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**WALSH RANCH
MUNICIPAL UTILITY DISTRICT**

**Financial Statements,
Supplemental Information and
Independent Auditors' Report
for the Year Ended
September 30, 2011**

**WALSH RANCH
MUNICIPAL UTILITY DISTRICT**

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ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

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STATE OF TEXAS
COUNTY OF TRAVIS

I, _____ of the
(Name of Duly Authorized District Representative)

WALSH RANCH MUNICIPAL UTILITY DISTRICT
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the 25th day of January, 2012 its annual audit report for the fiscal period ended September 30, 2011 and that copies of the annual audit report have been filed in the District's office, located at:

Barton Oaks Plaza II, 901 S. Mopac Expressway, Suite 225
Austin, Texas 78746
(Address of District's Office)

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: _____, _____ By: _____
(Signature of Representative)
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this _____ day of _____, _____.

(SEAL)

(Signature of Notary)

My Commission Expires On: _____, _____.
Notary Public in the State of Texas

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INDEPENDENT AUDITOR'S REPORT

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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Board of Directors
Walsh Ranch Municipal Utility District
Williamson County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Walsh Ranch Municipal Utility District (the "District"), as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted as promulgated within the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule – General Fund is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and the Other Supplementary Information are presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information and the Other Supplementary Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

January 25, 2012

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011**

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In accordance with Governmental Accounting Standards Board Statement 34 ("GASB 34"), the management of Walsh Ranch Municipal Utility District (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2011. Since this information is designed to focus on current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the unassigned fund balance was \$294,533, an increase of \$139,355 in net revenues from the previous fiscal year. General fund revenues increased from \$580,261 in the previous fiscal year to \$697,330 in the current fiscal year due to an increase in the District's assessed valuation.
- *Debt Service Fund:* Fund balance restricted for debt service decreased from \$242,696 in the previous fiscal year to \$147,975 in the current fiscal year. Debt service fund revenues increased from \$235,829 in the previous fiscal year to \$282,835 in the current fiscal year due to an increase in the District's assessed valuation and increase in the tax rate allocated to the Debt Service Fund.
- *Capital Projects Fund:* Fund balance restricted for capital projects decreased from \$110,569 in the previous fiscal year to \$67,830 in the current fiscal year. \$42,850 of surplus funds was transferred to the General Fund to reimburse for major repairs to previously bonded infrastructure.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had expenses net of revenues of \$48,878. Net assets increased from a deficit balance of \$351,194 to a surplus balance of \$295,795. A prior period adjustment of \$695,867 reflects the conveyance of common and recreational facilities to the District made in prior years.

OVERVIEW OF THE DISTRICT

The District, a political subdivision of the State of Texas, was created as "Walsh Ranch Municipal Utility District" by order of the Texas Commission on Environmental Quality (TCEQ) on March 3, 2006 and confirmed pursuant to an election held within the District on May 13, 2006. The District was created to provide water, wastewater, and storm drainage facilities to the land within its boundaries and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District is located entirely within the extraterritorial jurisdiction of the City of Round Rock and entirely within Williamson County, Texas. The District is situated approximately eleven miles northeast of the central business district of the City of Austin, lies adjacent to the city limits of Round Rock.

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011**

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USING THIS ANNUAL REPORT

This annual report consists of five parts:

1. *Management's Discussion and Analysis* (this section)
2. *Basic Financial Statements*
3. *Required Supplementary Information*
4. *Texas Supplemental Information* (required by the Texas Commission on Environmental Quality (the TSI section))
5. *Other Supplementary Information* (the OSI section)

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

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

The *Required Supplementary Information* presents a comparison statement between the District's adopted budget and its actual results.

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011**

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FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Assets:

The following table reflects the condensed Statement of Net Assets:

	<u>Summary Statement of Net Assets</u>		Change Increase (Decrease)
	Governmental Activities		
	2011	2010	
Current and other assets	\$ 618,459	\$ 588,642	\$ 29,817
Capital and non-current assets	4,875,330	5,027,167	(151,837)
Total Assets	5,493,789	5,615,809	(122,020)
Current Liabilities	366,300	336,115	30,185
Long-term Liabilities	4,831,694	4,935,022	(103,328)
Total Liabilities	5,197,994	5,271,137	(73,143)
Invested in Capital Assets			
net of related debt	1,466	97,715	(96,249)
Restricted	105,874	198,781	(92,907)
Unrestricted	188,455	48,177	140,278
Total Net Assets	\$ 295,795	\$ 344,673	\$ (48,878)

The District's combined net assets decreased from a balance of \$344,673 (which includes a prior period adjustment of \$695,867) in the previous fiscal year to a balance of \$295,795 in the current fiscal year. Some of these assets are accounted for by capital assets or restricted for debt service. The District's unrestricted net assets, which can be used to finance day to day operations, totaled \$188,455.

