of this report.

CITY OF LAKEWAY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012
(Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$19,738,718 as of September 30, 2012. The following schedule provides condensed financial information derived from the Statement of Net Assets on page 11 of this report and focuses on the net assets for the City.

Net Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Assets						
Current and Other Assets	\$ 7,373	\$ 5,580	\$ 238	\$ 210	\$ 7,611	\$ 5,790
Capital Assets	20,431	20,087	-	-	20,431	20,087
Total Assets	\$ 27,804	\$ 25,667	\$ 238	\$ 210	\$ 28,042	\$ 25,877
Liabilities						
Current Liabilities	\$ 1,011	\$ 675	\$ 126	\$ 124	\$ 1,137	\$ 799
Long-term Liabilities	7,166	6,305	-	-	7,166	6,305
Total Liabilities	8,177	6,980	126	124	8,303	7,104
Net Assets						
Invested in Capital Assets, Net	13,546	14,057	-	-	13,546	14,057
Restricted	874	862	-	-	874	862
Unrestricted	5,207	3,768	112	86	5,319	3,854
Total Net Assets	\$ 19,627	\$ 18,687	\$ 112	\$ 86	\$ 19,739	\$ 18,773

The largest portion of the City's net assets in the amount of \$13,546,003, representing 68.6 percent, reflects its investments in capital assets (e.g., land, buildings, equipment, vehicles, improvements, and infrastructure) less any outstanding debt used to acquire those assets. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets in the amount of \$873,510 represent City resources that are subject to external restriction on how they may be used. The remaining balance of \$5,319,205 is unrestricted and may be used to meet the City's ongoing obligation to citizens and creditors.

CITY OF LAKEWAY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012
(Unaudited)

Governmental activities increased the City's net assets by \$938,829 and business-type activities increased the City's net assets by \$26,182. The key elements of these increases are contained in the following table.

Changes in Net Assets
(in thousands of dollars)

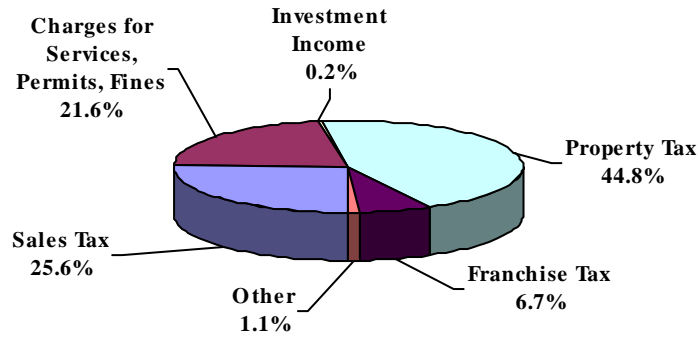
	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for services	\$ 2,361	\$ 1,841	\$ 944	\$ 891	\$ 3,305	\$ 2,732
Operating Grants	-	51	-	-	-	51
General Revenues:						
Property tax	4,905	4,780	-	-	4,905	4,780
Sales tax	2,727	2,474	-	-	2,727	2,474
Mixed beverage	72	75	-	-	72	75
Franchise fees	731	492	-	-	731	492
Grants & contributions	57	37	-	-	57	37
Investment earnings	26	22	-	-	26	22
Other	42	64	-	-	42	64
Total Revenues	10,921	9,836	944	891	11,865	10,727
Expenses						
General government	1,470	1,306	-	-	1,470	1,306
Municipal court	478	402	-	-	478	402
Public safety	3,909	3,575	-	-	3,909	3,575
Public works	1,013	1,374	-	-	1,013	1,374
Solid Waste/recycling	-	-	918	872	918	872
Building & development	902	870	-	-	902	870
Parks & recreation	2,015	1,702	-	-	2,015	1,702
Interest & fiscal charges	215	298	-	-	215	298
Total Expenses	10,002	9,527	918	872	10,920	10,399
Loss on Sale of Equipment	21	(16)	-	-	21	(16)
Change in Net Assets	940	293	26	19	966	312
Beginning Net Assets	18,687	18,394	86	67	18,773	18,461
Ending Net Assets	\$ 19,627	\$ 18,687	\$ 112	\$ 86	\$ 19,739	\$ 18,773

**CITY OF LAKEWAY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012
(Unaudited)**

Governmental Activities

As indicated by the following chart, the City's primary revenue source is property taxes, representing approximately 44.8% percent of the total revenue for FY 2011-2012. The City of Lakeway, Texas's fiscal year 2011-2012 property tax rate was \$0.1996 per \$100 property valuation.

FY 2011-2012 Revenue Percentages

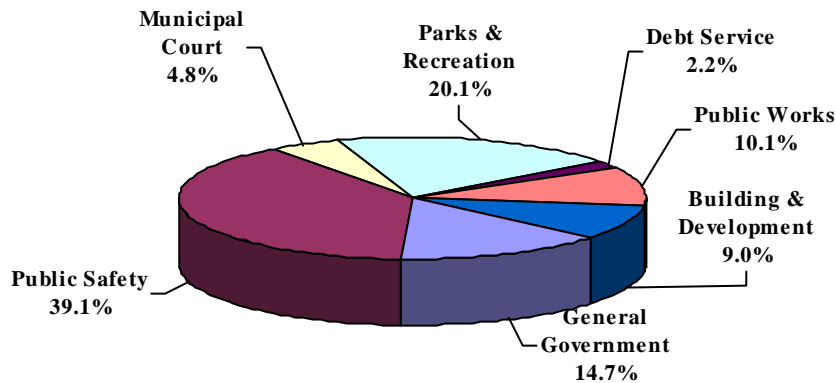


Departmental Expenditures

The City's various departmental expenditures totaled \$10.9 million for the year ended September 30, 2012. The most significant governmental activities expense was in providing public safety, which incurred expenses of \$3,908,936. The largest portion of public safety is the cost of personnel. Other significant governmental activities expense for the City is parks and recreation which includes expenses for the city parks, activity center, and swim center.

The percentage distribution of expenses by department is illustrated in the table below.

FY 2011-2012 Expenditures



**CITY OF LAKEWAY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012
(Unaudited)**

Business-type activities

As previously mentioned, the Solid Waste Fund is the sole business-type activity in the City. Net assets increased by \$26,182 accounting for 2.7 percent of the growth in the entity-wide net assets. Rates remained the same as fiscal year 2011 generating \$944,329 in revenues. The primary expense for the Solid Waste Fund is the contract with a third-party for solid waste collection services which totaled \$781,029.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At year end, the City had invested approximately \$20.4 million in a broad range of capital assets, including land, infrastructure, buildings, and equipment (see table below). This amount is net of accumulated depreciation and represents an increase of \$0.3 million over the prior year. Additional information on the City's capital assets can be found in Note C on page 29 of this report.

