

CITY OF LAKEWAY, TEXAS  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2014

PREPARED BY:  
FINANCE DEPARTMENT



SINGLETON, CLARK  
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAKEWAY, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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CITY OF LAKEWAY, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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# **INTRODUCTORY SECTION**

MAYOR  
David P. DeOme

MAYOR PRO TEM  
Phil Brown

COUNCILMEMBERS  
Joe Bain  
Sandy Cox  
Dwight Haley  
Jim Powell  
Dave Taylor



Lakeway  
TEXAS

CITY MANAGER  
Steve Jones

DEPUTY CITY MANAGER  
Chessie Zimmerman

CITY SECRETARY  
Jo Ann Touchstone

CITY ATTORNEY  
Alan J. Bojorquez

February 17, 2015

To the Honorable Mayor, Members of the City Council, and 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, 2014, including the independent auditor’s 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 unmodified opinion on the City of Lakeway’s financial statements for the year ended September 30, 2014. The auditor’s opinion is located at the beginning of the financial section of this report.

Management’s discussion and analysis (“MD&A”) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements 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 in central 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. The City is empowered to levy a property tax on real property within its boundaries. It also is authorized by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City has a total area of 10.55 square miles, of which 10.17 square miles is land and 0.38 square miles is water. The water area is from Lake Travis, which is part of the Highland Lakes chain. The City's fortunate location near Lake Travis makes the City a frequent recreation and leisure destination. The 2014 estimated population of the City was 13,588, an increase of approximately 15.6% over the 2010 U.S. Census population of 11,391. 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.

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, capital projects funds, 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 the 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.

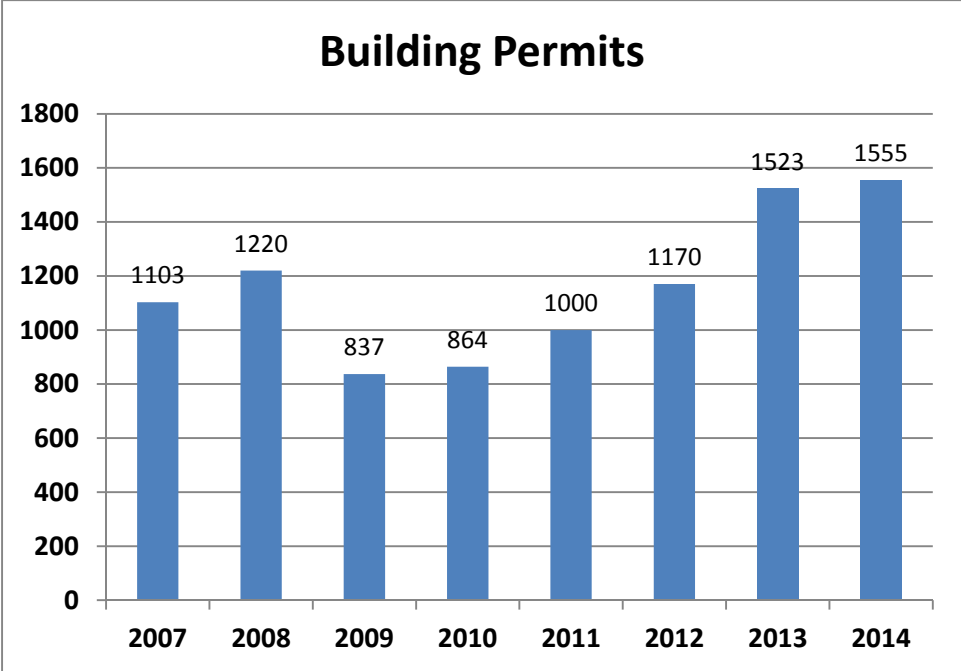
### *Local economy*

The City serves as an affluent bedroom community and second home destination. As central Texas and the Austin MSA have experienced rapid expansion, the City has also experienced growth. Assessed values have continued to experience growth over the past five years, averaging 5.3% annually to a full valuation of \$3.1 billion for fiscal year 2015. Modest concentration exists within the top ten taxpayers, which account for roughly 6.11% of the fiscal 2014 assessed valuation.

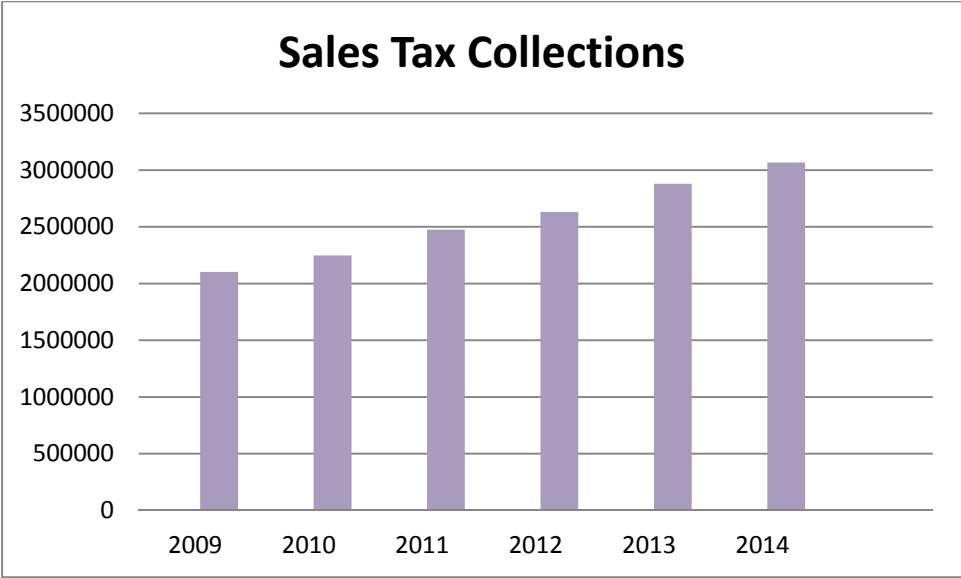
According to the U.S. Census Bureau, the 2009-2013 median household income in Lakeway was \$103,818--twice that of the state of Texas as a whole. The estimated median housing value for the same period was also higher--\$372,800 compared to \$128,900 for Texas. The City's commercial corridor encompasses Ranch Road 620, near the City's eastern boundary. Major industries located within the City's boundaries or in close proximity include hospitals, assisted living facilities, retail stores, hotels, restaurants, and financial institutions.

Increased growth in new residential and commercial construction is a leading indicator of continued growth in the City's property tax base and sales tax collections. Near term expansion of the taxable base is expected as development continues with current planned residential and commercial projects.

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 total building permits graph below. However, steady increases in building permits since 2009 coupled with total permits issued in 2013 and 2014 exceeding pre-recession amounts, signals the City is operating in a recovered and flourishing environment.



Sales tax receipts for the City totaled \$3,067,458 for fiscal year 2014, a 6.5% increase compared to the previous year as indicated in the chart below. Continued expansion is expected with exciting commercial development on the horizon. Lexus of Lakeway, an automotive sales and service center, is under construction. The project will include a 76,700 square foot facility. The owner plans to open the new facility to the public during the summer of 2015. Another project underway is The Oaks at Lakeway, a pedestrian-friendly commercial district. Comprising nearly 90 acres, this project will feature a major grocer, H-E-B, as an anchor and 350,000 square feet of retail, office, and hotel space. Also included is 26 acres of land reserved for future residential or civic projects.



### *Long-term financial planning and major initiatives*

The City continues to refine its capital improvements plan, which evaluates and schedules needs for all departments and facilities. The plan includes a wide variety of potential projects, from infrastructure to parks facilities to new municipal buildings. This plan functions as a tool from which the city can methodically prepare for future needs over the next twenty years. By planning for growth proactively, the City has positioned itself to provide the highest quality of service to the community.

In addition to the capital improvements plan, the City recently completed an assessment of all public roadways with regard to condition and maintenance priority. The resulting schedule will guide road maintenance expenditures for the next eight to ten years.

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 \$2,754,786 as of September 30, 2014, which was 27.5% of budgeted expenditures for fiscal year 2014. 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 capital projects 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 used to administer the Capital Reserve Fund states that appropriation of assets from the fund typically has 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, 2014 was \$1,666,249.

### *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.

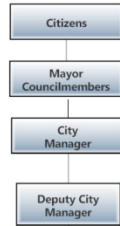
Respectfully submitted,

*Julie Oakley, CPA*

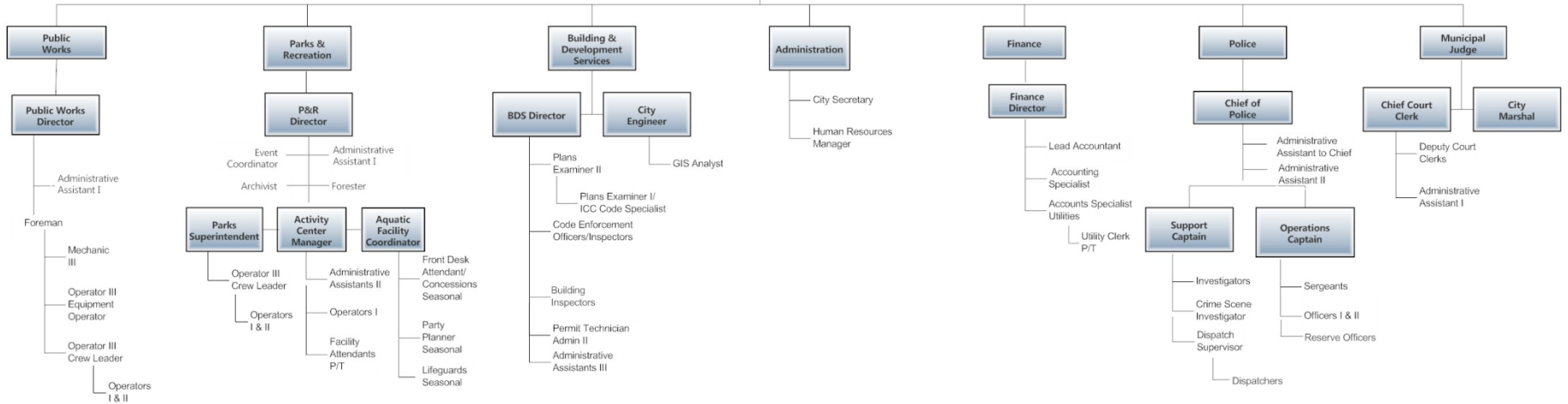
Julie Oakley, CPA  
Director of Finance




  
**ORGANIZATIONAL CHART**
  
**FY 2013/2014**
  
 revised Sep. 30, 2014



Administrative Assistant III  
 Commissions/Boards  
 Communication Coordinator  
 City Prosecutor



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

For the year ended September 30, 2014

**MAYOR**

David DeOme

**MAYOR PRO TEM**

Phil Brown

**COUNCIL MEMBERS**

Joe Bain

Dave Taylor

Jim Powell

Sandy Cox

Dwight Haley

**CITY MANAGER**

Steve Jones

**DEPUTY CITY MANAGER**

Chessie Zimmerman

**CITY SECRETARY**

Jo Ann Touchstone

**DEPARTMENT DIRECTORS**

Julie Oakley, Finance Director

Todd Radford, Chief of Police

Dale DeLong, Director of Public Works

Andra Dearing, Director of Parks & Recreation

Troy Anderson, Director of Building & Development

## **FINANCIAL SECTION**



## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor, Members of the City Council and Citizens of  
the City of Lakeway, Texas

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lakeway, Texas (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section, combining and individual fund financial statements and supplemental schedules, and statistical section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Singleton, Clark & Company, PC  
Cedar Park, Texas

February 17, 2015

CITY OF LAKEWAY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(UNAUDITED)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

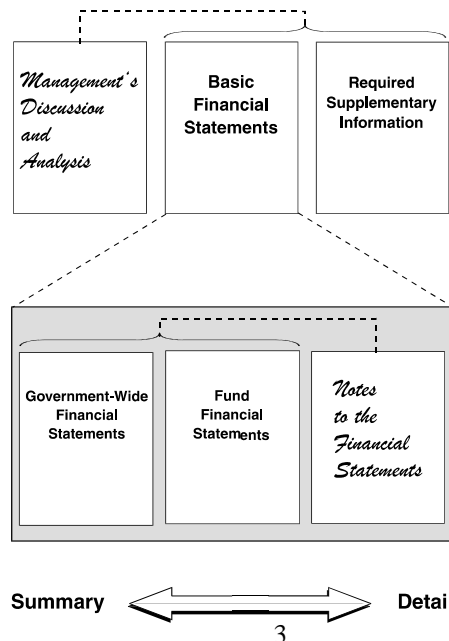
The City of Lakeway's ("the City") Management's Discussion and Analysis ("MD&A") is designed to provide a narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2014. Since the MD&A is designed to focus on the current year's activities, resulting changes, 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 \$22,224,768 (net position). Of this amount, \$11,157,198 is invested in capital assets net of related debt, \$5,480,550 is unrestricted and may be used to meet ongoing obligations to citizens and creditors, and \$5,587,020 is restricted for specific future uses.
- The City's total net position increased by \$1,361,997. This is primarily the result of favorable budget variances in both revenues and expenditures of the General Fund, various Special Revenue Funds and the Capital Reserve Fund during the year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,943,082, an increase of \$5,027,590 in comparison with the prior year. Included in this increase are proceeds from the issuance of general obligation bonds which contributed \$3.9 million to the total. Approximately 24.5% of the combined ending fund balance amount or \$2,677,734 is available for spending at the government's discretion (unassigned fund balance).
- As of September 30, 2014, unassigned fund balance for the General Fund was \$2,677,734, or 26.7 percent of the total actual fiscal year 2014 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, 2014  
(UNAUDITED)

### **Government-Wide Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Included in the government-wide financial statements are a *statement of net position* 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 position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether 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 position*. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will 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.