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011**

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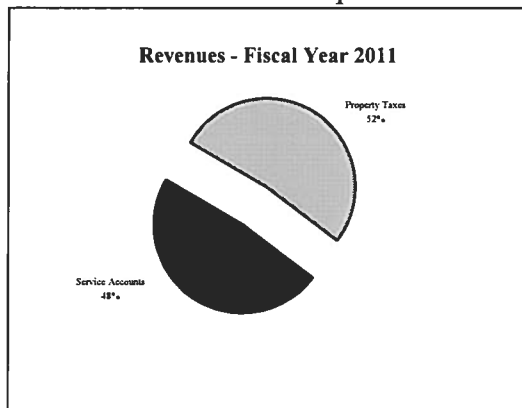
Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2011	2010	
Property taxes	\$ 510,697	\$ 435,078	\$ 75,619
Service accounts	469,929	353,547	116,382
Tap connection fees	-	20,400	(20,400)
Inspection/review fees	-	4,250	(4,250)
Interest	1,665	2,380	(715)
Other	52	703	(651)
Total Revenues	982,343	816,358	165,985
District operations	603,229	490,144	113,085
Debt service	276,155	277,925	(1,770)
Deprecation	119,121	118,947	174
Amortization	32,716	32,707	9
Total Expenses	1,031,221	919,723	111,498
Change in Net Assets	(48,878)	(103,365)	54,487
Beginning Net Assets	344,673	448,038	(103,365)
Ending Net Assets	\$ 295,795	\$ 344,673	\$ (48,878)

Revenues were \$982,343 for the fiscal year ended September 30, 2011 while expenses were \$1,031,221. Net assets decreased \$48,878.

Property tax revenue in the current fiscal year totaled \$510,697. Property tax revenue is derived from taxes levied based upon the assessed value of real and personal property within the District.



Property taxes levied for the 2010 tax year (September 30, 2011 fiscal year) were based upon a current adjusted assessed value of \$78,406,506 and a tax rate of \$0.65 per \$100 of assessed valuation. Property taxes levied for the 2009 tax year (September 30, 2010 fiscal year) were based upon an adjusted assessed value of \$66,961,208 and a tax rate of \$0.65 per \$100 of assessed valuation. The District's primary revenue sources are property taxes and service accounts.

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011**

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ANALYSIS OF GOVERNMENTAL FUNDS

	<u>Governmental Funds by Year</u>			
	2011	2010	2009	2008
Cash and cash equivalents	\$ 528,895	\$ 525,681	\$ 564,128	\$ 437,518
Receivables	90,811	63,361	74,714	136,201
Other	-	-	639	294
Total Assets	\$ 619,706	\$ 589,042	\$ 639,481	\$ 574,013
Accounts payable	78,004	50,049	90,594	242,190
Refundable deposits	28,050	30,150	25,734	21,100
Developer advances	-	-	107,000	16,000
Interfund payable	1,247	400	1,909	45,149
Other payables	2,067	-	3,729	-
Total Liabilities	109,368	80,599	228,966	324,439
Restricted	215,805	353,265	449,584	329,128
Unassigned	294,533	155,178	(39,069)	(79,554)
Total Fund Balance	510,338	508,443	410,515	249,574
Total Liabilities and Fund Balances	\$ 619,706	\$ 589,042	\$ 639,481	\$ 574,013

For the fiscal year ended September 30, 2011, the District's governmental funds reflect a combined fund balance of \$510,338.

This fund balance includes a \$139,355 increase in the General Fund.

The Debt Service Fund reflects a decrease of \$94,721 in fiscal year 2011. The Debt Service Fund remitted bond principal of \$105,000 and bond interest of \$269,352. More detailed information about the District's debt is presented in the *Notes to the Basic Financial Statements*.

The Capital Project Fund purchases the District's infrastructure. The Capital Projects Fund had a decrease of \$42,739 in fund balance for fiscal year 2011. The District used \$42,850 of surplus bond funds during the current fiscal year to reimburse the General Fund for repairs to previously bonded infrastructure.

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011**

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BUDGETARY HIGHLIGHTS

The *General Fund* pays for daily operating costs. On August 25, 2010, the Board of Directors approved a budget including revenues of \$625,666 as compared to expenditures of \$566,133. When comparing actual to budget, the District had a positive variance of \$79,822. More detailed information about the District's budgetary comparison is presented in the *Required Supplemental Information*.

CAPITAL ASSETS

The District's governmental activities show an investment of \$4,563,332 in infrastructure. The detail is reflected in the following schedule:

<u>Summary of Capital Assets, net</u>			
	<u>9/30/2011</u>		<u>9/30/2010</u>
Capital Assets:			
Land	\$ 327,506	\$	327,506
Common and recreation areas	835,280		835,280
Water/Wastewater/Drainage	3,846,950		3,846,950
Less: Accumulated Depreciation	(446,404)		(327,283)
Total Net Capital Assets	<u>\$ 4,563,332</u>	<u>\$</u>	<u>4,682,453</u>

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

LONG TERM DEBT

The District has the following balances outstanding on unlimited tax bonds:

	<u>Bonds Payable</u>
Series 2008	\$ 3,115,000
Series 2009	1,965,000
Total	<u>\$ 5,080,000</u>

The District owes approximately \$5 million to bondholders. During the year, the District's principal balance was reduced by \$105,000. More detailed information about the District's long-term debt is presented in the *Notes to the Basic Financial Statements*.

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011**

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CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The amount of assessed value of property within the District for the 2011 tax year (September 30, 2012 fiscal year) is approximately \$90 million and the tax rate levied was \$0.67 per \$100 of assessed valuation. Approximately 39% of the property tax will fund general fund costs and approximately 61% of the property tax will be set aside for debt service.