**City of Lakeway, Texas
Summary of Capital Assets
(in thousands of dollars)**

	Governmental Activities 2012	Governmental Activities 2011	Change
Land	\$ 6,957	\$ 6,926	\$ 31
Works of Art	165	117	48
Construction in Progress	956	36	920
Infrastructure	25,137	25,092	45
Buildings and Improvements	8,105	8,077	28
Equipment and Vehicles	2,642	2,505	137
Other Improvements	1,338	1,275	63
Totals at Historical Cost	<u>45,300</u>	<u>44,028</u>	<u>1,272</u>
Less Accumulated Depreciation	<u>(24,869)</u>	<u>(23,941)</u>	<u>(928)</u>
Capital Assets, Net of Depreciation	<u><u>\$ 20,431</u></u>	<u><u>\$ 20,087</u></u>	<u><u>\$ 344</u></u>

**CITY OF LAKEWAY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012
(Unaudited)**

Long Term Debt

As of September 30, 2012, the city had \$6.9 million in bonds outstanding as compared to \$6.0 million at the end of the prior fiscal year, an increase of 14.2 percent, as shown in the table below. More detailed information regarding the City's long-term liabilities is shown in Note D on page 30 of this report.

**City of Lakeway, Texas
Summary of Long-Term Debt
(in thousands of dollars)**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>	<u>Change</u>
Bonds Payable	\$ 6,885	\$ 6,030	\$ 855
Compensated Absences	281	275	6
Totals	<u>\$ 7,166</u>	<u>\$ 6,305</u>	<u>\$ 861</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Growth in the Lakeway community is expected to continue; hence the demand for city services is expected to increase as well. As a result, the City's 2012-2013 budget includes the resources to provide City services to meet those demands.

The City's 2012-2013 General Fund budget reflects an overall nine percent increase in expenditures and a six percent increase in revenues. The increase in expenditures is primarily attributable to personnel costs and non-recurring capital outlay and maintenance expenditures. The revenue increase results predominately from an increase in projected sales tax revenues and building and development services. In consideration of the economic hardship felt by many Lakeway citizens due to the dreary national economy, the city council adopted a total property tax rate of \$.1815 per \$100 valuation, which is below the effective tax rate. The effective tax rate is the rate that would impose the same total taxes as the previous year when comparing properties taxed in both years. The 2012-2013 budget also includes the use of unrestricted fund balance in the amount of \$474,166, while continuing to maintain an estimated 25 percent fund balance to expenditure ratio.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need additional financial information, contact the Julie Oakley, Finance Director, 1102 Lohmans Crossing, Lakeway, Texas 78734-5159 or call (512) 314-7510. Financial information is also available on the City's website (www.lakeway-tx.gov).

GOVERNMENT-WIDE STATEMENTS

CITY OF LAKEWAY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Pooled Cash	\$ 5,480,200	\$ 236,421	\$ 5,716,621
Investments	470,573	-	470,573
Receivables (net of allowance for uncollectibles)	1,211,424	2,193	1,213,617
Prepaid Items	12,935	-	12,935
Net Pension Asset	32,881	-	32,881
Capitalized Debt Issuance Costs	163,761	-	163,761
Capital Assets:			
Land	6,956,990	-	6,956,990
Infrastructure, net	4,904,104	-	4,904,104
Buildings, net	5,557,760	-	5,557,760
Machinery and Equipment, net	1,191,996	-	1,191,996
Other Capital Assets, net	864,225	-	864,225
Construction in Progress	955,928	-	955,928
Total Assets	<u>\$ 27,802,777</u>	<u>\$ 238,614</u>	<u>\$ 28,041,391</u>
LIABILITIES			
Accounts Payable	\$ 201,272	\$ 68,851	\$ 270,123
Accrued Salaries and Benefits	25,876	3,423	29,299
Accrued Interest Payable	31,039	-	31,039
Deferred Revenues	79,290	-	79,290
Other Current Liabilities	392,929	53,682	446,611
Payable from Restricted Assets	280,600	-	280,600
Noncurrent Liabilities:			
Due Within One Year	410,000	-	410,000
Due in More Than One Year	6,755,711	-	6,755,711
Total Liabilities	<u>8,176,717</u>	<u>125,956</u>	<u>8,302,673</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	13,546,003	-	13,546,003
Restricted For:			
Debt Service	132,322	-	132,322
Capital Projects and Special Revenue Purposes	741,188	-	741,188
Unrestricted Net Assets	5,206,547	112,658	5,319,205
Total Net Assets	<u>\$ 19,626,060</u>	<u>\$ 112,658</u>	<u>\$ 19,738,718</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF LAKEWAY, TEXAS
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government						
GOVERNMENTAL ACTIVITIES						
General Government	\$ 1,470,532	\$ 1,720	\$ -	\$ (1,468,812)	\$ -	\$ (1,468,812)
Municipal Court	478,664	-	-	(478,664)	-	(478,664)
Public Safety	3,908,936	995,695	-	(2,913,241)	-	(2,913,241)
Public Works	1,012,749	-	-	(1,012,749)	-	(1,012,749)
Parks & Recreation	2,014,877	575,005	-	(1,439,872)	-	(1,439,872)
Building & Development	901,847	788,830	-	(113,017)	-	(113,017)
Interest on Long-Term Debt	199,445	-	-	(199,445)	-	(199,445)
Issuance Costs	15,231	-	-	(15,231)	-	(15,231)
Total Governmental Activities:	10,002,281	2,361,250	-	(7,641,031)	-	(7,641,031)
BUSINESS-TYPE ACTIVITIES:						
Solid Waste Fund	918,460	944,329	-	-	25,869	25,869
Total Business-Type Activities	918,460	944,329	-	-	25,869	25,869
TOTAL PRIMARY GOVERNMENT:	\$ 10,920,741	\$ 3,305,579	\$ -	(7,641,031)	25,869	(7,615,162)
General Revenues:						
Taxes:						
Property, Levied for General Purposes				4,257,687	-	4,257,687
Property, Levied for Debt Service				614,375	-	614,375
Penalties and Interest				33,030	-	33,030
Sales and Use				2,725,733	-	2,725,733
Mixed Beverage				71,945	-	71,945
Franchise Fees				730,873	-	730,873
Grants and Contributions				57,478	-	57,478
Miscellaneous				41,892	-	41,892
Investment Earnings				26,182	313	26,495
Gain on Disposal of Assets				20,665	-	20,665
Total General Revenues				8,579,860	313	8,580,173
Change in Net Assets				938,829	26,182	965,011
Net Assets - Beginning				18,687,231	86,476	18,773,707
Net Assets - Ending				\$ 19,626,060	\$ 112,658	\$ 19,738,718

The notes to the Financial Statements are an integral part of this statement.