The government-wide financial statements can be found on pages 12-13 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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements such as 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, 2014  
(UNAUDITED)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital reserve fund, and the capital projects fund which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 14-18 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 19-21 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 22-40 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 42 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As previously noted, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$22,224,768 as of September 30, 2014. The following schedule provides condensed financial information derived from the Statement of Net Position on page 12 of this report and focuses on the net position for the City.



CITY OF LAKEWAY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(UNAUDITED)

	Governmental Activities 2014	Governmental Activities 2013	Change	Business- Type Activities 2014	Business- Type Activities 2013	Change
Current & other assets	\$ 13,873,378	\$ 8,733,301	\$ 5,140,077	\$ 329,777	\$ 283,094	\$ 46,683
Capital assets	21,608,850	21,289,154	319,696	40,000	40,000	-
Total assets	35,482,228	30,022,455	5,459,773	369,777	323,094	46,683
Current liabilities	2,683,933	2,552,630	131,303	175,659	159,619	16,040
Long-term liabilities	10,767,645	6,770,529	3,997,116	-	-	-
Total liabilities	13,451,578	9,323,159	4,128,419	175,659	159,619	16,040
Net Position						
Net investment in capital assets	11,117,198	14,784,154	(3,666,956)	40,000	40,000	-
Restricted	5,587,020	1,067,715	4,519,305	-	-	-
Unrestricted	5,326,432	4,847,427	479,005	154,118	123,475	30,643
Total net position	\$ 22,030,650	\$ 20,699,296	\$ 1,331,354	\$ 194,118	\$ 163,475	\$ 30,643

The largest portion of the City's net position in the amount of \$11,157,198, representing 50.2%, 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 position in the amount of \$5,587,020 represents City resources that are subject to external restriction on how they may be used. The remaining balance of \$5,480,550 is unrestricted and may be used to meet the City's ongoing obligation to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities increased the City's net position by \$1,331,354 and business-type activities increased the City's net position by \$30,643. The key elements of these increases are contained in the following table.

CITY OF LAKEWAY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(UNAUDITED)

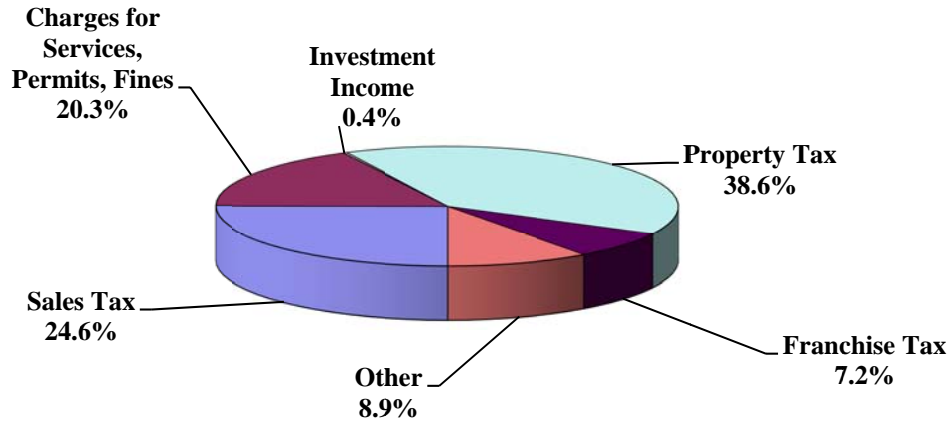
	Governmental Activities 2014	Governmental Activities 2013	Change	Business- Type Activities 2014	Business- Type Activities 2013	Change
Revenues:						
Program Revenues:						
Charges for services	\$ 2,615,590	\$ 2,635,384	\$ (19,794)	\$ 1,089,853	\$ 1,018,086	\$ 71,767
Operating grants & contributions	15,737	129,945	(114,208)	-	-	-
General Revenues:						
Property taxes	4,962,950	4,703,387	259,563	-	-	-
Sales tax	3,067,458	2,880,115	187,343	-	-	-
Mixed beverage	95,384	78,505	16,879	-	-	-
Hotel occupancy	741,866	443,433	298,433	-	-	-
Franchise fees	925,276	865,267	60,009	-	-	-
Intergovernmental revenues	134,674	-	134,674	-	-	-
Special assessments	244,151	30,980	213,171	-	-	-
Investment earnings	47,232	29,426	17,806	95	281	(186)
Other	24,389	96,220	(71,831)	-	-	-
Total revenue	12,874,707	11,892,662	982,045	1,089,948	1,018,367	71,581
Expenses:						
General government	1,823,959	1,635,315	188,644	-	-	-
Municipal court	595,984	513,220	82,764	-	-	-
Public safety	4,372,604	4,156,775	215,829	-	-	-
Public works	887,951	1,149,850	(261,899)	-	-	-
Solid waste/recycling	-	-	-	1,059,305	967,550	91,755
Parks & recreation	2,259,015	2,040,217	218,798	-	-	-
Building & development	1,092,041	918,150	173,891	-	-	-
Interest & fiscal charges	318,753	238,525	80,228	-	-	-
Total expenses	11,350,307	10,652,052	698,255	1,059,305	967,550	91,755
Increase (decrease) in net position before transfers	1,524,400	1,240,610	283,790	30,643	50,817	(20,174)
Loss on legal settlement	(200,000)	-	(200,000)	-	-	-
Gain/(loss) on sale of assets	6,954	(3,613)	10,567	-	-	-
Increase (decrease) in net position	1,331,354	1,236,997	94,357	30,643	50,817	(20,174)
Net position - beginning	20,699,296	19,462,299	1,236,997	163,475	112,658	50,817
Net position - ending	\$ 22,030,650	\$ 20,699,296	\$ 1,331,354	\$ 194,118	\$ 163,475	\$ 30,643

CITY OF LAKEWAY, TEXAS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014  
 (UNAUDITED)

**Governmental Activities**

As indicated by the following chart, the City's primary revenue source is property taxes, representing approximately 38.6% of the total revenue for FY 2013-2014. The City of Lakeway, Texas's fiscal year 2013-2014 property tax rate was \$0.1748 per \$100 property valuation.

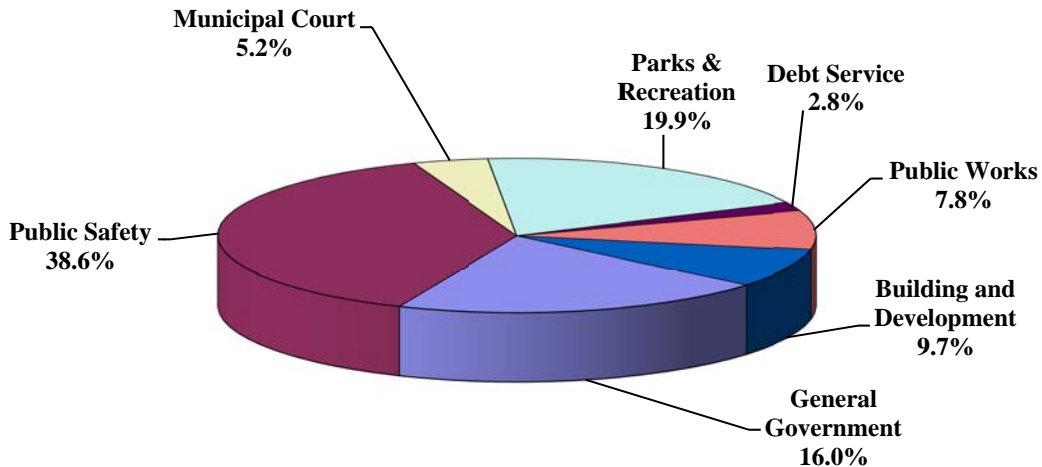
**FY 2013-2014 Revenue Percentages**



**Departmental Expenditures**

The City's various departmental expenditures totaled \$11.4 million for the year ended September 30, 2014. The most significant governmental activities expense was in providing public safety, which incurred expenses of \$4,372,604. 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 2013-2014 Expenditures**



CITY OF LAKEWAY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(UNAUDITED)

**Business-type activities**

As previously mentioned, the Solid Waste Fund is the sole business-type activity in the City. Net position increased by \$30,643 accounting for 2.2% of the growth in the entity-wide net position. Rates remained consistent with the prior year and generated \$1,089,853 in revenues. Growth can be attributed to residential growth. The primary expense for the Solid Waste Fund is the contract with a third-party for solid waste collection services which totaled \$951,346.

**Financial Analysis of Governmental Funds**

As noted earlier, the City of Lakeway, Texas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds-* The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2014, the City's governmental funds reported combined fund balances of \$10,943,082, an increase of \$5,027,590 in comparison with the prior year. Included in this increase are proceeds from the issuance of general obligation bonds which contributed to \$3.9 million to the total. Approximately 24.5% of the combined ending fund balance amount is unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form \$77,052, 2) restricted for particular purposes \$5,564,945, or 3) committed for particular purposes \$2,623,351.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,677,734, while total fund balance increased to \$2,754,786. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 26.7 percent of total General Fund expenditures, while total fund balance represents approximately 27.4 percent of that same amount.

The fund balance of the City of Lakeway, Texas's General Fund increased by \$221,292 during the current fiscal year. The City strives to maintain a sound financial foundation which includes the policy of maintaining at least a 25% General Fund fund balance to expenditure ratio. Favorable budget variances in both revenues and expenditures of the General Fund during the year increased the ratio above the 25% requirement to 29%. In order to meet the policy requirement and provide that there will be adequate liquid resources in the Capital Reserve Fund for future capital needs, a contribution was made during the year from the General Fund in the amount of \$356,564.

*Proprietary Funds-* The City of Lakeway, Texas's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Solid Waste Fund at the end of the year was \$154,118. The total growth in net position for the fund was \$30,643. As noted earlier in the discussion of business-type activities, the increase for solid waste services was a result of residential growth.

CITY OF LAKEWAY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(UNAUDITED)

**General Fund Budgetary Highlights**

During fiscal year 2013-2014 a single formal amendment to adjust the City's annual operating budget for the General Fund was approved by City Council. The Council increased revenues and expenditures for the Swim Center in the amount of \$13,000 for a new Masters swim class program. This same amendment contained \$22,060 for insurance proceeds used to repair the porte cochere at the Activity Center.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At year end, the City had invested approximately \$21.6 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 \$320,000 over the prior year. Additional information on the City's capital assets can be found in Note III C on pages 32-33 of this report.

	Governmental Activities 2014	Governmental Activities 2013	Change
Land	\$ 6,961,088	\$ 6,956,990	\$ 4,098
Construction in progress	776,563	124,122	652,441
Works of art	166,580	166,580	-
Buildings	9,359,079	9,319,605	39,474
Machinery, furniture and equipment	3,131,484	2,814,878	316,606
Infrastructure	26,731,251	26,296,257	434,994
Other improvements	1,460,268	1,460,268	-
Total	48,586,313	47,138,700	1,447,613
Less Accumulated Depreciation	(26,977,463)	(25,849,546)	(1,127,917)
Capital assets, net of depreciation	\$ 21,608,850	\$ 21,289,154	\$ 319,696

	Business-type Activities 2014	Business-type Activities 2013	Change
Land	\$ 40,000	\$ 40,000	\$ -
Total	40,000	40,000	-

CITY OF LAKEWAY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(UNAUDITED)

**Long Term Debt**

During the fiscal year, in November 2013, the City issued \$4,300,000 of General Obligation Bonds, Series 2013. The bonds were issued after an election in November 2012 by which the public authorized the bonds to be used for improvements to Flint Rock Road. The City received an Aa1 bond rating from Moody's Investor Services on this issuance. Only 5.6% of local governments rated by Moody's have achieved Aa1 or higher on their long-term ratings. More detailed information regarding the City's long-term liabilities is shown in Note III F on pages 38-39 of this report.

	Governmental Activities 2014	Governmental Activities 2013	Change
General obligation bonds	\$ 10,325,000	\$ 6,505,000	\$ 3,820,000
Bond premium	166,652	-	166,652
Compensated absences	275,993	265,529	10,464
Total	<u>\$ 10,767,645</u>	<u>\$ 6,770,529</u>	<u>\$ 3,997,116</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 2014-2015 budget includes the resources to provide City services to meet those demands.

The adopted ad valorem tax rate of \$0.1700/\$100 valuation is slightly above 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. Sales tax is expected to increase 5.0% over prior year actuals. General Fund expenditure enhancements for fiscal year 2014-15 include new positions in finance, administration, police, and parks and recreation. Capital outlay additions include exterior lighting at City Hall, a motorcycle for police, road and drainage improvements, a new play structure at Dragon Park and various other equipment.

**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 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](http://www.lakeway-tx.gov)).