The adopted budget for fiscal year 2012 projects a General Fund fund balance increase of \$52,511.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of McLean & Howard, L.L.P., 901 S. Mopac Expressway, Suite 225, Austin, Texas 78746.

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BASIC FINANCIAL STATEMENTS

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2011**

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	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Net Assets
ASSETS						
Cash and cash equivalents -						
Cash	\$ 151,015	\$ -	\$ -	\$ 151,015	\$ -	\$ 151,015
Cash equivalents	160,474	149,576	67,830	377,880	-	377,880
Receivables -						
Service accounts, net of allowance for doubtful accounts of \$ -	87,497	-	-	87,497	-	87,497
Property taxes	922	1,145	-	2,067	-	2,067
Interfund	1,247	-	-	1,247	(1,247)	-
Deferred charges, net of accumulated amortization	-	-	-	-	311,998	311,998
Capital assets, net of accumulated depreciation -						
Land	-	-	-	-	327,506	327,506
Common and recreation areas	-	-	-	-	607,783	607,783
Water/wastewater/drainage system	-	-	-	-	3,628,043	3,628,043
TOTAL ASSETS	\$ 401,155	\$ 150,721	\$ 67,830	\$ 619,706	\$ 4,874,083	\$ 5,493,789
LIABILITIES						
Accounts payable	\$ 77,650	\$ 354	\$ -	\$ 78,004	\$ -	\$ 78,004
Accrued interest payable	-	-	-	-	43,246	43,246
Customer deposits	28,050	-	-	28,050	-	28,050
Deferred revenue - property taxes	922	1,145	-	2,067	(2,067)	-
Developer advances	-	-	-	-	107,000	107,000
Interfund	-	1,247	-	1,247	(1,247)	-
Bonds payable -						
Due within one year	-	-	-	-	110,000	110,000
Due after one year	-	-	-	-	4,831,694	4,831,694
TOTAL LIABILITIES	106,622	2,746	-	109,368	5,088,626	5,197,994
FUND BALANCE / NET ASSETS						
Fund balances:						
Restricted for debt service	-	147,975	-	147,975	(147,975)	-
Restricted for capital projects	-	-	67,830	67,830	(67,830)	-
Unassigned	294,533	-	-	294,533	(294,533)	-
TOTAL FUND BALANCES	294,533	147,975	67,830	510,338	(510,338)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 401,155	\$ 150,721	\$ 67,830	\$ 619,706		
Net assets:						
Invested in capital assets, net of related debt					1,466	1,466
Restricted for debt service					105,874	105,874
Unrestricted					188,455	188,455
TOTAL NET ASSETS					\$ 295,795	\$ 295,795

The accompanying notes are an integral part of this statement.

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2011**

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	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Activities
REVENUES:						
Property taxes, including penalties	\$ 226,927	\$ 281,703	\$ -	\$ 508,630	\$ 2,067	\$ 510,697
Service accounts, including penalties	469,929	-	-	469,929	-	469,929
Interest	422	1,132	111	1,665	-	1,665
Other	52	-	-	52	-	52
TOTAL REVENUES	697,330	282,835	111	980,276	2,067	982,343
EXPENDITURES / EXPENSES:						
Current:						
Water/wastewater purchases	330,592	-	-	330,592	-	330,592
Garbage collection	40,254	-	-	40,254	-	40,254
Repairs and maintenance	26,783	-	-	26,783	-	26,783
Landscape maintenance	79,133	-	-	79,133	-	79,133
Utilities	9,230	-	-	9,230	-	9,230
Legal fees	41,767	-	-	41,767	-	41,767
Audit fees	15,500	-	-	15,500	-	15,500
Bookkeeping fees	20,150	-	-	20,150	-	20,150
Engineering fees	450	-	-	450	-	450
Management fees	28,155	-	-	28,155	-	28,155
Tax/appraisal fees	1,936	2,404	-	4,340	-	4,340
Insurance	4,201	-	-	4,201	-	4,201
Other	2,674	-	-	2,674	-	2,674
Debt service -						
Principal	-	105,000	-	105,000	(105,000)	-
Interest	-	269,352	-	269,352	6,003	275,355
Fiscal agent fees and other	-	800	-	800	-	800
Capital outlay	-	-	-	-	-	-
Depreciation	-	-	-	-	119,121	119,121
Amortization	-	-	-	-	32,716	32,716
TOTAL EXPENDITURES / EXPENSES	600,825	377,556	-	978,381	52,840	1,031,221
Excess / (deficiency) of revenues over expenditures	96,505	(94,721)	111	1,895	(50,773)	(48,878)
OTHER FINANCING SOURCES						
Operating transfer	42,850	-	(42,850)	-	-	-
TOTAL OTHER FINANCING SOURCES	42,850	-	(42,850)	-	-	-
Excess / (deficiency) of revenues and other financing sources over expenditures	139,355	(94,721)	(42,739)	1,895	(50,773)	(48,878)
FUND BALANCE / NET ASSETS:						
Beginning of the year	155,178	242,696	110,569	508,443	(859,637)	(351,194)
Prior period adjustment	-	-	-	-	695,867	695,867
End of the year	\$ 294,533	\$ 147,975	\$ 67,830	\$ 510,338	\$ (214,543)	\$ 295,795

The accompanying notes are an integral part of this statement.