FUND BASIS STATEMENTS

CITY OF LAKEWAY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Parkland Fund	Capital Reserve Fund	Other Funds	Total Governmental Funds
ASSETS					
Cash and Pooled Cash	\$2,866,730	\$ 741,188	\$ 984,786	\$ 938,254	\$5,530,958
Investments	470,573	-	-	-	470,573
Property Taxes Receivable (net of allowance for uncollectibles)	146,444	-	-	22,783	169,227
Other Receivables	741,703	-	-	215,838	957,541
Prepaid Items	12,935	-	-	-	12,935
Total Assets	<u>\$4,238,385</u>	<u>\$ 741,188</u>	<u>\$ 984,786</u>	<u>\$ 1,176,875</u>	<u>\$7,141,234</u>
LIABILITIES & FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 107,394	\$ -	\$ -	\$ 51,494	\$ 158,888
Wages and Salaries Payable	118,757	-	-	296	119,053
Deferred Revenues	225,733	-	-	22,783	248,516
Other Current Liabilities	392,899	-	-	-	392,899
Liabilities from Restricted Assets	280,600	-	-	-	280,600
Total Liabilities	<u>1,125,383</u>	<u>-</u>	<u>-</u>	<u>74,573</u>	<u>1,199,956</u>
Fund Balances:					
Nonspendable:					
Prepaid Items	12,935	-	-	-	12,935
Restricted For:					
Debt Service	-	-	-	109,538	109,538
Parks	-	741,188	-	-	741,188
Committed For:					
Capital Projects	-	-	984,786	249,618	1,234,404
Assigned For:					
Specific Purposes	-	-	-	743,146	743,146
Unassigned Fund Balance:					
Reported in the General Fund	3,100,067	-	-	-	3,100,067
Total Fund Balances	<u>3,113,002</u>	<u>741,188</u>	<u>984,786</u>	<u>1,102,302</u>	<u>5,941,278</u>
Total Liabilities and Fund Balances	<u>\$4,238,385</u>	<u>\$ 741,188</u>	<u>\$ 984,786</u>	<u>\$ 1,176,875</u>	<u>\$7,141,234</u>

The notes to the Financial Statements are an integral part of this statement.

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

Total Fund Balances - Governmental Funds	\$ 5,941,278
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of recording the beginning of the year value of \$44,028,057 for capital assets and \$23,941,425 for accumulated depreciation to the Statement of Net Assets was an increase in net assets.	20,086,632
Capital outlay transactions are expenditures in governmental funds but are capitalized as assets on the Statement of Net Assets. The net effect of capitalizing current expenditures for capital outlays and gains or losses on disposals of capital assets during the year was an increase in net assets.	1,365,160
Since capital assets are not reported in governmental funds, related depreciation expense is also not reported. The net effect of recording depreciation expense to the Statement of Net Assets is a decrease in net assets.	(1,020,790)
Long-term debt issued by governmental activities is not a current financial liability and therefore not reported in governmental funds. The net effect of recording the beginning of the year value for all long-term debt outstanding is a decrease in net assets.	(6,305,003)
Since long-term debt is not reported in governmental funds, related accrued interest is also not reported. The net effect of recording interest expense related to the accrual to the Statement of Net Assets is a decrease in net assets.	(31,039)
Long-term debt issued by governmental activities is treated as an inflow of financial resources and not reported as a liability. The net effect of recording the long-term debt issued during the year as a liability on the Statement of Net Assets is a decrease in net assets.	(1,250,000)
Since the long-term liability related to compensated absences is not reported in the governmental funds, the related annual expense or decrease in liability is also not reported. The net effect of recording compensated absences expense to the Statement of Net Assets is a decrease in net assets.	(5,708)
Long-term debt payments are expenditures in the governmental funds but are treated as reductions of long-term debt on the Statement of Net Assets. The net effect of reducing long-term debt is an increase in net assets.	395,000
Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. The net effect of this difference in property tax revenue recognition is an increase in net assets.	169,226
Warrants outstanding are recognized as revenue in the governmental funds when collected but are recorded as an asset on the Statement of Net Assets. The net effect of recording this receivable as an asset is an increase in net assets.	84,662
Governmental funds report the effect of bond issuance costs when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. The net effect of recording bond issuance costs and the related amortization to the Statement of Net Assets is an increase in net assets.	163,761
Since the net pension asset is not reported in governmental funds, the net effect of recording the asset to the Statement of Net Assets is an increase in net assets.	32,881
Net Assets of Governmental Activities	\$19,626,060

The notes to the Financial Statements are an integral part of this statement.

CITY OF LAKEWAY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Parkland Fund	Capital Reserve Fund	Other Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 4,258,149	\$ -	\$ -	\$ 613,143	\$ 4,871,292
Penalties and Interest	33,030	-	-	-	33,030
Hotel Occupancy	-	-	-	93,758	93,758
Sales and Use	2,256,017	-	-	375,957	2,631,974
Mixed Beverage	71,945	-	-	-	71,945
Licenses and Permits	759,535	-	-	-	759,535
Franchise Fees	730,873	-	-	-	730,873
Grants and Contributions	68,988	-	-	-	68,988
Charges for Services	677,129	-	-	-	677,129
Fines	764,742	-	-	64,749	829,491
Special Assessments	-	11,000	-	18,295	29,295
Investment Earnings	21,341	863	707	3,272	26,183
Miscellaneous	19,035	-	-	49,130	68,165
Total Revenues	<u>9,660,784</u>	<u>11,863</u>	<u>707</u>	<u>1,218,304</u>	<u>10,891,658</u>
EXPENDITURES					
Current:					
General Government	1,412,906	-	-	-	1,412,906
Municipal Court	388,536	-	-	28,199	416,735
Public Safety	3,605,858	-	-	16,495	3,622,353
Public Works	849,436	-	-	144,882	994,318
Parks and Recreation	1,874,423	57,463	-	-	1,931,886
Building and Development	811,808	-	-	-	811,808
Debt Service:					
Debt Principal	-	-	-	395,000	395,000
Debt Interest	-	-	-	210,106	210,106
Fees and Issuance Costs	-	-	-	47,500	47,500
Capital Outlay:					
Capital Outlay	-	-	-	955,928	955,928
Total Expenditures	<u>8,942,967</u>	<u>57,463</u>	<u>-</u>	<u>1,798,110</u>	<u>10,798,540</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>717,817</u>	<u>(45,600)</u>	<u>707</u>	<u>(579,806)</u>	<u>93,118</u>
OTHER FINANCING SOURCES (USES)					
Sale of Real and Personal Property	31,481	-	-	-	31,481
Insurance Recovery	17,857	-	-	-	17,857
Proceeds from Issuance of Bonds	-	-	-	1,250,000	1,250,000
Transfers In	-	-	550,000	-	550,000
Transfers Out	(550,000)	-	-	-	(550,000)
Total Other Financing Sources (Uses)	<u>(500,662)</u>	<u>-</u>	<u>550,000</u>	<u>1,250,000</u>	<u>1,299,338</u>
Net Change in Fund Balances	217,155	(45,600)	550,707	670,194	1,392,456
Fund Balance - October 1 (Beginning)	2,895,847	786,788	434,079	432,108	4,548,822
Fund Balance - September 30 (Ending)	<u>\$ 3,113,002</u>	<u>\$ 741,188</u>	<u>\$ 984,786</u>	<u>\$ 1,102,302</u>	<u>\$ 5,941,278</u>

The notes to the Financial Statements are an integral part of this statement.