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF LAKEWAY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,091,241	\$ 316,910	\$ 11,408,151
Investments - current	1,000,953	-	1,000,953
Taxes receivable - delinquent	170,786	-	170,786
Accounts receivable, net	1,476,758	4,725	1,481,483
Prepaid items	77,052	8,142	85,194
Net pension asset	56,588	-	56,588
Capital assets, not being depreciated:			
Land	6,961,088	40,000	7,001,088
Construction in progress	776,563	-	776,563
Other capital assets, non-depreciable	166,580	-	166,580
Capital assets, being depreciated:			
Buildings and improvements	9,359,079	-	9,359,079
Machinery, equipment, and vehicles	3,131,484	-	3,131,484
Infrastructure	26,731,251	-	26,731,251
Improvements other than buildings	1,460,268	-	1,460,268
Accumulated depreciation	(26,977,463)	-	(26,977,463)
Total assets	<u>35,482,228</u>	<u>369,777</u>	<u>35,852,005</u>
<b>LIABILITIES</b>			
Accounts payable	189,973	79,779	269,752
Accrued salaries and benefits	183,431	4,317	187,748
Accrued interest payable	42,726	-	42,726
Other current liabilities	2,267,803	2,733	2,270,536
Customer deposits	-	88,830	88,830
Noncurrent liabilities:			
Due within one year	635,000	-	635,000
Due in more than one year	10,132,645	-	10,132,645
Total liabilities	<u>13,451,578</u>	<u>175,659</u>	<u>13,627,237</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,117,198	40,000	11,157,198
Restricted for:			
Debt service	200,724	-	200,724
Specific purposes	1,502,409	-	1,502,409
Capital projects	3,883,887	-	3,883,887
Unrestricted	5,326,432	154,118	5,480,550
Total net position	<u>\$ 22,030,650</u>	<u>\$ 194,118</u>	<u>\$ 22,224,768</u>

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



CITY OF LAKEWAY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>						
Governmental activities:						
General government	\$ 1,823,959	\$ -	\$ -	\$ (1,823,959)	\$ -	\$ (1,823,959)
Municipal court	595,984	-	-	(595,984)	-	(595,984)
Public safety	4,372,604	671,017	1,461	(3,700,126)	-	(3,700,126)
Public works	887,951	-	-	(887,951)	-	(887,951)
Parks & recreation	2,259,015	721,364	14,276	(1,523,375)	-	(1,523,375)
Building and development	1,092,041	1,223,209	-	131,168	-	131,168
Interest and bank fees	241,969	-	-	(241,969)	-	(241,969)
Issuance costs	76,784	-	-	(76,784)	-	(76,784)
Total governmental activities:	<u>11,350,307</u>	<u>2,615,590</u>	<u>15,737</u>	<u>(8,718,980)</u>	<u>-</u>	<u>(8,718,980)</u>
Business-type activities:						
Solid waste	1,059,305	1,089,853	-	-	30,548	30,548
Total business-type activities:	<u>1,059,305</u>	<u>1,089,853</u>	<u>-</u>	<u>-</u>	<u>30,548</u>	<u>30,548</u>
Total primary government	<u>\$ 12,409,612</u>	<u>\$ 3,705,443</u>	<u>\$ 15,737</u>	<u>(8,718,980)</u>	<u>30,548</u>	<u>(8,688,432)</u>
General revenues:						
Taxes:						
Property				4,962,950	-	4,962,950
Sales and use				3,067,458	-	3,067,458
Mixed beverage				95,384	-	95,384
Hotel occupancy				741,866	-	741,866
Franchise fees				925,276	-	925,276
Intergovernmental revenues				134,674	-	134,674
Special assessments				244,151	-	244,151
Investment earnings				47,232	95	47,327
Gain on sale of capital assets				6,954	-	6,954
Miscellaneous				24,389	-	24,389
Special item-loss on legal settlement				(200,000)	-	(200,000)
Total general revenues and special items				<u>10,050,334</u>	<u>95</u>	<u>10,050,429</u>
Change in net position				1,331,354	30,643	1,361,997
Net position -- beginning				20,699,296	163,475	20,862,771
Net position -- ending				<u>\$ 22,030,650</u>	<u>\$ 194,118</u>	<u>\$ 22,224,768</u>

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

**FUND BASIS FINANCIAL STATEMENTS**

CITY OF LAKEWAY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,294,803	\$ 1,766,674	\$ 3,757,157	\$ 2,272,607	\$ 11,091,241
Investments - current	1,000,953	-	-	-	1,000,953
Taxes receivable - delinquent, net	148,711	-	-	22,075	170,786
Other receivables	880,419	-	162,615	371,767	1,414,801
Prepaid items	77,052	-	-	-	77,052
Total Assets	<u>\$ 5,401,938</u>	<u>\$ 1,766,674</u>	<u>\$ 3,919,772</u>	<u>\$ 2,666,449</u>	<u>\$ 13,754,833</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 48,140	\$ 100,425	\$ 35,885	\$ 5,522	\$ 189,972
Accrued salaries and benefits	182,739	-	-	692	183,431
Other current liabilities	2,267,804	-	-	-	2,267,804
Total Liabilities	<u>2,498,683</u>	<u>100,425</u>	<u>35,885</u>	<u>6,214</u>	<u>2,641,207</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-property taxes	148,469	-	-	22,075	170,544
Total deferred inflows of resources	<u>148,469</u>	<u>-</u>	<u>-</u>	<u>22,075</u>	<u>170,544</u>
<b>FUND BALANCES (DEFICITS)</b>					
<b>Nonspendable:</b>					
Prepays	77,052	-	-	-	77,052
<b>Restricted:</b>					
Debt service	-	-	-	178,649	178,649
Specific purposes	-	-	-	1,502,409	1,502,409
Capital projects	-	-	3,883,887	-	3,883,887
<b>Committed:</b>					
Capital projects	-	1,666,249	-	-	1,666,249
Parks & recreation	-	-	-	957,102	957,102
<b>Unassigned</b>	2,677,734	-	-	-	2,677,734
Total fund balances	<u>2,754,786</u>	<u>1,666,249</u>	<u>3,883,887</u>	<u>2,638,160</u>	<u>10,943,082</u>
Total liabilities, def. inflows, and fund balances	<u>\$ 5,401,938</u>	<u>\$ 1,766,674</u>	<u>\$ 3,919,772</u>	<u>\$ 2,666,449</u>	<u>\$ 13,754,833</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 POSITION  
SEPTEMBER 30, 2014

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

Total fund balances - governmental funds	\$ 10,943,082
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,608,850
The net pension asset is not an available resource and, therefore, is not reported in the funds.	56,588
Warrants outstanding of \$1,239,137, net of allowance of \$1,177,180, is not an available resource and, therefore, is not reported in the funds.	61,957
Other long-term assets, such as uncollected property taxes, are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	170,544
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(10,810,371)
Net position of governmental activities	\$ 22,030,650

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, 2014

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 4,371,756	\$ -	\$ -	\$ 549,474	\$ 4,921,230
Penalties and interest	22,619	-	-	2,961	25,580
Sales and use	2,629,262	-	-	438,196	3,067,458
Mixed beverage	95,384	-	-	-	95,384
Hotel occupancy	-	-	-	741,866	741,866
Franchise fees	925,276	-	-	-	925,276
Licenses and permits	1,223,209	-	-	-	1,223,209
Intergovernmental revenues	-	-	-	134,674	134,674
Charges for services	721,364	-	-	-	721,364
Special assessments	-	-	-	244,151	244,151
Fines and forfeitures	625,539	-	-	45,478	671,017
Investment earnings	29,597	480	16,095	1,060	47,232
Contributions and donations, private sources	15,737	-	-	-	15,737
Miscellaneous revenue	13,538	-	-	-	13,538
Total revenues	<u>10,673,281</u>	<u>480</u>	<u>16,095</u>	<u>2,157,860</u>	<u>12,847,716</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,536,654	-	-	78,714	1,615,368
Municipal court	473,912	-	-	36,147	510,059
Public safety	3,892,478	-	-	1,645	3,894,123
Building and development	971,612	-	-	-	971,612
Public works	704,475	-	-	85,554	790,029
Parks & recreation	2,011,755	-	-	-	2,011,755
Debt service:					
Bond principal	-	-	-	480,000	480,000
Interest and bank fees	-	-	-	233,252	233,252
Bond issuance costs	-	-	76,784	-	76,784
Capital outlay	448,602	282,209	326,448	492,585	1,549,844
Total expenditures	<u>10,039,488</u>	<u>282,209</u>	<u>403,232</u>	<u>1,407,897</u>	<u>12,132,826</u>
Excess (deficiency) of revenue over (under) expenditures	<u>633,793</u>	<u>(281,729)</u>	<u>(387,137)</u>	<u>749,963</u>	<u>714,890</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	109,919	356,564	-	97,613	564,096
Transfers out	(356,564)	-	(207,532)	-	(564,096)
Sale of general property	23,293	-	-	-	23,293
Insurance recoveries	10,851	-	-	-	10,851
General obligation bonds issued	-	-	4,300,000	-	4,300,000
Premium on bonds issued	-	-	178,556	-	178,556
Total other financing sources (uses)	<u>(212,501)</u>	<u>356,564</u>	<u>4,271,024</u>	<u>97,613</u>	<u>4,512,700</u>
<b>SPECIAL ITEMS</b>					
Legal settlement	(200,000)	-	-	-	(200,000)
Net change in fund balance	<u>221,292</u>	<u>74,835</u>	<u>3,883,887</u>	<u>847,576</u>	<u>5,027,590</u>
Fund balance - beginning	<u>2,533,494</u>	<u>1,591,414</u>	<u>-</u>	<u>1,790,584</u>	<u>5,915,492</u>
Fund balance - ending	<u>\$ 2,754,786</u>	<u>\$ 1,666,249</u>	<u>\$ 3,883,887</u>	<u>\$ 2,638,160</u>	<u>\$ 10,943,082</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 BALANCE TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

Net change in fund balances - total governmental funds	\$ 5,027,590
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	336,035
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(14,335)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase (decrease) net position.	(16,339)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(4,017,737)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	16,140
Change in net position - governmental activities	<u>\$ 1,331,354</u>

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, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 4,386,172	\$ 4,386,172	\$ 4,371,756	\$ (14,416)
Penalties and interest	33,500	33,500	22,619	(10,881)
Sales and use	2,755,700	2,755,700	2,629,262	(126,438)
Mixed beverage	76,000	76,000	95,384	19,384
Franchise fees	910,000	910,000	925,276	15,276
Licenses and permits	1,395,000	1,395,000	1,223,209	(171,791)
Charges for services	676,175	689,175	721,364	32,189
Fines	770,000	770,000	625,539	(144,461)
Investment earnings	29,700	29,700	29,597	(103)
Contributions and donations, private sources	7,500	7,500	15,737	8,237
Miscellaneous revenue	17,000	17,000	13,538	(3,462)
Total revenues	<u>11,056,747</u>	<u>11,069,747</u>	<u>10,673,281</u>	<u>(396,466)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,597,625	1,597,625	1,536,654	60,971
Municipal court	537,821	533,971	473,912	60,059
Public safety	4,005,939	3,986,739	3,892,478	94,261
Building and development	1,045,819	1,029,819	971,612	58,207
Public works	773,622	779,622	704,475	75,147
Parks & recreation	2,207,921	2,224,851	2,011,755	213,096
Capital outlay	561,436	612,616	448,602	164,014
Total expenditures	<u>10,730,183</u>	<u>10,765,243</u>	<u>10,039,488</u>	<u>725,755</u>
Excess (deficiency) of revenues over (under) expenditures	<u>326,564</u>	<u>304,504</u>	<u>633,793</u>	<u>329,289</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	109,919	109,919
Transfers out	(356,564)	(356,564)	(356,564)	-
Sale of general property	20,000	20,000	23,293	3,293
Insurance recoveries	10,000	32,060	10,851	(21,209)
Total other financing sources (uses)	<u>(326,564)</u>	<u>(304,504)</u>	<u>(212,501)</u>	<u>92,003</u>
<b>SPECIAL ITEMS</b>				
Legal settlement	-	-	(200,000)	(200,000)
Net change in fund balances	-	-	221,292	221,292
Fund balance - beginning	2,533,494	2,533,494	2,533,494	-
Fund balance - ending	<u>\$ 2,533,494</u>	<u>\$ 2,533,494</u>	<u>\$ 2,754,786</u>	<u>\$ 221,292</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 POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014

	Business-Type Activities
	Solid Waste Fund
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 316,910
Accounts receivable	4,725
Prepaid items	8,142
Total current assets	329,777
Noncurrent Assets:	
Land	40,000
Total noncurrent assets	40,000
Total assets	369,777
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	79,779
Accrued salaries and benefits	4,317
Other current liabilities	2,733
Customer deposits	88,830
Total current liabilities	175,659
<b>NET POSITION</b>	
Net investment in capital assets	40,000
Unrestricted	154,118
Total net position	\$ 194,118

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

CITY OF LAKEWAY, TEXAS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-Type Activities
	Solid Waste Fund
<b>OPERATING REVENUES</b>	
Charges for services:	
Sanitation	\$ 1,089,853
Total operating revenues	1,089,853
<b>OPERATING EXPENSES</b>	
Personnel services	76,114
Contractual services	951,346
Materials and supplies	227
Other operating expenses	31,618
Total operating expenses	1,059,305
Operating income (loss)	30,548
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	95
Total nonoperating revenues (expenses)	95
Change in net position	30,643
Net position-beginning	163,475
Net position-ending	\$ 194,118

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, 2014

	Business-Type Activities
	Solid Waste Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,101,650
Payments to suppliers and service providers	(986,932)
Payments to employees for salaries and benefits	(74,010)
Net cash provided by (used for) operating activities	40,708
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	95
Net cash provided by (used for) investing activities	95
Net increase (decrease) in cash and cash equivalents	40,803
Cash and cash equivalents-beginning	276,107
Cash and cash equivalents-ending	\$ 316,910
<b>Reconciliation of operating income (loss) to net cash provided (used for) operating activities:</b>	
Operating income (loss)	\$ 30,548
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in accounts receivable	1,161
(Increase) decrease in prepaid items	(7,041)
(Decrease) increase in deposits payable	10,636
(Decrease) increase in accounts payable	4,840
(Decrease) increase in accrued liabilities	(1,540)
(Decrease) increase in accrued salaries and benefits	2,104
Total adjustments	10,160
Net cash provided by (used for) operating activities	\$ 40,708

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, 2014

**I. 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.

**A. Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

**B. Reporting entity**

The City of Lakeway, Texas is a municipal corporation governed by an elected mayor and six-member governing council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Based on the criteria for reporting component units, discretely presented or blended, the City had no component units.