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**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles (GAAP) as applied to governmental entities. Generally accepted accounting principles for local governments include those principles prescribed by the *Governmental Accounting Standards Board* (GASB), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District was created, organized and established on March 3, 2006, by the Texas Commission on Environmental Quality (formerly known as the Texas Natural Resource Conservation Commission) pursuant to the provisions of Chapter 49 and 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors which has been elected by District residents or appointed by the Board of Directors. The District is not included in any other governmental "reporting entity" as defined by Statement No. 14 of the Governmental Accounting Standards Board, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement No. 14 which are included in the District's reporting entity.

Basis of Presentation - Government-wide and Fund Financial Statements - The basic financial statements are prepared in conformity with GASB Statement No. 34, and include a column for government-wide (based upon the District as a whole) and fund financial statement presentations. Statement No. 34 also requires as supplementary information Management's Discussion and Analysis, which includes an analytical overview of the District's financial activities. In addition a budgetary comparison statement is presented that compares the adopted and amended General Fund budget with actual results.

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Basis of Presentation - Government-wide and Fund Financial Statements (continued) –

- **Government-wide Statements -**

The District's statement of net assets includes both non-current assets and non-current liabilities of the District, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. In addition, the government-wide statement of activities column reflects depreciation expense on the District's capital assets, including infrastructure.

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

- **Fund Financial Statements -**

Fund based financial statement columns are provided for governmental funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures of either fund category) for the determination of major funds. All of the District's funds are reported as major funds.

Governmental Fund Types - The accounts of the District are organized and operated on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The various funds are grouped by category and type in the financial statements. The District maintains the following fund types:

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services that the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.
- **Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, debt principal, interest and related costs.
- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Basis of Presentation - Government-wide and Fund Financial Statements (continued) –

Non-current Governmental Assets and Liabilities - GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the government-wide financial statement column in the Statement of Net Assets.

Basis of Accounting

• **Governmental Funds**

- *Government-wide Statements* - The government-wide financial statement column is 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.
- *Fund Financial Statements* - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the net current assets. Governmental funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available).

"Measurable" means that the amount of the transaction can be determined and "available" means the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures, if measurable, are generally recognized on the accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include the unmatured principal and interest on general obligation long-term debt which is recognized when due. This exception is in conformity with generally accepted accounting principles.

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

Draft

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Basis of Accounting (continued) -

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred revenue. All other revenues of the District are recorded on the accrual basis in all funds.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Cash and Cash Equivalents – Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of money market funds are recorded at cost, which approximates fair market value.

Budgets and Budgetary Accounting - A budget was adopted on August 25, 2010, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board of Directors utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year end. The budget was not amended during the current fiscal year.

Capital Assets - Capital assets, which includes Land, Water, Wastewater System and Drainage Improvements are reported in the government-wide column in the Statement of Net Assets. Public domain ("infrastructure") capital assets including water, wastewater and drainage systems, are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated fair market value at the time received. Interest incurred during construction of capital facilities is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Water, Wastewater and Drainage Improvements	10 - 50

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

Draft

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Interfund Transactions - Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay that amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Long-Term Debt - Unlimited tax bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity - The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events – In preparing these financial statements, management has evaluated and disclosed all material subsequent events through January 25, 2012, which is the date these statements were available to be issued.

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

Draft

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS -

Adjustments to convert the Governmental Funds Balance Sheet to the Statement of Net Assets are as follows:

Fund balances - total governmental funds	\$	510,338
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds -		
Deferred charges, net of accumulated amortization		311,998
Capital assets	5,009,736	
Less: Accumulated depreciation	<u>(446,404)</u>	4,563,332
Revenue is recognized when earned in the government statements, regardless of availability. Governmental funds report deferred revenue for revenues earned but not available		2,067
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds -		
Bonds payable	(5,080,000)	
Issuance discount, net of accumulated amortization	138,306	
Advances from developer	(107,000)	
Accrued interest	<u>(43,246)</u>	<u>(5,091,940)</u>
Net assets of governmental activities	\$	<u><u>295,795</u></u>

Adjustments to convert the Governmental Funds, Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities are as follows:

Changes in Fund Balances - Governmental Funds	\$	1,895
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report -		
Capital expenditures purchased in period	-	
Interest expenditures paid in year	(6,003)	
Tax revenue when collected	2,067	
Principal in year paid	<u>105,000</u>	101,064
Governmental funds do not report -		
Depreciation	(119,121)	
Amortization	<u>(32,716)</u>	<u>(151,837)</u>
Change in net assets of governmental activities	\$	<u><u>(48,878)</u></u>

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

Draft

3. CASH AND INVESTMENTS

Cash - At September 30, 2011, the carrying amount of the District's deposits was \$151,015 and the bank balance was \$154,277. All of the bank balance was covered by federal depository insurance and other pledged collateral.

Investments –

Interest rate risk. In accordance with its investment policy, the District manages its exposures to decline in fair values through investment diversification and limiting investments as follows:

- Money market mutual funds are required to have weighted average maturities of 90 days or fewer; and
- Other mutual fund investments are required to have weighted average maturities of less than two years.