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

Total Net Change in Fund Balances - Governmental Funds	\$ 1,392,456
Capital outlay transactions are expenditures in governmental funds but are capitalized as assets on the Statement of Net Assets. The net effect of capitalizing current expenditures for capital outlays and gains/losses from asset disposals during the year was an increase in the change in net assets.	1,365,160
Since capital assets are not reported in governmental funds, related depreciation expense is also not reported. The net effect of recording depreciation expense to the Statement of Net Assets is a decrease in the change in net assets.	(1,020,790)
Long-term debt payments are expenditures in the governmental funds but are treated as reductions of long-term debt on the Statement of Net Assets. The net effect of reducing long-term debt is an increase in the change in net assets.	395,000
Long-term debt issued by governmental activities is treated as an inflow of financial resources but an increase in liabilities on the Statement of Net Assets. The net effect of this difference is a decrease in the change in net assets.	(1,250,000)
Since the long-term liability related to compensated absences is not reported in the governmental funds, the related annual expense or decrease in liability is also not reported. The net effect of recording compensated absences expense to the Statement of Net Assets is a decrease in net assets.	(5,708)
Since long-term debt is not reported in governmental funds, related accrued interest is also not reported. The net effect of recording interest expense related to accrual is an increase in net assets.	11,161
Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. The net effect of this difference in property tax revenue recognition is an increase in the change in net assets.	769
Governmental funds report the effect of bond issuance costs when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. The net effect of recording bond issuance costs and the related amortization is an increase in net assets.	31,769
Warrants outstanding are recognized as revenue in the governmental funds when collected but are recorded as an asset on the Statement of Net Assets. The net effect of recording this receivable as an asset is an increase in net assets.	5,164
Since the net pension asset is not reported in governmental funds, the net effect of recording the asset to the Statement of Net Assets is an increase in net assets.	13,848
Change in Net Assets of Governmental Activities	\$ 938,829

The notes to the Financial Statements are an integral part of this statement.



CITY OF LAKEWAY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP Basis)	
REVENUES				
Taxes:				
Property	\$ 4,247,097	\$ 4,247,097	\$ 4,258,149	\$ 11,052
Penalties and Interest	30,000	30,000	33,030	3,030
Sales and Use	2,105,250	2,274,750	2,256,017	(18,733)
Mixed Beverage	53,000	53,000	71,945	18,945
Licenses and Permits	452,700	452,700	759,535	306,835
Franchise Fees	672,000	672,000	730,873	58,873
Grants and Contributions	18,200	63,493	68,988	5,495
Charges for Services	621,125	652,225	677,129	24,904
Fines	600,000	600,000	764,742	164,742
Investment Earnings	19,100	19,100	21,341	2,241
Miscellaneous	27,100	27,100	19,035	(8,065)
Total Revenues	<u>8,845,572</u>	<u>9,091,465</u>	<u>9,660,784</u>	<u>569,319</u>
EXPENDITURES				
Current:				
General Government	1,360,184	1,486,184	1,412,906	73,278
Municipal Court	411,798	411,798	388,536	23,262
Public Safety	3,689,767	3,689,767	3,605,858	83,909
Public Works	902,218	902,218	849,436	52,782
Parks and Recreation	1,845,685	1,965,578	1,874,423	91,155
Building and Development	858,682	858,682	811,808	46,874
Total Expenditures	<u>9,068,334</u>	<u>9,314,227</u>	<u>8,942,967</u>	<u>371,260</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(222,762)</u>	<u>(222,762)</u>	<u>717,817</u>	<u>940,579</u>
OTHER FINANCING SOURCES (USES)				
Sale of Real and Personal Property	100	100	31,481	31,381
Insurance Recovery	-	-	17,857	17,857
Transfers Out	-	(550,000)	(550,000)	-
Total Other Financing Sources (Uses)	<u>100</u>	<u>(549,900)</u>	<u>(500,662)</u>	<u>49,238</u>
Net Change in Fund Balances	<u>(222,662)</u>	<u>(772,662)</u>	<u>217,155</u>	<u>989,817</u>
Fund Balance - Oct 1 (Beginning)	<u>2,895,847</u>	<u>2,895,847</u>	<u>2,895,847</u>	<u>-</u>
Fund Balance - Sept 30 (Ending)	<u><u>\$ 2,673,185</u></u>	<u><u>\$ 2,123,185</u></u>	<u><u>\$ 3,113,002</u></u>	<u><u>\$ 989,817</u></u>

The notes to the Financial Statements are an integral part of this statement.



PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF LAKEWAY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Business-Type Activities
	Solid Waste Fund
ASSETS	
Cash and Pooled Cash	\$ 236,421
Accounts Receivable (net of allowance for uncollectibles)	2,193
Total Assets	\$ 238,614
LIABILITIES	
Accounts Payable	\$ 68,851
Wages and Salaries Payable	3,423
Due to Customers	51,515
Other Liabilities	2,167
Total Liabilities	125,956
NET ASSETS	
Unrestricted Net Assets	112,658
Total Net Assets	\$ 112,658

The notes to the Financial Statements are an integral part of this statement.

CITY OF LAKEWAY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business-Type Activities
	Solid Waste Fund
OPERATING REVENUES:	
Charges for Sanitation Services	\$ 944,329
Total Operating Revenues	944,329
OPERATING EXPENSES:	
Personnel Services	76,257
Contract Services	815,893
Supplies	3,130
Other Operating Expenses	23,180
Total Operating Expenses	918,460
Operating Income (Loss)	25,869
NON-OPERATING REVENUES (EXPENSES):	
Investment Earnings	313
Total Non-Operating Revenue (Expenses)	313
Change in Net Assets	26,182
Total Net Assets - Oct 1 (Beginning)	86,476
Total Net Assets - Sept 30 (Ending)	\$ 112,658

The notes to the Financial Statements are an integral part of this statement.



CITY OF LAKEWAY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business-Type Activities
	Solid Waste Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 940,014
Cash Payments to Employees for Services	(75,605)
Cash Payments for Purchased Services	(815,893)
Cash Payments for Supplies	2,095
Cash Payments for Other Op. Expenses	(23,180)
Net Cash Provided (Used) by Operating Activities	27,431
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	313
Net Cash Provided (Used) by Investing Activities	313
Net Increase (Decrease) in Cash & Pooled Cash	27,744
Cash & Pooled Cash - Beginning of the Year	208,677
Cash & Pooled Cash - End of the Year	\$ 236,421
<u>Reconciliation of Operating Income to Net</u>	
<u>Cash Provided by Operating Activities:</u>	
Operating Income (Loss)	\$ 25,869
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:	
Decrease (Increase) in Receivables	(1,499)
Decrease (Increase) in Prepaids	709
Increase (Decrease) in Wages Payable	652
Increase (Decrease) in Accounts Payable	4,516
Increase (Decrease) in Deposits Payable	(2,816)
Net Cash Provided (Used) by Operating Activities	\$ 27,431

The notes to the Financial Statements are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

CITY OF LAKEWAY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lakeway, Texas (the “City”) was incorporated in July of 1974 and subsequently became a home-rule municipal corporation with the adoption of the charter through an election held on May 5, 1990. The City operates under a council-manager form of government and provides a full range of services as authorized by the City’s charter. The City is governed by a Mayor and six City Council members with day-to-day activities directed by the City Manager.