**C. Basis of presentation – government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

**D. Basis of presentation – fund financial statements**

The fund financial statements provide information about the government’s funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *general fund* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *capital reserve fund* was established to account for funding set aside for future capital projects.

The *capital projects funds* account for the financial resources specifically designated for capital expenditures.

CITY OF LAKEWAY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

The government reports the following major enterprise fund:

The *solid waste fund* accounts for the provision of solid waste services to the residents of the City.

Additionally, the government reports the following fund types:

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

The *debt service fund* accounts for the payment of principal and interest on general long-term liabilities, paid primarily by taxes levied by the City.

The *debt service fund – LTLD* accounts for the payment of principal and interest on bonds issued on behalf of the Lake Travis Community Library District, paid by monthly payments to the City from the District per an interlocal agreement.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

#### **E. Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 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. General capital asset

CITY OF LAKEWAY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as an other financing source.

Property taxes, sales taxes, franchise fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The Proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**F. Budgetary information**

***1. Budgetary basis of accounting***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and debt service fund. The capital projects funds are appropriated on a project-length basis.

The appropriated budget is prepared by fund and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

***2. Excess of expenditures over appropriations***

For the year ended September 30, 2014, expenditures did not exceed appropriations in the General Fund or in the Debt Service Fund.

**G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

***1. Cash and Cash Equivalents***

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

***2. Investments***

During and as of year-end, the City's investments consisted of certificates of deposit.

CITY OF LAKEWAY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**3. Prepaid items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**4. Capital assets**

Capital assets including property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings and improvements	15-40
Machinery and equipment	7-20
Vehicles	5-7
Improvements other than buildings	10-25
Infrastructure	15-40

**5. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government currently does not have any financial transactions that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government currently has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.



CITY OF LAKEWAY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

***6. Net position flow assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***7. Fund balance flow assumptions***

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***8. Fund balance policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

CITY OF LAKEWAY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**H. Revenues and expenditures/expenses**

***1. Program revenues***

Amounts reported as *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 and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***2. Property taxes***

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to penalties and interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2013, upon which the levy for the 2013-2014 fiscal year was based, was \$2,824,322,088. Taxes are delinquent if not paid by February 1 of the following calendar year.

The tax rates assessed for the year ended September 30, 2014, to finance General Fund and Debt Service Fund operations were \$0.1553 and \$0.0195, respectively, for a total tax rate of \$0.1748 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2013-2014 fiscal year was \$4,942,130. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2014, were 99% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes.

***3. 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 of 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.

***4. Proprietary funds operating and nonoperating revenues and expenses***

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 solid waste fund are charges to customers for services. Operating expenses include the cost of services

CITY OF LAKEWAY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**II. Reconciliation of government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Items shown in summary form on that reconciliation are provided in detail below.

One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this amount are as follows:

**Detail of Capital Asset Reconciling Items:**

Capital assets not being depreciated:	
Land	\$ 6,961,088
Construction in progress	776,563
Other capital assets, nondepreciable	166,580
Capital assets, being depreciated	
Buildings and improvements	9,359,079
Machinery, equipment, and vehicles	3,131,484
Infrastructure	26,731,251
Other capital assets, depreciable	1,460,268
Accumulated depreciation	(26,977,463)
	\$ 21,608,850
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ 21,608,850

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this amount are as follows:

**Detail of Long-Term Debt Reconciling Items:**

Bonds payable	\$ (10,325,000)
Plus: Issuance premium	(166,652)
Compensated absences	(275,993)
Accrued interest payable	(42,726)
	\$ (10,810,371)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ (10,810,371)

CITY OF LAKEWAY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. Items shown in summary form on that reconciliation are provided in detail below.

One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.” The details of this amount are as follows:

**Detail of Capital Outlay and Depreciation Expense Items:**

Capital outlay	\$ 1,549,844
Depreciation expense	(1,213,809)
	\$ 336,035
Net adjustment to increase <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 336,035

**Detail of Other Various Miscellaneous Transactions Involving Capital Assets:**

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	\$ (16,339)
	\$ (16,339)
Net adjustment to decrease <i>net changes in governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (16,339)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.”

CITY OF LAKEWAY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

The details of this amount are as follows:

**Detail of Long-Term Debt Revenue/Expense Items:**

Debt issued or incurred:	
Capital lease financing	
General obligation bonds	\$ (4,300,000)
Plus premium	(178,556)
Change in accrued interest	(20,621)
Change in ending compensated absences	(10,464)
Amortize premium on bonds	11,904
Principal repayments:	
General obligation debt	480,000
	_____
Net adjustment to decrease <i>changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (4,017,737)

**III. Detailed notes on all activities and funds**

**A. Cash deposits with financial institutions**

As of September 30, 2014, the carrying amount of the City’s deposits (cash, interest-bearing deposits, and government investment pools) was \$11,408,151 and the bank balance was \$11,889,202. The City’s cash deposits at September 30, 2014 and during the year 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.

As of year-end, a portion of the City’s cash was held in a public funds investment pool with TexPool.

**Public Fund Investment Pools**

Public funds investment pools in Texas 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; 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. The City’s funds in Pools are reported at an amount determined by the fair value per share of the pool’s 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, 2014

**B. 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 City policies.

The City during the year and as of year-end held only certificates of deposit as investments which are considered allowable under the Act.

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

Investment Type	Maturity Time in Months 12-24
Certificates of Deposit	\$ 1,000,953
Total Investments	\$ 1,000,953

GASB Statement No. 40 requires 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:

*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 ratings agencies are designed to give an indication of credit risk. At year end, the City’s only investment was certificates of deposit.

*Custodial Credit Risk*

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the City, 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.

*Concentration of Credit Risk*

This is the risk of loss attributed to the magnitude of the City’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 credit risk.

CITY OF LAKEWAY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

*Interest Rate Risk*

This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The City's investments are not currently exposed to interest rate risk. The weighted average maturity of the City's funds in investment pools is less than 60 days and, therefore, interest rate risk is minimal.

*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.

**C. Capital Assets**

Capital assets activity for governmental funds for the year ended September 30, 2014, was as follows:

**Governmental Activities:**

	Balance 10/1/13	Increases	Decreases	Adjustments	Balance 9/30/14
Capital assets, not being depreciated:					
Land	\$ 6,956,990	\$ 4,098	\$ -	\$ -	\$ 6,961,088
Construction-in-progress	124,122	640,781	-	11,660	776,563
Works of art	166,580	-	-	-	166,580
Total capital assets, not being depreciated	<u>7,247,692</u>	<u>644,879</u>	<u>-</u>	<u>11,660</u>	<u>7,904,231</u>
Capital assets, being depreciated:					
Buildings and improvements	9,319,605	40,974	(1,500)	-	9,359,079
Machinery, equipment, and vehicles	2,814,878	417,337	(100,731)	-	3,131,484
Infrastructure	26,296,257	446,654	-	(11,660)	26,731,251
Improvements other than buildings	1,460,268	-	-	-	1,460,268
Total capital assets, being depreciated	<u>39,891,008</u>	<u>904,965</u>	<u>(102,231)</u>	<u>(11,660)</u>	<u>40,682,082</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,830,868)	(284,231)	150	-	(3,114,949)
Machinery, equipment, and vehicles	(1,577,219)	(336,651)	85,742	-	(1,828,128)
Infrastructure	(20,722,839)	(512,815)	-	-	(21,235,654)
Improvements other than buildings	(718,620)	(80,112)	-	-	(798,732)
Total accumulated depreciation	<u>(25,849,546)</u>	<u>(1,213,809)</u>	<u>85,892</u>	<u>-</u>	<u>(26,977,463)</u>
Total capital assets being depreciated, net	<u>14,041,462</u>	<u>(308,844)</u>	<u>(16,339)</u>	<u>(11,660)</u>	<u>13,704,619</u>
Governmental activities capital assets, net	<u>\$ 21,289,154</u>	<u>\$ 336,035</u>	<u>\$ (16,339)</u>	<u>\$ -</u>	<u>\$ 21,608,850</u>

CITY OF LAKEWAY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 200,220
Municipal court	63,220
Public safety	482,666
Public works	97,922
Parks & recreation	249,352
Building and development	120,429
Total depreciation expense - governmental activities	\$ 1,213,809

Capital assets activity for the proprietary fund for the year ended September 30, 2014, was as follows:

**Business-Type Activities:**

	Balance 10/1/13	Increases	Decreases	Adjustments	Balance 9/30/14
Capital assets, not being depreciated:					
Land	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
Total capital assets, not being depreciated	40,000	-	-	-	40,000
Business-type activities capital assets	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000

Depreciation expense related to the land purchased by the proprietary fund was not charged for the current year and will not be charged in the future due to land not being a depreciable asset.

**D. Pension obligations**

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 850 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  
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 FOR THE YEAR ENDED SEPTEMBER 30, 2014

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.

Plan provisions for the City were as follows:

	Plan Year 2013	Plan Year 2014
Employee Deposit Rate	7%	7%
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (Expressed as Age/Years of Service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeatng	70% of CPI Repeatng

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.

CITY OF LAKEWAY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

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 contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the City, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. 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. 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 2014, 2013, and 2012 are 11.85%, 12.40%, and 12.12%, respectively. The City's contribution to the TMRS exceeded the annual required contribution in 2012, 2013 and 2014. The City has chosen to pay additional lump sum contributions to increase the City's funded ratio. The annual pension cost and net pension obligation/(asset) are as follows:

1.	Annual Required Contribution (ARC)	\$ 621,837
2.	Interest on Net Pension Obligation	(3,375)
3.	Adjustment to the ARC	3,035
4.	Annual Pension Cost (APC)	621,497
5.	Contributions Made	(629,867)
6.	Increase (decrease) in Net Pension Obligation	(8,370)
7.	Net Pension Obligation/(Asset), Beginning of Year	(48,218)
8.	Net Pension Obligation/(Asset), End of Year	\$ (56,588)

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/(Asset)
9/30/2012	\$ 545,146	103%	\$ (32,881)
9/30/2013	586,812	103%	(48,218)
9/30/2014	621,496	101%	(56,588)

CITY OF LAKEWAY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

The required contribution rates for fiscal year ending September 30, 2014 were determined as part of the December 31, 2011 and 2012 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, 2013, is detailed in the chart below.

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.2 years; closed period	25.3 years; closed period	30.0 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:			
Investment Rate of Return*	7.00%	7.00%	7.00%
Projected Salary Increases*	varies by age and service	varies by age and service	varies by age and service
*Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

Funding Status and Funding Progress

In October 2013, The TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a) / (b)	(c)	(b-a) / (c)
12/31/2011	\$ 7,790,601	\$ 10,496,271	\$ 2,705,670	74.2%	\$ 4,291,826	63.0%
12/31/2012	8,947,078	11,165,615	2,218,537	80.1%	4,568,770	48.6%
12/31/2013	10,220,999	13,285,903	3,064,904	76.9%	4,800,618	63.8%

CITY OF LAKEWAY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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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.

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, 2012, 2013, and 2014, were \$902, \$948, and \$1,039 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.

CITY OF LAKEWAY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**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 2014, the City obtained general liability coverage at a cost that is considered to be economically justified 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 claims from these risks have not exceeded coverage in any of the past three fiscal years.

**F. Long-Term Liabilities**

General Obligation Bonds

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

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These long-term debt instruments are direct obligations and pledge the full faith and credit of the government. General obligation bonds generally are issued with repayment scheduled to occur as equal amounts of principal maturing each year with maturities that range from 5 to 20 years.

During the year ended September 30, 2014, the City issued General Obligation Bonds in the amount of \$4,300,000. Proceeds from the issue will be used for a road project and to pay for professional services related to the cost of the issuance of the bonds.