Credit risk. The District's investment policy requires the application of the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, and considering the probable safety of their capital as well as the probable income to be derived. The District's investment policy requires that District funds be invested in:

- Obligations of the United States Government and/or its agencies and instrumentalities;
- Money market mutual funds with investment objectives of maintaining a stable net asset value of \$1 per share;
- Mutual funds rated in one of the three highest categories by a nationally recognized rating agency; and
- Securities issued by a State or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; and
- Public funds investment pools rated AAA or AAA-m by nationally recognized rating agency.

At September 30, 2011, the District held the following cash equivalents and investments:

Investment	Fair Market Value at 9/30/2011	Governmental Fund			Investment Rating	
		General	Debt Service	Capital Projects	Rating	Rating Agency
		Unrestricted	Restricted (1)	Restricted (2)		
Tex Pool	\$ 377,880	\$ 160,474	\$ 149,576	\$ 67,830	AAAm	Standard & Poors
	<u>\$ 377,880</u>	<u>\$ 160,474</u>	<u>\$ 149,576</u>	<u>\$ 67,830</u>		

(1) Restricted for Payment of Debt Service and Cost of Assessing and Collecting Taxes.

(2) Restricted for Purchase of Capital Assets.

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

Draft

3. CASH AND INVESTMENTS (continued) –

At September 30, 2011, the District had investments in an external local governmental investment pool, Texas Local Governmental Investment Pool (“TexPool”). Although TexPool is not registered with the SEC as an investment company, they operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. These investments are stated at fair value which is the same as the value of the pool shares.

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

Concentration of credit risk. In accordance with the District’s investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2011, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The government’s investment policy requires that the District’s deposits be fully insured by FDIC insurance or collateralized with Obligations of the United States or its agencies and instrumentalities. As of September 30, 2011, the District’s bank deposits were covered as follows:

	Balance
FDIC insured deposits	\$ 154,277
Collateralized deposits:	
Collateral held by pledging bank’s trust department in the District’s name	-
Collateral held by pledging bank’s trust department, not in the District’s name	-
Uninsured and uncollateralized deposits	-
Total deposits	\$ 154,277

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

Draft

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Williamson County Appraisal District established appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Williamson County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set current tax rates on August 25, 2010.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2010 tax roll. The tax rate, based on total taxable assessed valuation of \$78,406,506 was \$0.65 on each \$100 valuation and was allocated \$0.29 to the General Fund and \$0.36 to the Debt Service Fund. A maximum allowable maintenance tax of \$1.00 was established by voters on May 13, 2006.

Property taxes receivable at September 30, 2011, consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 922	\$ 1,145	\$ 2,067
Prior years' levies	-	-	-
	\$ 922	\$ 1,145	\$ 2,067

The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

5. INTERFUND ACCOUNTS

A summary of interfund accounts, which resulted from the time lag between dates that payments are made between funds are made, is as follows at September 30, 2011:

	Interfund	
	Receivable	Payable
General Fund - Debt Service Fund	\$ 1,247	\$ -
Debt Service Fund - General Fund	-	1,247
	\$ 1,247	\$ 1,247

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

Draft

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 10/1/2010	Additions	Deletions	Balance 9/30/2011
Capital assets not being depreciated:				
Land	\$ 327,506	\$ -	\$ -	\$ 327,506
Capital assets being depreciated:				
Water/wastewater/drainage facilities	3,846,950	-	-	3,846,950
Common and recreation areas	835,280	-	-	835,280
Total capital assets being depreciated	4,682,230	-	-	4,682,230
Less accumulated depreciation for :				
Water/wastewater/drainage facilities	(141,550)	(77,357)	-	(218,907)
Common and recreation areas	(185,733)	(41,764)	-	(227,497)
Total accumulated depreciation	(327,283)	(119,121)	-	(446,404)
Total capital assets being depreciated, net of accumulated depreciation	4,354,947	(119,121)	-	4,235,826
Total capital assets, net	\$ 4,682,453	\$ (119,121)	\$ -	\$ 4,563,332

7. BONDED DEBT

The following is a summary of bond transactions of the District for the year ended September 30, 2011:

	Unlimited Tax and Revenue Bonds
Bonds payable at October 1, 2010	\$ 5,185,000
Bonds issued	-
Bonds retired	(105,000)
Bond discount, net of accumulated amortization	(138,306)
Bonds payable at September 30, 2011	\$ 4,941,694

Unlimited Tax Bonds:

\$3,115,000 – 2008 Unlimited Tax Bonds payable serially through the year 2033 at interest rates which range from 3.75% to 5.20%.

\$1,965,000 – 2009 Unlimited Tax Bonds payable serially through the year 2033 at interest rates which range from 3.75% to 5.90%.

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

Draft

7. BONDED DEBT (continued) -

The annual requirements to amortize all bonded debt at September 30, 2011, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2012	\$ 110,000	\$ 265,240	\$ 375,240
2013	120,000	260,770	380,770
2014	125,000	255,730	380,730
2015	135,000	250,310	385,310
2016	140,000	244,270	384,270
2017 - 2021	865,000	1,110,235	1,975,235
2022 - 2026	1,185,000	853,485	2,038,485
2027 - 2031	1,605,000	490,405	2,095,405
2032 - 2033	795,000	66,055	861,055
	\$ 5,080,000	\$ 3,796,500	\$ 8,876,500

Bonds authorized but not issued as of September 30, 2011, are as follows:

Type	Amount
Unlimited Tax Bonds	\$ 5,895,000
Refunding Bonds	\$ 17,000,000
Recreational Facilities Bonds	\$ 1,770,000

\$147,975 is available in the Debt Service Fund to service bonded debt at year-end.