The financial statements of the City have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted (“GAAP”) in the United States of America. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant principles.

1. Reporting entity

The City’s basic financial statements include the accounts for all its operations. The City evaluated whether any other entity should be included in these financial statements as a “component unit”. The criteria for including organizations as component units within the City’s reporting entity, as set forth in GASB Statement No. 14, “The Financial Reporting Entity,” include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization’s board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements.

Based on these criteria, the City had no component units, discretely presented or blended, at September 30, 2012. The City is not included in any other governmental “reporting entity” as defined in pronouncements by the GASB Statement No. 14, “The Financial Reporting Entity,” since council members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

2. Government-wide and fund financial statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting focus is either the City as a whole (government-wide financial statements) or major individual funds (within the fund financial statements). The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all governmental and business-type activities. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF LAKEWAY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (public safety, public works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; (2) grants and contributions that are restricted to meeting operational requirements of a particular function or segment; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales taxes, franchise fees, interest income, etc.).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth the minimum criteria (percentage of assets, liabilities, revenues, or expenditures/expenses of either fund category and for the governmental and enterprise funds combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

3. Measurement focus, basis of accounting, and financial statement preparation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as all eligibility requirements imposed by the provider have been met.

Governmental fund-level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise fees, sales tax, and interest associated with the current fiscal period are all susceptible to accrual and so have been recognized as revenues of the current fiscal period. All of the other revenue items are considered to be measurable and available only when cash is received.

CITY OF LAKEWAY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

The City reports the following major governmental funds:

General Fund – The City’s primary operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating and capital improvement costs are paid from this fund.

Capital Reserve Fund – This fund accounts for the City’s capital reserves. This fund is not a budgeted fund.

Parkland Fund – This fund accounts for developers’ fees and is reserved for park usage only. This fund is not a budgeted fund.

In addition, the City reports the following nonmajor governmental funds that are included in the “Other Funds” column in the fund financial statements:

Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes.

Capital Projects Fund – This fund is used for financial resources specifically designated for capital expenditures.

Debt Service Fund – This fund accounts for the payment of principal and interest on general long-term liabilities, paid primarily by taxes levied by the City.

The City reports the following proprietary fund:

Solid Waste Fund – The solid waste fund accounts for the provision of solid waste services to the residents of the City.

The City follows private-sector standards of accounting and financial reporting (as issued by the Financial Accounting Standards Board) issued prior to December 1, 1989 in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for business-type activities and enterprise funds, subject to this same limitation.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s Solid Waste Fund are charges to customers for services. Operating expenses for the enterprise fund includes the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4. Assets, liabilities and net assets or equity

a. Cash, cash equivalents and investments

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition.

CITY OF LAKEWAY, TEXAS
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Investments are carried at fair value or cost, if maturities are one year or less. Fair value is determined as the price at which two willing parties would complete an exchange.

b. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting period and are reported as prepaid items.

c. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. At this time, there are no assets to record for business-type activities. The City defines capital assets as assets with a cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	15-40 years
Buildings	15-40 years
Building Improvements	10-25 years
Vehicles	5-7 years
Machinery & Equipment	7-20 years

d. Receivable and payable balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statement to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

Property tax receivables are shown net of an allowance for uncollectible amounts. The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1, at which time a lien is attached by operation of state law for all real and personal property located in the City. Taxes are due by January 31, following the October 1 levy date. The majority of taxes are collected between October 1 and January 31 of each year.

e. Interfund activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly,

CITY OF LAKEWAY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

interfund receivable and payables are netted and presented as a single “Internal Balances” line of the government-wide statement of net assets.

f. Compensated absences

The City allows full-time employees to accumulate unused sick and vacation benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements but have not been paid this amount at the end of the fiscal year. Upon termination, any accumulated vacation time will be paid to an employee. Full-time employees may accrue up to 240 hours of vacation. The General Fund and Other Governmental Funds are used to record any payout expenditures of the governmental funds’ employees and related liability, while proprietary fund payouts for their employees are recorded as reductions to the liabilities in those funds. Employees will be paid one-fourth of their sick leave balance, above the maximum of 480 hours, at the end of the calendar year.

g. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gains and losses on refunding are amortized over the life of the refunded debt or the life of the new issue, whichever is shorter.

h. Fund equity

In the fund financial statements, governmental funds classify fund balance into five classifications: nonspendable, restricted, committed, assigned, and unassigned. The following are the definitions of each classification.

Nonspendable fund balance – Fund balance reported as “nonspendable” represents fund balance that is (a) not in a spendable form such as prepaid items or (b) legally or contractually required to be maintained intact such as an endowment.

Restricted fund balance – Fund balance reported as “restricted” consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources.

Committed fund balance – Fund balance reported as “committed” are self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for the specific purposes determined by a formal action of the City Council, which is the highest level of decision-making authority, and that require the same level of formal action to remove the constraint.

Assigned fund balance – Fund balance reported as “assigned” consists of amounts that are subject to a purpose constraint that represents an intended use established by the City Council or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. Formal action is *not* necessary to impose, remove, or modify a constraint in assigned fund balance. Additionally, this category is used to reflect the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year’s budget.

CITY OF LAKEWAY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Unassigned fund balance – Fund balance reported as “unassigned” represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

i. Use of estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

B. DEPOSITS AND INVESTMENTS

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City’s agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

1. Cash Deposits:

At September 30, 2012, the carrying amount of the City’s deposits (cash, interest-bearing depository accounts, and government investment pools) was \$5,716,621 and the bank balance was \$5,866,614. The City’s cash deposits at September 30, 2012 and during the period then ended were entirely covered by FDIC insurance or by pledged collateral held by the City’s agent bank in the City’s name. The City had on hand \$2,294 in various petty cash and change funds.

2. Investments:

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

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

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

CITY OF LAKEWAY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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The City's investments at September 30, 2012 are shown below.

Investment	Carrying Amount	Fair Value
First National Bank - CD's	\$ 245,573	\$ 245,573
BBVA - CD	225,000	225,000
	\$ 470,573	\$ 470,573

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit Risk is the risk that an issuer or other counterparty of an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City's only investment was a certificate of deposit at First National Bank.

b. Custodial Credit Risk

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of five percent or more in securities of a single issuer. Investments issued by the U.S. government and investments in investment pools are excluded from the five percent disclosure requirement. The City is not currently exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The weighted average maturity for the City's investment in external investment pools is less than 60 days and therefore interest rate risk is minimal.