Details of long-term debt obligations outstanding at September 30, 2014 are as follows:

**Governmental Activities:**

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/14
<b>Bonds Payable</b>					
General Obligation Bonds, Series 2009	2009	\$ 895,000	2.50-4.00%	2017	\$ 365,000
General Obligation Refunding, Series 2011	2011	1,350,000	1.80	2020	1,025,000
General Obligation Bonds, Series 2012	2012	1,250,000	2.15	2027	1,215,000
General Obligation Refunding, Series 2012	2012	3,600,000	2.08	2025	3,420,000
General Obligation Bonds, Series 2013	2013	4,300,000	2.95-4.00	2028	4,300,000
Total Bonds Payable					\$ 10,325,000

CITY OF LAKEWAY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Changes in long-term liabilities

Changes in the City’s long-term liabilities for the year ended September 30, 2014 are as follows:

**Governmental Activities:**

Description	Balance 10/1/13	Additions	Deletions	Balance 9/30/14	Due in One Year
<b>Bonds Payable</b>					
General Obligation Bonds, Series 2009	\$ 475,000	\$ -	\$ (110,000)	\$ 365,000	\$ 120,000
General Obligation Refunding, Series 2011	1,180,000	-	(155,000)	1,025,000	155,000
General Obligation Bonds, Series 2012	1,250,000	-	(35,000)	1,215,000	75,000
General Obligation Refunding, Series 2012	3,600,000	-	(180,000)	3,420,000	185,000
General Obligation Bonds, Series 2013	-	4,300,000	-	4,300,000	100,000
Total bonds payable	6,505,000	4,300,000	(480,000)	10,325,000	635,000
Premium on G. O. Bonds, Series 2013	-	178,556	(11,904)	166,652	-
Total bonds payable and premium	6,505,000	4,478,556	(491,904)	10,491,652	635,000
Compensated absences	265,529	397,986	(387,522)	275,993	-
Governmental activities long-term liabilities	<u>\$6,770,529</u>	<u>\$4,876,542</u>	<u>\$ (879,426)</u>	<u>\$ 10,767,645</u>	<u>\$ 635,000</u>

The debt service requirements for the City’s bonds are as follows:

**Governmental Activities:**

Year Ended September 30,	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2015	\$ 635,000	\$ 260,631
2016	650,000	243,840
2017	670,000	226,261
2018	690,000	208,510
2019	705,000	190,840
2020-2024	3,830,000	669,207
2025-2028	3,145,000	176,657
Totals	<u>\$ 10,325,000</u>	<u>\$ 1,975,946</u>

CITY OF LAKEWAY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**G. Interfund transfers**

During the year ended September 30, 2014, the City made the following one-time transfers:

- 1) A transfer of \$356,564 from the general fund to the capital reserve fund for future capital projects.
- 2) A transfer of \$109,919 from the capital projects fund to the general fund to reimburse the general fund for engineering and administrative costs relating to road construction established through a reimbursement resolution.
- 3) A transfer of \$97,613 from the capital projects fund to the debt service fund to provide for debt service.

**H. Contingencies**

Various claims and lawsuits are pending against the City. In accordance with GAAP, judgments considered “probable” should be accrued and disclosed. The City has one pending lawsuit that in the opinion of City management, after consultation with legal counsel, falls within this category. A developer has filed a discrimination lawsuit against the City regarding their attempts to build a drug and alcohol rehabilitation center. The City denies this discrimination allegation and is defending itself against any such claims. However, the maximum amount of any potential loss after insurance coverage can be estimated at approximately \$200,000. No other claims or lawsuits pending are reportable.

**I. Subsequent events**

In November 2014, a \$3.765 million general obligation bond election was approved by the residents. These bonds were issued in February 2015. Proceeds from the issue will be used to acquire land for recreational purposes and to pay for professional services related to the cost of issuance of the bonds.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF LAKEWAY, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Texas Municipal Retirement System Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a) / (b)	(c)	(b-a) / (c)
12/31/2011	\$ 7,790,601	\$ 10,496,271	\$ 2,705,670	74.2%	\$ 4,291,826	63.0%
12/31/2012	8,947,078	11,165,615	2,218,537	80.1%	4,568,770	48.6%
12/31/2013	10,220,999	13,285,903	3,064,904	76.9%	4,800,618	63.8%

The Schedule of Funding Progress summarizes the actuarial value of the City’s assets and actuarial liability as of December 31, 2013 and each of the two preceding fiscal years.

The schedule is presented to provide a consistent basis for measuring the City’s annual progress toward funding its actuarial liability in accordance with its actuarial funding method. The primary measure of funding progress is the City’s funded ratio (i.e., actuarial value of assets expressed as a percentage of the actuarial accrued liability). An increase in the funded ratio indicates improvement in the City’s ability to pay all projected benefits as they become due. The Plan is fully funded if the funded ratio is greater than or equal to 100%. As of December 31, 2013 the City’s funded ratio decreased from 80.1% to 76.9%, primarily as a result of the change in actuarial cost method from Projected Unit Credit to Entry Age Normal effective with the December 31, 2013 actuarial valuation.

The Schedule of Funding Progress also discloses the relationship between the City’s covered payroll (i.e., all elements included in compensation paid to active members on which contributions are based) and the unfunded actuarial accrued liability. This relationship, expressed as a ratio, is a measure of the significance of the unfunded actuarial accrued liability relative to the capacity to pay all contributions required to fund the liability. As of December 31, 2013, the City’s ratio of the unfunded actuarial accrued liability to its covered payroll increased from 48.6% to 63.8%, primarily as a result of the change in actuarial cost method from Projected Unit Credit to Entry Age Normal effective with the December 31, 2013 actuarial valuation.

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

Special revenue funds, listed below, are used to account for specific revenue sources that are restricted or committed to expenditures for particular purposes.

**Court Building Security Fund** – to account for operating activities related to security for the City’s Municipal Court building.

**Court Technology Fund** – to account for the operating activities related to technology for the City’s Municipal Court.

**Child Safety Fund** – to account for operating activities related to the City’s child safety initiatives.

**Juvenile Case Manager Fund** – to account for operating activities related to the City’s juvenile case management.

**Parkland Fund** – to account for projects related to the City’s parks.

**Parkland-Highland Fund** – to account for projects related to the City’s parks.

**Hotel Occupancy Fund** – to account for the City’s activities related to hotel occupancy taxes collected.

**Road Tax Fund** – to account for sales tax collected for the expenditures related to the maintenance and repair of municipal streets.

**Household Hazardous Waste Fund** – to account for operating activities related to the City’s efforts to assist in the proper disposal of household hazardous waste.

**LEOSE Fund** – to account for funds received from the State Comptroller’s pro-rata distribution of funds designated for law enforcement officer’s education.

**Forfeiture Fund** – to account for funds received resulting from the sale of forfeited property confiscated in arrests and the allowable expenditures of those funds.

### **Debt Service Funds**

The City’s **Debt Service Fund** is used to account for the accumulation of resources that are restricted for the payment of principal and interest on long-term obligations of government funds.

The **Debt Service Fund – LTL** to account for the payment of principal and interest on bonds issued on behalf of the Lake Travis Community Library District, paid by monthly payments to the City from the District per an interlocal agreement.

CITY OF LAKEWAY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<b>Special Revenue Funds</b>				
	Court Building Security Fund	Court Technology Fund	Child Safety Fund	Juvenile Case Manager Fund	Parkland Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 12,145	\$ 26,425	\$ 4,912	\$ 38,673	\$ 878,824
Taxes receivable - delinquent, net	-	-	-	-	-
Other receivables	-	-	-	-	-
Total Assets	<u>\$ 12,145</u>	<u>\$ 26,425</u>	<u>\$ 4,912</u>	<u>\$ 38,673</u>	<u>\$ 878,824</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 87	\$ -	\$ -	\$ -	\$ 3,200
Accrued salaries and benefits	-	-	692	-	-
Total Liabilities	<u>87</u>	<u>-</u>	<u>692</u>	<u>-</u>	<u>3,200</u>
<b>DEF. INFLOWS OF RESOURCES</b>					
Unavailable revenue-property taxes	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>					
<b>Restricted for:</b>					
Debt service	-	-	-	-	-
Specific purposes	12,058	26,425	4,220	38,673	-
<b>Committed for:</b>					
Committed for Parks & recreation	-	-	-	-	875,624
Total fund balances	<u>12,058</u>	<u>26,425</u>	<u>4,220</u>	<u>38,673</u>	<u>875,624</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 12,145</u>	<u>\$ 26,425</u>	<u>\$ 4,912</u>	<u>\$ 38,673</u>	<u>\$ 878,824</u>

Parkland- Highland Fund	Special Revenue Funds					Debt Service Funds		Total Nonmajor Governmental Funds
	Hotel Occupancy Fund	Road Tax Fund	Household Hazardous Waste Fund	Forfeiture Fund	LEOSE Fund	Debt Service Fund	Debt Service Fund-LTLD	
\$ 81,478	\$ 882,567	\$ 142,002	\$ 24,684	\$ 1,313	\$ 935	\$ 67,726	\$ 110,923	\$ 2,272,607
-	-	-	-	-	-	22,075	-	22,075
-	284,984	86,783	-	-	-	-	-	371,767
<u>\$ 81,478</u>	<u>\$ 1,167,551</u>	<u>\$ 228,785</u>	<u>\$ 24,684</u>	<u>\$ 1,313</u>	<u>\$ 935</u>	<u>\$ 89,801</u>	<u>\$ 110,923</u>	<u>\$ 2,666,449</u>
\$ -	\$ -	\$ 2,235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,522
-	-	-	-	-	-	-	-	692
-	-	2,235	-	-	-	-	-	6,214
-	-	-	-	-	-	22,075	-	22,075
-	-	-	-	-	-	22,075	-	22,075
-	-	-	-	-	-	67,726	110,923	178,649
-	1,167,551	226,550	24,684	1,313	935	-	-	1,502,409
81,478	-	-	-	-	-	-	-	957,102
<u>81,478</u>	<u>1,167,551</u>	<u>226,550</u>	<u>24,684</u>	<u>1,313</u>	<u>935</u>	<u>67,726</u>	<u>110,923</u>	<u>2,638,160</u>
<u>\$ 81,478</u>	<u>\$ 1,167,551</u>	<u>\$ 228,785</u>	<u>\$ 24,684</u>	<u>\$ 1,313</u>	<u>\$ 935</u>	<u>\$ 89,801</u>	<u>\$ 110,923</u>	<u>\$ 2,666,449</u>

CITY OF LAKEWAY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<b>Special Revenue Funds</b>				
	Court Building Security Fund	Court Technology Fund	Child Safety Fund	Juvenile Case Manager Fund	Parkland Fund
<b>REVENUES</b>					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties and interest	-	-	-	-	-
Sales and use	-	-	-	-	-
Hotel occupancy	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-
Special assessments	-	-	-	-	211,500
Fines and forfeitures	11,330	15,107	17,127	601	-
Investment earnings	5	7	-	13	255
Total revenues	<u>11,335</u>	<u>15,114</u>	<u>17,127</u>	<u>614</u>	<u>211,755</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Municipal court	7,136	11,339	17,672	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Debt service:					
Bond principal	-	-	-	-	-
Interest and bank fees	-	-	-	-	-
Capital outlay	9,709	-	-	-	30,846
Total expenditures	<u>16,845</u>	<u>11,339</u>	<u>17,672</u>	<u>-</u>	<u>30,846</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,510)</u>	<u>3,775</u>	<u>(545)</u>	<u>614</u>	<u>180,909</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(5,510)	3,775	(545)	614	180,909
Fund balance - beginning	17,568	22,650	4,765	38,059	694,715
Fund balance - ending	<u>\$ 12,058</u>	<u>\$ 26,425</u>	<u>\$ 4,220</u>	<u>\$ 38,673</u>	<u>\$ 875,624</u>

Special Revenue Funds						Debt Service Funds		Total
Parkland-Highland Fund	Hotel Occupancy Fund	Road Tax Fund	Household Hazardous Waste Fund	Forfeiture Fund	LEOSE Fund	Debt Service Fund	Debt Service Fund-LTLD	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 549,474	\$ -	\$ 549,474
-	-	-	-	-	-	2,961	-	2,961
-	-	438,196	-	-	-	-	-	438,196
-	741,866	-	-	-	-	-	-	741,866
-	-	-	31,412	-	2,580	-	100,682	134,674
32,651	-	-	-	-	-	-	-	244,151
-	-	-	-	1,313	-	-	-	45,478
20	187	95	-	-	-	33	445	1,060
<b>32,671</b>	<b>742,053</b>	<b>438,291</b>	<b>31,412</b>	<b>1,313</b>	<b>2,580</b>	<b>552,468</b>	<b>101,127</b>	<b>2,157,860</b>
-	77,362	-	1,352	-	-	-	-	78,714
-	-	-	-	-	-	-	-	36,147
-	-	-	-	-	1,645	-	-	1,645
-	-	85,554	-	-	-	-	-	85,554
-	-	-	-	-	-	445,000	35,000	480,000
-	-	-	-	-	-	206,753	26,499	233,252
-	-	446,654	5,376	-	-	-	-	492,585
-	77,362	532,208	6,728	-	1,645	651,753	61,499	1,407,897
<b>32,671</b>	<b>664,691</b>	<b>(93,917)</b>	<b>24,684</b>	<b>1,313</b>	<b>935</b>	<b>(99,285)</b>	<b>39,628</b>	<b>749,963</b>
-	-	-	-	-	-	97,613	-	97,613
-	-	-	-	-	-	97,613	-	97,613
32,671	664,691	(93,917)	24,684	1,313	935	(1,672)	39,628	847,576
48,807	502,860	320,467	-	-	-	69,398	71,295	1,790,584
<b>\$ 81,478</b>	<b>\$ 1,167,551</b>	<b>\$ 226,550</b>	<b>\$ 24,684</b>	<b>\$ 1,313</b>	<b>\$ 935</b>	<b>\$ 67,726</b>	<b>\$ 110,923</b>	<b>\$ 2,638,160</b>

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, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 553,567	\$ 553,567	\$ 549,474	\$ (4,093)
Penalties and interest	5,000	5,000	2,961	(2,039)
Investment earnings	300	300	33	(267)
Total revenues	<u>558,867</u>	<u>558,867</u>	<u>552,468</u>	<u>(6,399)</u>
<b>EXPENDITURES</b>				
Current:				
Debt service:				
Bond principal	445,000	445,000	445,000	-
Interest - bonds	108,341	205,941	205,917	24
Bank fees	500	900	836	64
Total expenditures	<u>553,841</u>	<u>651,841</u>	<u>651,753</u>	<u>88</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,026</u>	<u>(92,974)</u>	<u>(99,285)</u>	<u>(6,311)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	98,000	97,613	(387)
Total other financing sources (uses)	<u>-</u>	<u>98,000</u>	<u>97,613</u>	<u>(387)</u>
Net change in fund balances	5,026	5,026	(1,672)	(6,698)
Fund balance - beginning	69,398	69,398	69,398	-
Fund balance - ending	<u>\$ 74,424</u>	<u>\$ 74,424</u>	<u>\$ 67,726</u>	<u>\$ (6,698)</u>

OTHER SUPPLEMENTARY INFORMATION SECTION





INDEPENDENT AUDITORS' 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*

Honorable Mayor, Members of the City Council and Citizens of  
the City of Lakeway, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lakeway, Texas (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 17, 2015.