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

Draft

8. COMMITMENTS AND CONTINGENCIES

The developers of the land within the District have incurred costs for construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues, subject to approval by the Texas Commission on Environmental Quality, or from operations. On May 13, 2006, a bond election held within the District approved authorization to issue \$11,145,000 for system facilities, \$17,000,000 for refunding bonds and \$1,770,000 for park and recreational facilities based upon the District's engineer's report. As of September 30, 2011, the District has issued \$5,250,000 of Unlimited Tax Bonds to reimburse the developer for water, wastewater and drainage improvements.

9. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

10. FUND BALANCES

For the period ended September 30, 2011, the District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

- Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact. The District had no such amounts.
- Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.
- Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board. The District had no such amounts.
- Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed. The District had no such amounts.
- Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

Draft

10. FUND BALANCES (continued) –

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page FS-1.

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

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

11. USE OF SURPLUS FUNDS

Pursuant to Texas Administrative Code Rule 293.83(c)(4), the District has transferred \$42,850 of surplus funds from the Series 2008 Bond Issue to the General Fund for major repairs to drainage facility infrastructure previously bonded.

12. PRIOR PERIOD ADJUSTMENT

On September 10, 2007, the District was conveyed certain common and recreation area facilities including a stone fence, entryway feature, pool and amenity center. Net Assets are adjusted to record this contribution, net of accumulated depreciation, as follows:

Net Assets, 10/1/2010	\$	(351,194)
Prior period adjustment		695,867
Net Assets, 10/1/2010, as adjusted	\$	<u>344,673</u>

Draft

**REQUIRED SUPPLEMENTAL
INFORMATION**

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2011**

Draft

	<u>Actual</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Property taxes, including penalties	\$ 226,927	\$ 222,278	\$ 4,649
Service accounts, including penalties	469,929	403,388	66,541
Interest	422	-	422
Other	52	-	52
TOTAL REVENUES	<u>697,330</u>	<u>625,666</u>	<u>71,664</u>
EXPENDITURES / EXPENSES:			
Current:			
Water/wastewater purchases	330,592	308,017	(22,575)
Garbage collection	40,254	40,455	201
Repairs and maintenance	26,783	71,800	45,017
Landscape maintenance	79,133	36,100	(43,033)
Utilities	9,230	8,800	(430)
Legal fees	41,767	28,000	(13,767)
Audit fees	15,500	15,500	-
Bookkeeping fees	20,150	20,500	350
Engineering fees	450	3,600	3,150
Management fees	28,155	25,766	(2,389)
Tax/appraisal fees	1,936	1,695	(241)
Insurance	4,201	3,700	(501)
Other	2,674	2,200	(474)
Capital outlay	-	-	-
TOTAL EXPENDITURES / EXPENSES	<u>600,825</u>	<u>566,133</u>	<u>(34,692)</u>
Excess / (deficiency) of revenues over expenditures	<u>96,505</u>	<u>59,533</u>	<u>36,972</u>
OTHER FINANCING SOURCES			
Operating transfer	42,850	-	42,850
TOTAL OTHER FINANCING SOURCES	<u>42,850</u>	<u>-</u>	<u>42,850</u>
Excess / (deficiency) of revenues and other financing sources over expenditures and financing sources over expenditures	<u>139,355</u>	<u>\$ 59,533</u>	<u>\$ 79,822</u>
FUND BALANCE / NET ASSETS:			
Beginning of the year	155,178		
End of the year	<u>\$ 294,533</u>		

The accompanying notes are an integral part of this statement.

Draft

**TEXAS SUPPLEMENTAL
INFORMATION**

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2011**

Draft

1. Services Provided by the District during the Fiscal Year:

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ 33.00 ⁽¹⁾	-	N	\$ 2.76	0 to unlimited
WASTEWATER:	\$ -	-	N	\$ 4.14	0 to unlimited
SURCHARGE:	\$ -	-	-	-	-

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 60.60 Wastewater \$ 41.40

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	5.0	-	1.0	0.0
< 3/4"	238.0	238.0	1.0	238.0
1"	-	-	2.5	-
1 1/2"	1.0	1.0	5.0	5.0
2"	-	-	8.0	-
3"	2.0	2.0	15.0	30.0
4"	-	-	25.0	-
6"	-	-	50.0	-
8"	-	-	80.0	-
10"	-	-	115.0	-
Total Water	246.0	241.0		273.0
Total Wastewater	240.0	239.0	1.0	239.0

(1) Base fee includes water, wastewater and solid waste service.

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

Gallons pumped into system: 66,893
Gallons billed to customers: 67,664

Water Accountability Ratio (Gallons billed / Gallons Pumped) 101.2%

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

Does the District assess standby fees? Yes No

If yes, Date of the most recent Commission Order: _____

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

If yes, Date of the most recent Commission Order: _____

5. Location of District

County(ies) in which district is located: Williamson

Is the District located entirely within one county? Yes No

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

City(ies) in which district is located: N/A

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJ's in which district is located: Round Rock

Are Board members appointed by an office outside the district?