CITY OF LAKEWAY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

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

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent or the value of its shares. The City's investments in Pools are reported at an amount determined by the fair value per share of the pools underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission SEC as an Investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

CITY OF LAKEWAY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

C. CAPITAL ASSETS

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

<u>Description</u>	<u>Balance</u> <u>9/30/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2012</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 6,925,827	\$ 31,163	\$ -	\$ 6,956,990
Works of Art	116,865	48,240	-	165,105
Construction in Progress	36,075	982,228	(62,375)	955,928
Total capital assets, not being depreciated	<u>7,078,767</u>	<u>1,061,631</u>	<u>(62,375)</u>	<u>8,078,023</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	25,092,052	44,410	-	25,136,462
Buildings and Improvements	8,077,164	28,214	-	8,105,378
Equipment & Vehicles	2,504,822	236,721	(99,299)	2,642,244
Improvements other than Buildings	1,275,252	62,375	-	1,337,627
Total capital assets, being depreciated	<u>36,949,290</u>	<u>371,720</u>	<u>(99,299)</u>	<u>37,221,711</u>
Less accumulated depreciation for:				
Infrastructure	(19,798,865)	(433,492)	-	(20,232,357)
Buildings and Improvements	(2,290,844)	(256,774)	-	(2,547,618)
Equipment & Vehicles	(1,274,082)	(269,650)	93,484	(1,450,248)
Improvements other than Buildings	(577,634)	(60,874)	-	(638,508)
Total accumulated depreciation	<u>(23,941,425)</u>	<u>(1,020,790)</u>	<u>93,484</u>	<u>(24,868,731)</u>
Total capital assets, being depreciated, net	<u>13,007,865</u>	<u>(649,070)</u>	<u>(5,815)</u>	<u>12,352,980</u>
Govt Activities Capital Assets, net	<u>\$20,086,631</u>	<u>\$ 412,561</u>	<u>\$ (68,190)</u>	<u>\$20,431,003</u>

Depreciation expense was allocated to the governmental functions as follows:

General Government	\$ 156,940
Municipal Court	46,289
Public Safety	402,357
Public Works	110,445
Building & Development	96,555
Parks & Recreation	208,204
Total	<u>\$ 1,020,790</u>

CITY OF LAKEWAY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

D. LONG-TERM OBLIGATIONS

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities for the year ended September 30, 2012, are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 10/01/11	Additions	Deletions	Amounts Outstanding 09/30/12	Due In One Year
GOVERNMENTAL ACTIVITIES								
Bonds Payable								
General Obligation Bonds, 2002	4.75-5.00%	\$2,000,000	\$ 2,625	\$ 125,000	\$ -	\$ (125,000)	\$ -	\$ -
General Imp. & Ref. Bonds, 2004	2.50-4.40%	4,765,000	152,891	3,865,000	-	(145,000)	3,720,000	150,000
General Obligation Bonds, 2009	2.50-4.00%	895,000	22,019	690,000	-	(105,000)	585,000	110,000
General Obligation Bonds, 2011	1.80%	1,350,000	21,150	1,350,000	-	(20,000)	1,330,000	150,000
General Obligation Bonds, 2012	2.15%	1,250,000	11,422	-	1,250,000	-	1,250,000	-
Total Bonds Payable			210,107	6,030,000	1,250,000	(395,000)	6,885,000	410,000
Other								
Compensated Absences Payable				275,003	5,708	-	280,711	
Total Other				275,003	5,708	-	280,711	
Grand Total Debt			\$ 210,107	\$6,305,003	\$1,255,708	\$ (395,000)	\$7,165,711	\$ 410,000

During fiscal year 2012, the City issued General Obligation Bonds on behalf of the Lake Travis Community Library District (“the District”) in the amount of \$1,250,000. The District agreed through an interlocal agreement dated February 7, 2012, to make all payments on the bonds to certify there would be no cost to the City.

CITY OF LAKEWAY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2012, are as follows:

Year Ended September 30,	Bonds Payable		Total Requirements
	Principal	Interest	
2013	\$ 410,000	\$ 216,781	\$ 626,781
2014	455,000	205,340	660,340
2015	510,000	192,123	702,123
2016	525,000	177,489	702,489
2017	540,000	161,933	701,933
2018-2022	2,525,000	579,533	3,104,533
2023-2027	1,920,000	121,891	2,041,891
Total	<u>\$ 6,885,000</u>	<u>\$ 1,655,090</u>	<u>\$ 8,540,090</u>

E. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claim from these risks have not exceeded coverage in any of the past three fiscal years.

F. PENSION PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid-defined benefit plan which provides retirement, disability and death benefits to plan members and beneficiaries through its affiliation with Texas Municipal Retirement System (“TMRS”), an agent multiple-employer public employee retirement system with 847 members. TMRS operates under the authority of Texas Government Code, Title 8, Subtitle G, as a retirement system for municipal employees in the State of Texas and is governed by a six-member Board of Trustees appointed by the governor with the advice and consent of the senate. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, TX 78714-9153 or calling (800) 924-8677; in addition, the report is available at the TMRS web site, <http://www.tmr.org>.

CITY OF LAKEWAY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

The Texas legislature has the authority to establish or amend benefit provisions, and the governing body of the City adopts the plan provisions within the options and constraints established by the legislature. Members of the City's plan are eligible to retire at age sixty and above with at least five years of service or twenty years of service regardless of age. Generally, members are vested after five years of service and service credit with other statewide retirement systems or government entities may also qualify for credit toward vesting. Members who withdraw their personal contribution upon termination prior to vesting forfeit pension benefits provided by the City.

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions. In addition, the City has the option to grant, either annually or on an annually repeating basis, another type of credit referred to as an updated service credit. This monetary credit is determined by hypothetically recomputing the member's account balance by assuming the current member deposit rate of the City (7%) has always been in effect. The computation also assumes the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by three percent each year, and increased by the city match currently in effect (200%). The resulting sum is then compared to the member's actual account balance increased by the actual city match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted (100%). At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the city-financed monetary credits with interest were used to purchase an annuity.

Funding Policy and Annual Pension Cost

The required contribution rate for employees is seven percent, and the City matching ratio is currently 2 to 1, both as adopted by ordinance by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the city contribution rate using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 26.2-year closed amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases (COLAs). Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate is effective. The actuarially determined rates for calendar years 2012, 2011, and 2010 are 12.12%, 12.19%, and 11.74%, respectively. However, in 2009 the City elected to contribute a minimum amount equal to the annual required contribution (ARC) less a "phase in" of the increase from the change to the Projected Unit Credit cost method in the 2007 valuation. By doing so, the City contributed less than the ARC and as such accrued a net pension obligation (NPO) on the government-wide financial statements for calendar year 2009 and 2010. In September of 2012 and 2011, the City chose to make an additional payment called a lump sum contribution in the amount of \$11,371 and \$48,700, respectively, for the purpose of paying off the net pension obligation and to increase the City's funded ratio. The City's contribution to the TMRS equaled the ARC in 2010 and exceeded the ARC in 2011 and 2012.