### **Internal Control Over Financial Reporting**

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

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

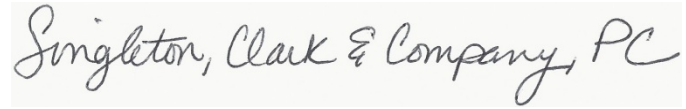
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive style and is set against a light gray rectangular background.

Singleton, Clark & Company, PC  
Cedar Park, Texas

February 17, 2015

# STATISTICAL SECTION

This part of the City of Lakeway's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

## Contents

### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. (Tables 1 – 4)

### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source, property tax. (Tables 5 – 8)

### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future. (Tables 9-11)

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. (Table 12-13)

### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs. (Tables 14-17)

### **Sources**

*Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

CITY OF LAKEWAY, TEXAS  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2005	2006	2007	2008
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$12,891,224	\$13,269,647	\$13,163,940	\$13,316,044
Restricted	1,875,614	1,740,792	1,904,143	2,608,412
Unrestricted	2,124,054	2,285,961	2,614,753	1,790,452
<b>Total governmental activities net position</b>	<b>\$16,890,892</b>	<b>\$17,296,400</b>	<b>\$17,682,836</b>	<b>\$17,714,908</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unrestricted	-	-	-	-
<b>Total business-type activities net position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$12,891,224	\$13,269,647	\$13,163,940	\$13,316,044
Restricted	1,875,614	1,740,792	1,904,143	2,608,412
Unrestricted	2,124,054	2,285,961	2,614,753	1,790,452
<b>Total primary government</b>	<b>\$16,890,892</b>	<b>\$17,296,400</b>	<b>\$17,682,836</b>	<b>\$17,714,908</b>

Source: Comprehensive Annual Financial Reports

TABLE 1

<b>Fiscal Year</b>					
2009	2010	2011	2012	2013	2014
\$13,513,210	\$13,759,126	\$14,056,632	\$ 13,546,003	\$14,784,154	\$11,117,198
1,344,710	692,491	861,680	873,510	1,067,715	5,587,020
3,288,055	3,942,433	3,768,919	5,206,547	4,847,427	5,326,432
<u>\$18,145,975</u>	<u>\$18,394,050</u>	<u>\$18,687,231</u>	<u>\$ 19,626,060</u>	<u>\$20,699,296</u>	<u>\$22,030,650</u>
\$ -	\$ -	\$ -	\$ -	\$ 40,000	\$ 40,000
-	-	-	-	-	-
-	67,084	86,476	112,658	123,475	154,118
<u>\$ -</u>	<u>\$ 67,084</u>	<u>\$ 86,476</u>	<u>\$ 112,658</u>	<u>\$ 163,475</u>	<u>\$ 194,118</u>
\$13,513,210	\$13,759,126	\$14,056,632	\$ 13,546,003	\$14,824,154	\$11,157,198
1,344,710	692,491	861,680	873,510	1,067,715	5,587,020
3,288,055	4,009,517	3,855,395	5,319,205	4,970,902	5,480,550
<u>\$18,145,975</u>	<u>\$18,461,134</u>	<u>\$18,773,707</u>	<u>\$ 19,738,718</u>	<u>\$20,862,771</u>	<u>\$22,224,768</u>

CITY OF LAKEWAY, TEXAS  
 CHANGES IN NET POSITION  
 LAST TEN FISCAL YEARS  
 (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2005	2006	2007	2008
<b>Expenses</b>				
Governmental activities:				
General government	\$756,416	\$896,725	\$936,931	\$1,045,421
Municipal court	223,275	257,186	277,742	319,471
Public safety	2,140,162	2,339,108	2,740,519	2,920,694
Public works	925,821	1,332,603	1,857,142	1,662,232
Parks and recreation	1,078,896	1,189,116	1,115,560	1,152,533
Building and development	853,089	1,087,225	759,473	1,082,682
Interest on long-term debt	384,709	357,983	358,248	343,482
Issuance costs	-	-	-	-
Total governmental activities expenses	<u>6,362,368</u>	<u>7,459,946</u>	<u>8,045,615</u>	<u>8,526,515</u>
Business-type activities:				
Solid waste	418,166	529,561	645,776	678,902
Total business-type activities net assets	<u>418,166</u>	<u>529,561</u>	<u>645,776</u>	<u>678,902</u>
Total primary government expenses	<u>\$6,780,534</u>	<u>\$7,989,507</u>	<u>\$8,691,391</u>	<u>\$9,205,417</u>
<b>Program Revenues</b>				
Governmental activities:				
Fees, Fines, and Charges for Services:				
General government	\$ 38,720	\$ -	\$ -	\$ -
Public safety	484,427	560,587	577,448	659,768
Parks and recreation	372,773	374,964	338,993	395,397
Building and development	1,178,361	1,416,480	1,406,056	854,780
Operating grants and contributions	-	-	-	-
Total governmental activities program revenues	<u>2,074,281</u>	<u>2,352,031</u>	<u>2,322,497</u>	<u>1,909,945</u>
Business-type activities:				
Charges for services:				
Solid waste	438,799	524,052	622,990	731,962
Total business-type activities program revenues	<u>438,799</u>	<u>524,052</u>	<u>622,990</u>	<u>731,962</u>
Total primary government program revenues	<u>\$2,513,080</u>	<u>\$2,876,083</u>	<u>\$2,945,487</u>	<u>\$2,641,907</u>

TABLE 2

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$1,373,451	\$1,194,625	\$1,306,238	\$1,470,532	\$1,635,315	\$1,823,959
313,522	362,041	402,004	478,664	513,220	595,984
3,221,987	3,518,968	3,575,029	3,908,936	4,156,775	4,372,604
1,243,556	1,125,130	1,373,983	1,012,749	1,149,850	887,951
1,320,161	1,458,818	1,701,864	2,014,877	2,040,217	2,259,015
823,741	914,434	870,148	901,847	918,150	1,092,041
314,719	277,748	285,847	199,445	185,336	241,969
11,067	11,067	12,098	15,231	53,189	76,784
<u>8,622,204</u>	<u>8,862,831</u>	<u>9,527,211</u>	<u>10,002,281</u>	<u>10,652,052</u>	<u>11,350,307</u>
945,988	777,564	872,410	918,460	967,550	1,059,305
<u>945,988</u>	<u>777,564</u>	<u>872,410</u>	<u>918,460</u>	<u>967,550</u>	<u>1,059,305</u>
\$9,568,192	\$9,640,395	\$ 10,399,621	\$ 10,920,741	\$ 11,619,602	\$ 12,409,612
\$ 6,084	\$ -	\$ -	\$ 1,720	\$ 2,999	\$ -
987,670	636,123	808,072	995,695	843,642	671,017
416,539	447,191	448,995	575,005	524,043	721,364
623,190	573,135	583,929	788,830	1,264,700	1,223,209
-	133,954	51,260	-	129,945	15,737
<u>2,033,483</u>	<u>1,790,403</u>	<u>1,892,256</u>	<u>2,361,250</u>	<u>2,765,329</u>	<u>2,631,327</u>
637,286	794,921	891,490	944,329	1,018,086	1,089,853
<u>637,286</u>	<u>794,921</u>	<u>891,490</u>	<u>944,329</u>	<u>1,018,086</u>	<u>1,089,853</u>
\$2,670,769	\$2,585,324	\$ 2,783,746	\$ 3,305,579	\$ 3,783,415	\$ 3,721,180

CITY OF LAKEWAY, TEXAS  
 CHANGES IN NET POSITION  
 LAST TEN FISCAL YEARS  
 (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2005	2006	2007	2008
<b>Net (Expense) Revenue</b>				
Governmental activities	(\$4,288,087)	(\$5,107,915)	(\$5,723,118)	(\$6,616,570)
Business-type activities	20,633	(5,509)	(22,786)	53,060
Total primary government net expense	<u>(4,267,454)</u>	<u>(5,113,424)</u>	<u>(5,745,904)</u>	<u>(6,563,510)</u>
<b>General Revenues</b>				
<b>and Other Changes in Net Position</b>				
Governmental activities:				
Taxes:				
Ad valorem	2,945,242	3,223,480	3,656,092	4,274,583
Sales and use	1,280,999	1,436,292	1,621,986	1,787,310
Mixed beverage	-	-	-	-
Hotel occupancy	-	-	-	-
Franchise fees	190,545	223,481	238,240	229,737
Special assessments	-	-	-	-
Intergovernmental revenues	-	-	-	-
Grants and contributions	677,002	125,000	267,325	48,338
Miscellaneous	152,429	297,023	64,823	72,842
Investment earnings	157,631	213,657	283,872	182,774
Gain/(Loss) on disposal of assets	-	-	-	-
Special item - loss on legal settlement	-	-	-	-
Total governmental activities	<u>5,403,848</u>	<u>5,518,933</u>	<u>6,132,338</u>	<u>6,595,584</u>
Business-type activities:				
Investment earnings	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$5,403,848</u>	<u>\$5,518,933</u>	<u>\$6,132,338</u>	<u>\$6,595,584</u>
<b>Change in Net Position</b>				
Governmental activities	1,115,761	411,018	409,220	(20,986)
Business-type activities	20,633	(5,509)	(22,786)	53,060
Total primary government	<u>\$1,136,394</u>	<u>\$ 405,509</u>	<u>\$ 386,434</u>	<u>\$ 32,074</u>

**Source:** Comprehensive Annual Financial Reports



TABLE 2 (CONTINUED)

Fiscal Year					
2009	2010	2011	2012	2013	2013
(\$6,588,721)	(\$7,072,428)	(\$7,634,955)	(\$7,641,031)	(\$7,886,723)	(\$8,718,980)
(308,702)	17,357	19,080	25,869	50,536	30,548
(6,897,423)	(7,055,071)	(7,615,875)	(7,615,162)	(7,836,187)	(8,688,432)
4,264,433	4,771,154	4,780,476	4,905,092	4,703,387	4,962,950
2,103,086	2,248,369	2,474,403	2,725,733	2,880,115	3,067,458
69,407	87,086	74,709	71,945	78,505	95,384
-	-	-	-	443,433	741,866
268,313	266,581	492,174	730,873	865,267	925,276
-	-	-	-	30,980	244,151
-	-	-	-	-	134,674
-	-	37,439	57,478	-	-
49,551	69,522	62,603	41,892	96,220	24,389
59,239	35,069	21,964	26,182	29,426	47,232
(29,133)	(107,814)	(15,632)	20,665	(3,613)	6,954
-	-	-	-	-	(200,000)
6,784,896	7,369,967	7,928,136	8,579,860	9,123,720	10,050,334
-	262	313	313	281	95
-	262	313	313	281	95
\$6,784,896	\$7,370,229	\$ 7,928,449	\$ 8,580,173	\$ 9,124,001	\$ 10,050,429
196,175	297,539	293,181	938,829	1,236,997	1,331,354
(308,702)	17,619	19,393	26,182	50,817	30,643
\$ (112,527)	\$ 315,158	\$ 312,574	\$ 965,011	\$ 1,287,814	\$ 1,361,997

CITY OF LAKEWAY, TEXAS  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (MODIFIED ACCRUAL BASIS)