Yes No

If Yes, by whom? _____

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2011**

Draft

Personnel Expenditures (including benefits)	\$	-
Professional Fees:		
Auditing		15,500
Legal		41,767
Engineering		450
Financial Advisor		-
Purchased Services for Resale:		
Bulk Water and Wastewater Purchases		330,592
Contracted Services:		
Bookkeeping		20,150
General Manager		28,155
Appraisal District		-
Tax Appraiser		1,936
Other Contracted Services		79,133
Utilities		9,230
Repairs and Maintenance		26,783
Administrative Expenditures:		
Directors' Fees		-
Office Supplies		-
Insurance		4,201
Other Administrative Expenditures		2,674
Capital Outlay:		
Capitalized Assets		-
Expenditures not Capitalized		-
Tap Connection Expenditures		-
Solid Waste Disposal		40,254
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
TOTAL EXPENDITURES	\$	<u>600,825</u>

Number of persons employed by the District:

Full-Time

Part-Time

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2011**

Draft

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund -					
TexPool	XXX0005	Varies	N/A	\$ 160,474	\$ -
Total				<u>160,474</u>	<u>-</u>
Debt Service Fund -					
TexPool	XXX0001	Varies	N/A	98	-
TexPool	XXX0002	Varies	N/A	149,478	-
Total				<u>149,576</u>	<u>-</u>
Capital Projects Fund -					
TexPool	XXX0003	Varies	N/A	66,600	-
TexPool	XXX0004	Varies	N/A	1,230	-
Total				<u>67,830</u>	<u>-</u>
Total - All Funds				<u><u>\$ 377,880</u></u>	<u><u>\$ -</u></u>

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2011**

Draft

	Maintenance Taxes	Debt Service Taxes	
Taxes Receivable, Beginning of Year	\$ -	\$ -	
2010 Original Tax Levy and adjustments	228,047	283,094	
Less tax adjustments	-	-	
Total to be accounted for	228,047	283,094	
Tax collections:			
Current year	227,125	281,949	
Prior years	-	-	
Total collections	227,125	281,949	
Taxes Receivable, End of Year	\$ 922	\$ 1,145	
Taxes Receivable, By Years			
2008	\$ -	\$ -	
2009	-	-	
2010	922	1,145	
Taxes Receivable, End of Year	\$ 922	\$ 1,145	
Property Valuations:	2010	2009	2008
Land and improvements	\$ 78,406,506	\$ 66,961,208	\$ 44,886,228
Total Property Valuations	\$ 78,406,506	\$ 66,961,208	\$ 44,886,228
Tax Rates per \$100 Valuation:			
Debt Service tax rates	\$ 0.3600	\$ 0.3500	\$ 0.3000
Maintenance tax rates	0.2900	0.3000	0.3500
Total Tax Rates per \$100 Valuation:	\$ 0.6500	\$ 0.6500	\$ 0.6500
Original Tax Levy	\$ 509,642	\$ 435,248	\$ 291,760
Percent of Taxes Collected to Taxes Levied **	100.00%	100.00%	100.00%
Maximum Tax Rate Approved by Voters:	\$ 1.00 on 5/13/2006		

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

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2011**

Fiscal Year Ending	Unlimited Tax Bonds Series 2008				Unlimited Tax Bonds Series 2009				Annual Requirements for All Series			
	Principal Due 9/01	Interest Due 2/01, 8/01	Total	Principal Due 9/01	Interest Due 2/01, 8/01	Total	Principal Due 9/01	Interest Due 2/01, 8/01	Total	Principal Due 9/01	Interest Due 2/01, 8/01	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2012	70,000	154,700	224,700	40,000	110,540	150,540	110,000	265,240	375,240	110,000	265,240	375,240
2013	75,000	151,830	226,830	45,000	108,940	153,940	120,000	260,770	380,770	120,000	260,770	380,770
2014	80,000	148,680	228,680	45,000	107,050	152,050	125,000	255,730	380,730	125,000	255,730	380,730
2015	85,000	145,240	230,240	50,000	105,070	155,070	135,000	250,310	385,310	135,000	250,310	385,310
2016	90,000	141,500	231,500	50,000	102,770	152,770	140,000	244,270	384,270	140,000	244,270	384,270
2017	95,000	137,450	232,450	55,000	100,370	155,370	150,000	237,820	387,820	150,000	237,820	387,820
2018	100,000	133,080	233,080	60,000	97,620	157,620	160,000	230,700	390,700	160,000	230,700	390,700
2019	110,000	128,380	238,380	65,000	94,530	159,530	175,000	222,910	397,910	175,000	222,910	397,910
2020	115,000	123,100	238,100	70,000	91,085	161,085	185,000	214,185	399,185	185,000	214,185	399,185
2021	120,000	117,350	237,350	75,000	87,270	162,270	195,000	204,620	399,620	195,000	204,620	399,620
2022	130,000	111,350	241,350	80,000	83,070	163,070	210,000	194,420	404,420	210,000	194,420	404,420
2023	135,000	104,850	239,850	85,000	78,470	163,470	220,000	183,320	403,320	220,000	183,320	403,320
2024	145,000	98,100	243,100	90,000	73,455	163,455	235,000	171,555	406,555	235,000	171,555	406,555
2025	155,000	90,705	245,705	95,000	68,145	163,145	250,000	158,850	408,850	250,000	158,850	408,850
2026	165,000	82,800	247,800	105,000	62,540	167,540	270,000	145,340	415,340	270,000	145,340	415,340
2027	170,000	74,385	244,385	110,000	56,345	166,345	280,000	130,730	410,730	280,000	130,730	410,730
2028	185,000	65,715	250,715	120,000	49,855	169,855	305,000	115,570	420,570	305,000	115,570	420,570
2029	195,000	56,280	251,280	125,000	42,775	167,775	320,000	99,055	419,055	320,000	99,055	419,055
2030	205,000	46,335	251,335	135,000	35,400	170,400	340,000	81,735	421,735	340,000	81,735	421,735
2031	215,000	35,880	250,880	145,000	27,435	172,435	360,000	63,315	423,315	360,000	63,315	423,315
2032	230,000	24,700	254,700	155,000	18,880	173,880	385,000	43,580	428,580	385,000	43,580	428,580
2033	245,000	12,740	257,740	165,000	9,735	174,735	410,000	22,475	432,475	410,000	22,475	432,475
	\$ 3,115,000	\$ 2,185,150	\$ 5,300,150	\$ 1,965,000	\$ 1,611,350	\$ 3,576,350	\$ 5,080,000	\$ 3,796,500	\$ 8,876,500	\$ 5,080,000	\$ 3,796,500	\$ 8,876,500