CITY OF LAKEWAY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

The annual pension cost and net pension obligation/(asset) are as follows:

Annual required contributions	\$ 547,623
Interest on net pension obligation	(1,332)
Adjustment to annual required contribution	<u>(1,145)</u>
Annual pension cost	545,146
Contributions made	<u>(558,994)</u>
Increase (decrease) in net pension obligation/(asset)	(13,848)
Net pension obligation/(asset) beginning of the year	<u>(19,033)</u>
Net pension obligation/(asset) end of the year	<u><u>\$ (32,881)</u></u>

Three-Year Trend Information for TMRS Funding

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset)</u>
9/30/2010	\$467,594	98%	\$ 29,287
9/30/2011	\$534,120	109%	\$ (19,033)
9/30/2012	\$545,146	103%	\$ (32,881)

The required contribution rates for fiscal year ending September 30, 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations because the actuarial valuation is prepared on a calendar year which is not the City's fiscal year. Additional information as of the latest actuarial valuation, December 31, 2011, is detailed in the chart below.

Valuation Date	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28.1 years closed period	27.2 years closed period	26.2 years closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Invested Rate of Return	7.5%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at Cost-of-Living Adjustments	3.00% 2.10%	3.00% 2.10%	3.00% 2.10%

CITY OF LAKEWAY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

Funded Status and Funding Progress

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report.

The funded status as of the last three valuation dates is as follows:

Schedule of Funding Progress for the Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a) / (c)
12/31/2009	4,081,961	6,521,111	2,439,150	62.6%	3,918,154	62.3%
12/31/2010 *	6,739,096	9,507,284	2,768,188	70.9%	4,113,645	67.3%
12/31/2011	7,790,601	10,496,271	2,705,670	74.2%	4,291,826	63.0%

* Actuarial valuation performed under the new fund structure

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, also presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Supplemental death benefit fund

The City contributes to a cost-sharing multiple-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a separate trust administered by the TMRS Board of Trustees and is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

CITY OF LAKEWAY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Contributions are made monthly based on the covered payroll of employee members of the City. The contractually required contribution rate is determined annually, and the rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund described above. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of the plan is to assure adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net assets available for postemployment benefits other than pension benefits (OPEB). The City's contributions to the TMRS SDBF for retirees for the fiscal years ended September 30, 2010, 2011, and 2012, were \$404, \$442, and \$451 respectively, which equaled the required contributions each year.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary. The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or claim against, the Pension Trust Fund.

G. COMMITMENTS AND CONTIGENCIES

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulation governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the City at September 30, 2012.

H. SUBSEQUENT EVENT

On November 28, 2012, the City issued \$3,600,000 of General Obligation Refunding Bonds, Series 2012, for an advance refunding of \$3,570,000 of previously issued General Improvement and Refunding Bonds, Series 2004. The proceeds from the 2012 refunding issue were deposited into an escrow account, uninvested, and will be used to satisfy the principal and interest payments due on February 1, 2012, the call date of the 2004 refunding bonds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKEWAY
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

Schedule of Funding Progress for the Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a) / (c)
12/31/2009	4,081,961	6,521,111	2,439,150	62.6%	3,918,154	62.3%
12/31/2010 *	6,739,096	9,507,284	2,768,188	70.9%	4,113,645	67.3%
12/31/2011	7,790,601	10,496,271	2,705,670	74.2%	4,291,826	63.0%

* Actuarial valuation performed under the new fund structure

COMBINING SCHEDULES

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

	Court Bldg. Security Fund	Court Technology Fund	Child Safety Fund	Juvenile Case Mgr. Fund
ASSETS				
Cash and Pooled Cash	\$ 11,099	\$ 17,052	\$ 6,133	\$ 37,715
Property Taxes Receivable (net of allowance for uncollectibles)	-	-	-	-
Other Receivables	-	-	988	-
Total Assets	<u>\$ 11,099</u>	<u>\$ 17,052</u>	<u>\$ 7,121</u>	<u>\$ 37,715</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 9	\$ 725	\$ -	\$ -
Wages and Salaries Payable	5	-	165	126
Deferred Revenues	-	-	-	-
Total Liabilities	<u>14</u>	<u>725</u>	<u>165</u>	<u>126</u>
Fund Balances:				
Restricted For:				
Debt Service	-	-	-	-
Committed For:				
Capital Projects	-	-	-	-
Assigned For:				
Specific Purposes	11,085	16,327	6,956	37,589
Total Fund Balances	<u>11,085</u>	<u>16,327</u>	<u>6,956</u>	<u>37,589</u>
Total Liabilities and Fund Balances	<u><u>\$ 11,099</u></u>	<u><u>\$ 17,052</u></u>	<u><u>\$ 7,121</u></u>	<u><u>\$ 37,715</u></u>

The notes to the Financial Statements are an integral part of this statement.

Parkland Highland Fund	Hotel Occupancy	Road Tax Fund	CAPCOG PSAP Fund	SECO Grant Fund	Nonmajor Special Revenue Funds
\$ 27,421	\$ -	\$ 479,678	\$ -	\$ -	\$ 579,098
-	-	-	-	-	-
-	93,758	70,332	-	50,760	215,838
<u>\$ 27,421</u>	<u>\$ 93,758</u>	<u>\$ 550,010</u>	<u>\$ -</u>	<u>\$ 50,760</u>	<u>\$ 794,936</u>
\$ -	\$ -	\$ -	\$ -	\$ 50,760	\$ 51,494
-	-	-	-	-	296
-	-	-	-	-	-
-	-	-	-	50,760	51,790
-	-	-	-	-	-
-	-	-	-	-	-
27,421	93,758	550,010	-	-	743,146
<u>27,421</u>	<u>93,758</u>	<u>550,010</u>	<u>-</u>	<u>-</u>	<u>743,146</u>
<u>\$ 27,421</u>	<u>\$ 93,758</u>	<u>\$ 550,010</u>	<u>\$ -</u>	<u>\$ 50,760</u>	<u>\$ 794,936</u>

(Continued)



(Continued)

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

	Debt Service Fund	Debt Fund LTLD	Capital Projects Fund-LTLD	Nonmajor Governmental Funds
ASSETS				
Cash and Pooled Cash	\$ 71,743	\$ 37,795	\$ 249,618	\$ 938,254
Property Taxes Receivable (net of allowance for uncollectibles)	22,783	-	-	22,783
Other Receivables	-	-	-	215,838
Total Assets	<u>\$ 94,526</u>	<u>\$ 37,795</u>	<u>\$ 249,618</u>	<u>\$ 1,176,875</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ 51,494
Wages and Salaries Payable	-	-	-	296
Deferred Revenues	22,783	-	-	22,783
Total Liabilities	<u>22,783</u>	<u>-</u>	<u>-</u>	<u>74,573</u>
Fund Balances:				
Restricted For:				
Debt Service	71,743	37,795	-	109,538
Committed For:				
Capital Projects	-	-	249,618	249,618
Assigned For:				
Specific Purposes	-	-	-	743,146
Total Fund Balances	<u>71,743</u>	<u>37,795</u>	<u>249,618</u>	<u>1,102,302</u>
Total Liabilities and Fund Balances	<u>\$ 94,526</u>	<u>\$ 37,795</u>	<u>\$ 249,618</u>	<u>\$ 1,176,875</u>