	Fiscal Year			
	2005	2006	2007	2008
General fund				
Unreserved/Unassigned	\$ 1,915,439	\$ 2,058,920	\$ 2,410,086	\$ 1,562,947
Nonspendable for:				
Prepaid items	-	-	-	-
Total general fund	<u>1,915,439</u>	<u>2,058,920</u>	<u>2,410,086</u>	<u>1,562,947</u>
All other governmental funds				
Reserved for:				
Debt service	\$ 89,734	\$ 114,205	\$ 143,748	\$ 231,017
Capital projects	1,249,543	1,015,983	1,332,858	1,925,726
Specific purposes	536,337	610,604	427,537	451,669
Unreserved designated for:				
Capital projects	-	-	-	-
Sanitation operations	-	-	-	-
Nonspendable for:				
Prepaid items	-	-	-	-
Restricted for:				
State and federal grants	-	-	-	-
Debt service	-	-	-	-
Capital outlay	-	-	-	-
Committed for:				
Capital projects	-	-	-	-
Assigned for:				
Specific purposes	-	-	-	-
Total all other governmental funds	<u>\$ 1,875,614</u>	<u>\$ 1,740,792</u>	<u>\$ 1,904,143</u>	<u>\$ 2,608,412</u>

**Source:** Comprehensive Annual Financial Reports

**Note:** The City implemented GASB No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

TABLE 3

<b>Fiscal Year</b>					
2009	2010	2011	2012	2013	2014
\$ 2,110,047	\$ 2,578,122	\$ 2,836,150	\$ 3,100,067	\$ 2,496,273	\$2,677,734
-	-	59,697	12,935	37,221	77,052
<u>2,110,047</u>	<u>2,578,122</u>	<u>2,895,847</u>	<u>3,113,002</u>	<u>2,533,494</u>	<u>2,754,786</u>
\$ 233,421	\$ 240,467	\$ -	\$ -	\$ -	\$ -
831,440	833,017	-	-	-	-
279,849	452,024	-	-	-	-
889,208	460,423	-	-	-	-
49,465	-	-	-	-	-
-	-	55	-	-	-
-	-	368	-	-	-
-	-	52,650	109,538	140,693	178,649
-	-	786,788	741,188	906,369	5,386,296
-	-	434,079	1,234,404	1,591,414	1,666,249
-	-	379,035	743,146	743,522	957,102
<u>\$ 2,283,383</u>	<u>\$ 1,985,931</u>	<u>\$ 1,652,975</u>	<u>\$ 2,828,276</u>	<u>\$ 3,381,998</u>	<u>\$8,188,296</u>

**CITY OF LAKEWAY, TEXAS**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	<b>Fiscal Year</b>			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>REVENUES:</b>				
Taxes:				
Property	\$ 2,945,242	\$ 3,196,765	\$ 3,643,274	\$ 4,244,744
Hotel occupancy	-	-	-	-
Sales and use	1,280,999	1,436,292	1,621,986	1,787,310
Mixed beverage	-	-	-	-
Licenses and permits	1,178,361	1,416,480	1,406,056	854,780
Franchise fees	190,545	223,481	238,240	229,737
Grants and contributions	161,655	125,000	267,325	48,338
Charges for services	411,493	374,964	338,993	395,397
Fines	484,427	560,587	577,448	659,768
Special assessments	-	-	-	-
Investment earnings	157,631	213,657	283,872	182,774
Miscellaneous	25,265	33,858	76,111	76,748
Total revenues	<u>6,835,618</u>	<u>7,581,084</u>	<u>8,453,305</u>	<u>8,479,596</u>
<b>EXPENDITURES:</b>				
General government	808,992	818,810	904,333	995,427
Municipal court	206,337	244,638	263,317	302,672
Public safety	1,764,433	2,348,184	2,657,336	2,791,311
Public works	666,096	926,024	1,476,675	1,589,802
Parks and recreation	983,373	1,158,670	1,195,544	1,105,765
Building and development	800,045	1,065,501	786,720	1,097,282
Debt service:				
Debt principal	300,000	432,341	489,348	518,668
Debt interest	430,490	349,294	349,638	335,730
Fees and issuance costs	1,217	1,512	1,532	1,512
Capital outlay	3,610,953	822,573	8,239	1,400
Total expenditures	<u>9,571,936</u>	<u>8,167,547</u>	<u>8,132,682</u>	<u>8,739,569</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,736,318)</u>	<u>(586,463)</u>	<u>320,623</u>	<u>(259,973)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from bonds issued	-	172,032	216,678	64,045
Proceeds from refunding bonds issued	-	-	-	-
Refunding of bonds	-	-	-	-
Tax anticipation notes issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Sale of real and personal property	181,491	428,600	-	-
Insurance recovery	-	-	-	-
Proceeds from capital leases	-	-	-	-
Transfers in	106,222	500	-	500,000
Transfers out	(106,222)	(500)	-	(500,000)
Total other financing sources (uses)	<u>181,491</u>	<u>600,632</u>	<u>216,678</u>	<u>64,045</u>
<b>SPECIAL ITEM:</b>				
Legal settlement	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (2,554,827)</u>	<u>\$ 14,169</u>	<u>\$ 537,301</u>	<u>\$ (195,928)</u>
Debt service as a percentage of noncapital expenditures	8.3%	10.6%	11.5%	10.9%

**Source:** Comprehensive Annual Financial Reports

TABLE 4

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 4,263,123	\$ 4,739,580	\$ 4,787,107	\$ 4,904,322	\$ 4,718,208	\$4,946,810
-	-	-	93,758	443,433	741,866
2,103,086	2,248,370	2,474,403	2,631,974	2,880,115	3,067,458
69,407	87,086	74,709	71,945	78,505	95,384
623,189	573,135	577,680	759,535	1,264,700	1,223,209
268,313	266,581	492,174	730,873	865,267	925,276
-	133,954	91,223	68,988	42,587	150,411
537,829	599,327	596,738	677,129	668,783	721,364
616,064	580,386	703,572	829,491	697,709	671,017
49,901	3,850	6,250	29,295	30,980	244,151
59,239	35,068	21,964	26,183	29,426	47,232
55,637	39,154	47,429	68,165	172,694	13,538
<u>8,645,788</u>	<u>9,306,491</u>	<u>9,873,249</u>	<u>10,891,658</u>	<u>11,892,407</u>	<u>12,847,716</u>
1,163,400	1,073,500	1,228,649	1,412,906	1,459,719	1,615,368
280,718	319,906	371,997	416,735	456,379	510,059
3,180,631	3,211,987	3,637,186	3,622,353	3,711,337	3,894,123
1,178,509	980,069	1,346,910	994,318	926,008	790,029
1,320,155	1,319,130	1,629,882	1,931,886	1,819,682	2,011,755
786,325	803,501	835,657	811,808	816,462	971,612
460,000	584,759	569,776	395,000	410,000	480,000
293,712	280,084	257,798	210,106	121,237	233,252
25,623	912	31,221	47,500	53,189	76,784
219,680	559,447	19,697	955,928	2,148,448	1,549,844
<u>8,908,753</u>	<u>9,133,295</u>	<u>9,928,773</u>	<u>10,798,540</u>	<u>11,922,461</u>	<u>12,132,826</u>
(262,965)	173,196	(55,524)	93,118	(30,054)	714,890
-	-	-	1,250,000	3,600,000	4,300,000
895,000	-	1,350,000	-	-	-
(875,000)	-	(1,319,691)	-	(3,643,033)	-
-	-	-	-	-	-
-	-	-	-	-	178,556
14,250	22,423	20	31,481	32,225	23,293
-	24,469	9,964	17,857	15,076	10,851
122,000	-	-	-	-	-
-	126,043	-	550,000	1,409,919	564,096
-	(126,043)	-	(550,000)	(1,409,919)	(564,096)
<u>156,250</u>	<u>46,892</u>	<u>40,293</u>	<u>1,299,338</u>	<u>4,268</u>	<u>4,512,700</u>
-	-	-	-	-	(200,000)
<u>\$ (106,715)</u>	<u>\$ 220,088</u>	<u>\$ (15,231)</u>	<u>\$ 1,392,456</u>	<u>\$ (25,786)</u>	<u>\$5,027,590</u>
9.6%	10.5%	9.5%	6.4%	5.2%	7.0%

CITY OF LAKEWAY, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2005	\$ 1,278,093,153	\$ 34,847,326	\$ 24,567,054	\$ 1,288,373,425	0.2275
2006	1,389,636,788	31,916,150	52,093,709	1,369,459,229	0.2275
2007	1,694,460,324	35,621,917	106,576,529	1,623,505,712	0.2200
2008	2,042,684,836	41,711,682	116,784,332	1,967,612,186	0.2139
2009	2,391,569,667	50,448,986	131,189,356	2,310,829,297	0.1827
2010	2,514,816,854	47,958,185	131,729,436	2,431,045,603	0.1929
2011	2,441,901,276	42,422,177	133,235,094	2,351,088,359	0.1996
2012	2,532,237,719	44,833,438	137,152,831	2,439,918,326	0.1996
2013	2,668,907,074	67,467,475	138,152,021	2,598,222,528	0.1815
2014	2,930,294,561	82,344,730	188,317,203	2,824,322,088	0.1748

**Source:** Travis Central Appraisal District

**Note:** Total taxable assessed value represents original certified taxable value.

CITY OF LAKEWAY, TEXAS  
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS

City of Lakeway Direct Rates			
Fiscal Year	Operating/ General Rate	General Obligation Debt Service	Total Direct
2005	0.1877	0.0398	0.2275
2006	0.1802	0.0398	0.2200
2007	0.1813	0.0326	0.2139
2008	0.1550	0.0277	0.1827
2009	0.1674	0.0255	0.1929
2010	0.1820	0.0176	0.1996
2011	0.1746	0.0250	0.1996
2012	0.1585	0.0230	0.1815
2013	0.1553	0.0195	0.1748
2014	0.1446	0.0254	0.1700

**Source:** City of Lakeway budget documents, Travis Central Appraisal District, Travis County CAFR

TABLE 6

Overlapping Rates							
Lake Travis Independent School District	Lakeway Municipal Utility District	Hurst Creek Municipal Utility District	Travis County Municipal Utility District No. 11	Travis County Emergency Services District No. 6	Travis County WCID No. 17	Travis County Healthcare District	Travis County
1.8005	0.2818	0.4770	0.7700	0.1000	0.0600	0.0800	0.4993
1.6186	0.2305	0.4821	0.7725	0.1000	0.0600	0.0800	0.4499
1.3585	0.2122	0.4821	0.7725	0.1000	0.0600	0.0734	0.4216
1.3159	0.1922	0.4320	0.7725	0.1000	0.0600	0.0734	0.4122
1.3159	0.1967	0.4200	0.7725	0.1000	0.0600	0.0734	0.4215
1.3159	0.2052	0.4490	0.7700	0.1000	0.0600	0.0700	0.4658
1.3159	0.2052	0.4990	0.7700	0.1000	0.0600	0.0800	0.4855
1.4100	0.2100	0.4300	0.7725	0.1000	0.0600	0.0800	0.5000
1.4100	0.2000	0.4000	0.7700	0.1000	0.0600	0.1300	0.5000
1.4100	0.1800	0.3700	0.7700	0.1000	0.0600	0.1300	0.4600



CITY OF LAKEWAY, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied Within the Fiscal Year of the Levy	Adjustments to Levy	Adjusted Taxes Levied for the Fiscal Year
2005	\$ 2,939,824	\$ (7,232)	\$ 2,932,592
2006	3,156,831	(3,227)	3,153,603
2007	3,640,693	(1,416)	3,639,277
2008	4,245,533	(10,303)	4,235,230
2009	4,246,347	(10,916)	4,235,431
2010	4,781,198	(36,232)	4,744,966
2011	4,747,304	282	4,747,586
2012	4,896,894	(9,124)	4,887,771
2013	4,729,528	(39,976)	4,689,552
2014	4,942,130	(6,611)	4,935,518

**Source:** Travis Cental Appraisal District and Travis County Tax Office

TABLE 7

<b>Collected Within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Adjustments in Subsequent Years</b>	<b>Total Collections</b>	
<b>Amount</b>	<b>Percentage of Levy</b>			<b>Amount</b>	<b>Percentage of Levy</b>
\$ 2,883,744	98.33%	\$ 48,442	\$ (3,569)	\$ 2,928,617	99.86%
3,112,548	98.70%	36,089	(268)	3,148,369	99.83%
3,600,619	98.94%	42,469	(10,122)	3,632,966	99.83%
4,170,087	98.46%	57,198	(404)	4,226,881	99.80%
4,175,310	98.58%	51,924	(2,158)	4,225,076	99.76%
4,674,753	98.52%	63,636	(6,448)	4,731,941	99.73%
4,681,801	98.61%	49,777	(1,902)	4,729,675	99.62%
4,829,969	98.82%	39,026	(1,767)	4,867,227	99.58%
4,641,514	98.98%	34,207	(8,195)	4,667,527	99.53%
4,889,410	99.07%	-	-	4,889,410	99.07%