CITY OF LAKEWAY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Court Bldg. Security Fund	Court Technology Fund	Child Safety Fund	Juvenile Case Mgr. Fund
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Hotel Occupancy	-	-	-	-
Sales and Use	-	-	-	-
Fines	12,750	16,992	17,672	17,335
Special Assessments	-	-	-	-
Investment Earnings	8	14	4	39
Miscellaneous	-	-	-	-
Total Revenues	<u>12,758</u>	<u>17,006</u>	<u>17,676</u>	<u>17,374</u>
EXPENDITURES				
Current:				
Municipal Court	6,531	9,384	-	12,284
Public Safety	-	-	16,127	-
Public Works	-	-	-	-
Debt Service:				
Debt Principal	-	-	-	-
Debt Interest	-	-	-	-
Fees and Issuance Costs	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>6,531</u>	<u>9,384</u>	<u>16,127</u>	<u>12,284</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,227</u>	<u>7,622</u>	<u>1,549</u>	<u>5,090</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Issuance of Bonds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	6,227	7,622	1,549	5,090
Fund Balance - Oct 1 (Beginning)	4,858	8,705	5,407	32,499
Fund Balance - September 30 (Ending)	<u>\$ 11,085</u>	<u>\$ 16,327</u>	<u>\$ 6,956</u>	<u>\$ 37,589</u>

The notes to the Financial Statements are an integral part of this statement.

Parkland Highland Fund	Hotel Occupancy	Road Tax Fund	CAPCOG PSAP Fund	SECO Grant Fund	Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	93,758	-	-	-	93,758
-	-	375,957	-	-	375,957
-	-	-	-	-	64,749
18,295	-	-	-	-	18,295
19	-	421	-	-	505
-	-	-	-	-	-
<u>18,314</u>	<u>93,758</u>	<u>376,378</u>	<u>-</u>	<u>-</u>	<u>553,264</u>
-	-	-	-	-	28,199
-	-	-	368	-	16,495
-	-	144,882	-	-	144,882
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>144,882</u>	<u>368</u>	<u>-</u>	<u>189,576</u>
<u>18,314</u>	<u>93,758</u>	<u>231,496</u>	<u>(368)</u>	<u>-</u>	<u>363,688</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>18,314</u>	<u>93,758</u>	<u>231,496</u>	<u>(368)</u>	<u>-</u>	<u>363,688</u>
<u>9,107</u>	<u>-</u>	<u>318,514</u>	<u>368</u>	<u>-</u>	<u>379,458</u>
<u>\$ 27,421</u>	<u>\$ 93,758</u>	<u>\$ 550,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 743,146</u>

(Continued)



(Continued)

CITY OF LAKEWAY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Debt Service Fund	Debt Fund LTLTD	Capital Projects Fund-LTLTD	Nonmajor Governmental Funds
REVENUES				
Taxes:				
Property	\$ 613,143	\$ -	\$ -	\$ 613,143
Hotel Occupancy	-	-	-	93,758
Sales and Use	-	-	-	375,957
Fines	-	-	-	64,749
Special Assessments	-	-	-	18,295
Investment Earnings	134	87	2,546	3,272
Miscellaneous	-	49,130	-	49,130
Total Revenues	<u>613,277</u>	<u>49,217</u>	<u>2,546</u>	<u>1,218,304</u>
EXPENDITURES				
Current:				
Municipal Court	-	-	-	28,199
Public Safety	-	-	-	16,495
Public Works	-	-	-	144,882
Debt Service:				
Debt Principal	395,000	-	-	395,000
Debt Interest	198,684	11,422	-	210,106
Fees and Issuance Costs	500	-	47,000	47,500
Capital Outlay:				
Capital Outlay	-	-	955,928	955,928
Total Expenditures	<u>594,184</u>	<u>11,422</u>	<u>1,002,928</u>	<u>1,798,110</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>19,093</u>	<u>37,795</u>	<u>(1,000,382)</u>	<u>(579,806)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Issuance of Bonds	-	-	1,250,000	1,250,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,250,000</u>	<u>1,250,000</u>
Net Change in Fund Balance	19,093	37,795	249,618	670,194
Fund Balance - Oct 1 (Beginning)	52,650	-	-	432,108
Fund Balance - September 30 (Ending)	<u>\$ 71,743</u>	<u>\$ 37,795</u>	<u>\$ 249,618</u>	<u>\$1,102,302</u>

OTHER BUDGETARY SCHEDULES

CITY OF LAKEWAY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes				
Property Taxes	\$ 613,000	\$ 613,000	\$ 613,143	\$ 143
Investment Earnings	300	300	134	(166)
Total Revenues	<u>613,300</u>	<u>613,300</u>	<u>613,277</u>	<u>(23)</u>
EXPENDITURES				
Current:				
Debt Service:				
Debt Principal	375,000	395,000	395,000	-
Debt Interest	236,917	216,917	198,684	18,233
Issuance Costs	1,000	1,000	500	500
Total Expenditures	<u>612,917</u>	<u>612,917</u>	<u>594,184</u>	<u>18,733</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>383</u>	<u>383</u>	<u>19,093</u>	<u>18,710</u>
Net Change in Fund Balance	383	383	19,093	18,710
Fund Balance-Oct 1 (Beginning)	52,650	52,650	52,650	-
Fund Balance-September 30 (Ending)	<u>\$ 53,033</u>	<u>\$ 53,033</u>	<u>\$ 71,743</u>	<u>\$ 18,710</u>

The notes to the Financial Statements are an integral part of this statement.

OTHER INFORMATION REQUIRED BY GAO



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

Independent Auditors' Report

Honorable Mayor and City Council Members
City of Lakeway, Texas

We have audited the financial statements of the governmental activities, the proprietary activities, each major fund, and the aggregate remaining fund information of the City of Lakeway, Texas ("the City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated .

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

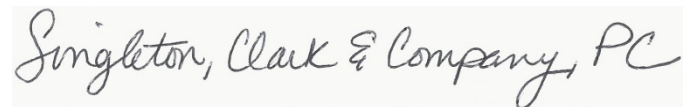
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination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

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

Compliance and Other Matters

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

This report is intended for the information of the City Council, the audit committee, and the administration, and is not intended to be used and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in black ink on a light-colored background.

Singleton, Clark & Company, PC
Austin, Texas

December 21, 2012