CITY OF LAKEWAY, TEXAS  
 PRINCIPAL PROPERTY TAXPAYERS  
 CURRENT YEAR AND NINE YEARS AGO

**Fiscal Year 2014**

<b>Taxpayer</b>	<b>Taxable Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value</b>
Lakeway Regional Medical Center. LLC	\$ 89,211,407	3.16%
ARC Lakeway LP	13,938,770	0.49%
Rough Hollow Development LTD	11,506,352	0.41%
HCN Interra Lake Travis	10,632,293	0.38%
PMB Lakeway Medical Plaza LLC	8,900,000	0.32%
Las Ventanas Land Partners LTD	8,464,410	0.30%
Lakeway Plaza Combined LLC	8,084,532	0.29%
Lohman GM LLC	7,711,054	0.27%
Genecov Investments LTD	7,353,025	0.26%
Clubcorp Golf of Texas LP	6,885,006	0.24%
Total Assess Value of Top-ten Taxpayers:	172,686,849	6.11%
Total Assess Value of Other Taxpayers:	2,651,635,239	93.89%
Total Assessed Value:	<u>\$ 2,824,322,088</u>	<u>100.00%</u>

**Source:** Travis Central Appraisal District

TABLE 8

<b>Fiscal Year 2005</b>		
<b>Taxpayer</b>	<b>Taxable Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value</b>
Lakeway Associates	\$ 18,000,000	1.40%
Flintrock LTD	9,466,329	0.73%
Clubcorp Golf of Texas LP	8,238,148	0.64%
Lohmans Crossing Retail LP	7,118,482	0.55%
Randall's	6,530,000	0.51%
Genecov Investments LTD	6,201,520	0.48%
Lakeway 900 LTD	6,055,500	0.47%
NH Texas Properties Limited PA	6,000,000	0.47%
Hills II of Lakeway INC	5,509,337	0.43%
Jeffrey J. Decoux	5,036,090	0.39%
Total Assess Value of Top-ten Taxpayers:	78,155,406	6.07%
Total Assess Value of Other Taxpayers:	1,210,218,019	93.93%
Total Assessed Value:	<u>\$ 1,288,373,425</u>	<u>100.00%</u>

CITY OF LAKEWAY, TEXAS  
OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income	Per Capita Tax Rate
	General Obligation Bonds	Certificates of Obligation	Other Obligations			
2005	\$ 7,955,000	\$ -	\$ 575,000	\$ 8,530,000	-	\$ 943.38
2006	7,650,000	-	619,692	8,269,692	-	847.39
2007	7,335,000	-	662,021	7,997,021	-	763.66
2008	7,010,000	-	525,801	7,535,801	-	678.23
2009	6,690,000	-	435,913	7,125,913	-	621.43
2010	6,335,000	-	204,900	6,539,900	1.08%	557.16
2011	6,030,000	-	-	6,030,000	0.93%	496.21
2012	6,885,000	-	-	6,885,000	1.02%	539.53
2013	6,505,000	-	-	6,505,000	0.90%	494.00
2014	10,325,000	-	-	10,325,000	1.43%	759.86

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**Source:** Comprehensive Annual Financial Reports

CITY OF LAKEWAY, TEXAS  
RATIO OF BONDED DEBT  
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
2005	\$ 7,955,000	\$ 89,734	\$ 7,865,266	0.61%	\$ 869.86
2006	7,650,000	114,205	7,535,795	0.55%	772.19
2007	7,335,000	143,748	7,191,252	0.44%	686.71
2008	7,010,000	231,017	6,778,983	0.34%	610.11
2009	6,690,000	233,422	6,456,578	0.28%	563.06
2010	6,335,000	240,467	6,094,533	0.25%	519.21
2011	6,030,000	52,650	5,977,350	0.25%	491.88
2012	6,885,000	109,538	6,775,462	0.28%	530.95
2013	6,505,000	149,094	6,355,906	0.24%	482.68
2014	10,325,000	178,649	10,146,351	0.36%	746.71

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**Source:** Comprehensive Annual Financial Reports

CITY OF LAKEWAY, TEXAS  
DIRECT AND OVERLAPPING DEBT  
AS OF SEPTEMBER 30, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Hurst Creek Municipal Utility District	\$ 5,885,000	12.14%	\$ 714,439
Lake Travis Independent School District	277,933,303	45.15%	125,486,886
Lakeway Municipal Utility District	19,396,897	100.00%	19,396,897
Travis County	660,879,987	2.63%	17,381,144
Travis County Emergency Services District No.6	4,980,000	27.35%	1,362,030
Travis County Healthcare District	13,240,000	2.63%	348,212
Travis County Municipal Utility District No. 11	16,650,000	98.59%	16,415,235
Travis County WCID No. 17	18,244,997	100.00%	18,244,997
Subtotal, overlapping debt			<u>199,349,840</u>
<b>City of Lakeway (direct debt)</b>	10,325,000	100%	<u>10,325,000</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 209,674,840</u></u>

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the entities' taxable assessed value that is within the City's boundaries and dividing by the entities' total taxable assessed value.

**Source:** Texas Municipal Reports prepared by the Municipal Advisory Council of Texas

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Lakeway. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residential and commercial taxpayer should be taken into account. However, this does not imply that every Lakeway taxpayer is a property owner and therefore responsible for repaying the debt of any particular overlapping government.

CITY OF LAKEWAY, TEXAS  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS

<b>Year</b>	<b>Estimated Population</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2005	9,042	-	-	-	5,075	-
2006	9,759	-	-	-	5,307	-
2007	10,472	-	-	-	5,578	-
2008	11,111	-	-	-	5,871	-
2009	11,467	-	-	-	6,144	-
2010	11,738	606,244,224	51,648	44.4	6,577	4.5%
2011	12,152	648,102,616	53,333	43.8	6,940	3.2%
2012	12,761	675,478,013	52,933	43.8	7,412	3.8%
2013	13,168	722,304,304	54,853	44.7	7,808	5.2%
2014	13,588	724,148,439	53,293	44.3	8,271	6.3%

**Sources:** Estimated population provided by the U.S. Census Bureau. School enrollment provided by Lake Travis ISD. Personal income is an estimate based on estimated population and per capita personal income. Per capita personal income, median age and unemployment rate provided by the U.S. Census Bureau's American Community Survey. The American Community Survey was not performed for the City of Lakeway until 2010.



CITY OF LAKEWAY, TEXAS  
 PRINCIPAL EMPLOYERS  
 AS OF SEPTEMBER 30, 2014

<b>Fiscal Year 2014</b>		
<b>Employer</b>	<b>Employees</b>	<b>Percentage of Total City Employment</b>
Lakeway Regional Medical Center	275	4.97%
Lakeway Resort and Spa	148	2.67%
Randalls	145	2.62%
City of Lakeway	100	1.81%
United States Post Office	90	1.63%
WCID #17	53	0.96%
Hampton Inn	22	0.40%
Lakeway MUD	21	0.38%
Holiday Inn	14	0.25%
<b>Total</b>	<b>868</b>	<b>15.68%</b>

**Source:** Human Resources Department of each noted entity

CITY OF LAKEWAY, TEXAS  
 FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2005	2006	2007	2008
General Government and Administration	5.0	7.0	6.0	9.0
Municipal Court	5.0	4.0	3.0	3.0
Public Safety	29.0	33.0	33.0	34.0
Public Works	11.0	11.0	11.0	9.0
Parks & Recreation	11.0	11.0	13.0	13.0
Building and Development	7.0	8.0	11.0	11.0
Solid Waste	1.0	1.0	1.0	1.0
Total	69.0	75.0	78.0	80.0

**Source:** City of Lakeway Human Resource Office

TABLE 14

<b>Fiscal Year</b>					
2009	2010	2011	2012	2013	2014
9.0	9.0	9.0	8.0	10.0	9.0
2.0	3.0	3.0	4.0	5.0	7.0
37.0	36.0	41.0	39.0	40.0	44.0
9.0	9.0	9.0	10.0	10.0	9.0
12.0	13.0	13.0	14.0	15.0	16.0
9.0	10.0	9.0	11.0	10.0	13.0
-	-	1.0	1.0	1.0	2.0
<u>78.0</u>	<u>80.0</u>	<u>85.0</u>	<u>87.0</u>	<u>91.0</u>	<u>100.0</u>

CITY OF LAKEWAY, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2005	2006	2007	2008
Public Safety				
Police				
Number of Officers	25	25	27	25
Number of Violations (Citations)	1,918	4,338	6,214	5,923
Public Works				
Street Resurfacing (miles)	1.7	2.1	2.7	2.9
Parks and Recreation				
Swim Center				
Swim Center Admissions	N/A	N/A	N/A	22,051
Swim Center Memberships	N/A	N/A	N/A	202
Participants in Youth Programs	N/A	N/A	N/A	2,159
Participants in Adult Programs	N/A	N/A	N/A	48
Lakeway Activity Center				
Memberships - Residents	1,728	1,526	1,851	2,191
Memberships - Non-Residents	126	172	183	210
Youth Event Attendees	N/A	N/A	N/A	N/A
Adult Event Attendees	N/A	N/A	N/A	N/A
Youth Class Attendees	N/A	N/A	N/A	N/A
Adult Class Attendees	N/A	N/A	N/A	N/A
Building and Development				
Total Permits Issued	N/A	N/A	1,103	1,220

**Source:** City Departments

**Note:** N/A = Data not available

TABLE 15

Fiscal Year					
2009	2010	2011	2012	2013	2014
27	25	26	27	27	27
5,872	4,404	6,436	5,508	5,439	5,654
-	2.7	-	-	2.9	2.6
18,808	15,546	19,391	18,530	16,942	21,638
185	194	201	194	181	193
1,961	1,087	1,001	925	1,200	3,357
53	38	54	66	55	69
2,206	2,268	2,298	2,542	2,610	3,004
196	227	246	292	279	369
400	400	400	520	890	910
4,596	4,801	5,003	6,264	7,563	7,572
N/A	1,614	2,566	5,510	5,402	7,696
N/A	2,827	3,344	3,090	2,380	2,805
837	864	1,000	1,170	1,523	1,555

CITY OF LAKEWAY, TEXAS  
 CAPITAL ASSET STATISTICS BY FUNCTION  
 LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2005	2006	2007	2008
Public Safety				
Police Stations	1.0	1.0	1.0	1.0
Police Patrol Units	12.0	12.0	15.0	19.0
Police Motorcycle Units	-	-	-	-
Public Works				
Streets-Paved (miles)	50.0	50.0	50.0	51.0
Parks and Recreation				
Swimming Pools	1.0	1.0	1.0	1.0
Skate Parks	-	1.0	1.0	1.0
Activity Center	1.0	1.0	1.0	1.0

**Source:** City Departments

TABLE 16

Fiscal Year					
2009	2010	2011	2012	2013	2014
1.0	1.0	1.0	1.0	1.0	1.0
19.0	23.0	27.0	23.0	27.0	27.0
2.0	2.0	2.0	2.0	2.0	2.0
51.0	51.0	85.0	85.0	106.0	110.0
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0

CITY OF LAKEWAY, TEXAS  
PENSION FUNDING  
LAST TEN FISCAL YEARS

Fiscal Year	(1) Actuarial Value of Assets**	(2) Actuarial Accrued Liability*	(3) Funded Ratio (1/2)	(4) Unfunded Actuarial Accrued Liability	(5) Annual Covered Payroll	(6) UAAL as a Percentage of ACP (4/5)	(7) Total TMRS Required Contribution Rate	(8) Prior Service Portion of the TMRS Rate
2005	2,918,523	3,173,563	92.0%	255,404	2,595,013	9.8%	5.41%	0.35%
2006	2,800,363	3,037,301	92.2%	236,938	2,743,407	8.6%	6.38%	0.65%
2007	2,993,661	3,946,739	75.9%	953,078	3,305,887	28.8%	8.89%	0.58%
2008	2,819,031	4,838,976	58.3%	2,019,945	3,151,958	64.1%	9.64%	1.52%
2009	3,324,820	5,646,308	58.9%	2,321,488	3,780,059	61.4%	10.02%	1.58%
2010	4,081,961	6,521,111	62.6%	2,439,150	3,918,154	62.3%	11.14%	3.59%
2011	6,739,096	9,507,284	70.9%	2,768,188	4,113,645	67.3%	11.74%	3.75%
2012	7,790,601	10,496,271	74.2%	2,705,670	4,291,826	63.0%	12.19%	3.76%
2013	8,947,078	11,165,615	80.1%	2,218,537	4,568,770	48.6%	12.12%	3.94%
2014	10,220,999	13,285,903	76.9%	3,064,904	4,800,618	63.8%	12.40%	3.70%

**Source:** Texas Municipal Retirement System

**Notes:** \* As of December 31 of the preceding year, the date of the actuarial valuation.

\*\* Assets are stated at amortized cost as of December 31 of the preceding year for years 2005-2008. Beginning in 2009, actuarial value of assets is calculated using 10-year smoothing.

The actuarial accrued liability was calculated using the Unit Credit actuarial funding method for fiscal years 2005 to 2007, Projected Unit Credit actuarial funding method for fiscal years 2008 to 2013 and Entry Age Normal actuarial funding method for fiscal year 2014

Fiscal years 2011 and forward includes the impact of Senate Bill 350 enacted by the Texas Legislature in June 2011. This legislation provided a restructuring of the Texas Municipal Retirement System funds effective December 31, 2010. Previously reported amounts included only Employee Savings

Fund and Municipal Accumulation Fund but excluded the City's portion of the Current Service Annuity Fund (CSARF) in which costs for all retirees were shared

The legislation eliminated the CSARF returning both liabilities and assets for retirees to the respective employer accounts.

Fiscal year 2014 includes an update to the mortality table used to determine the annuity purchase rate.