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2011**

Draft

	Bond Issues		Total
	Series 2008	Series 2009	
Interest Rate	3.75% - 5.20%	3.75% - 5.90%	
Dates Interest Payable	2/1 ; 8/1	2/1 ; 8/1	
Maturity Dates	8/1/2033	8/1/2033	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 3,185,000	\$ 2,000,000	\$ 5,185,000
Bonds Sold During the Current Fiscal Year	-	-	\$ -
Retirements During the Current Fiscal Year:			
Principal	(70,000)	(35,000)	(105,000)
Bonds Outstanding at End of Current Fiscal Year	\$ 3,115,000	\$ 1,965,000	\$ 5,080,000
Interest Paid During the Current Fiscal Year	\$ 157,500	\$ 111,852	\$ 269,352
Paying Agent's Name & Address:	Wells Fargo Bank, N.A.		
	Dallas, TX 75201		
Bond Authority:	Tax Bonds*	Park Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 11,145,000	\$ 1,770,000	\$ 17,000,000
Amount Issued	(5,250,000)	-	-
Remaining To Be Issued	\$ 5,895,000	\$ 1,770,000	\$ 17,000,000

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

Debt Service Fund Cash and Temporary Investments balances as of September 30, 2011: \$ 149,576

Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt: \$ 403,477

WALSH RANCH MUNICIPAL UTILITY DISTRICT
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS
SEPTEMBER 30, 2011

Draft

	Amounts					Percentage of Fund Total Revenues				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
GENERAL FUND REVENUES & OTHER SOURCES -										
Property taxes, including penalties	\$ 226,927	\$ 200,805	\$ 157,608	\$ 109,911	\$ -	30.7%	34.6%	29.4%	21.3%	-
Service accounts, including penalties	469,929	353,547	320,060	220,534	7,434	63.4%	61.0%	59.8%	42.7%	8.0%
Tap connection fees	-	20,400	47,643	92,700	72,000	-	3.5%	8.9%	18.0%	78.0%
Inspection/review fees	-	4,250	10,276	17,200	12,800	-	0.7%	1.9%	3.3%	13.9%
Interest	422	556	122	159	57	0.1%	0.1%	-	-	0.1%
Other	52	703	79	1,695	-	-	0.1%	-	0.3%	-
Operating transfer	42,850	-	-	-	-	5.8%	-	-	-	-
Bond proceeds	-	-	-	73,867	-	-	-	-	14.4%	-
TOTAL GENERAL FUND REVENUES & OTHER SOURCES	740,180	580,261	535,788	516,066	92,291	100.0%	100.0%	100.0%	100.0%	100.0%
GENERAL FUND EXPENDITURES & OTHER USES -										
Current:										
Water/wastewater purchases	330,592	235,686	248,041	267,124	44,761	44.7%	40.6%	46.3%	51.8%	48.5%
Garbage collection	40,254	33,488	21,231	13,102	-	5.4%	5.8%	4.0%	2.5%	-
Repairs and maintenance	26,783	11,113	15,724	17,657	3,430	3.6%	1.9%	2.9%	3.4%	3.7%
Inspection/review fees	-	9,075	17,612	16,874	5,850	-	1.6%	3.3%	3.3%	6.3%
Landscape maintenance	79,133	80,005	63,808	71,357	5,084	10.7%	13.8%	11.9%	13.8%	5.5%
Utilities	9,230	7,869	7,459	6,279	1,302	1.2%	1.4%	1.4%	1.2%	1.4%
Director fees, including payroll taxes	-	646	6,136	4,844	1,453	-	0.1%	1.1%	0.9%	1.6%
Legal fees	41,767	38,468	50,422	61,550	12,513	5.6%	6.6%	9.4%	11.9%	13.6%
Audit fees	15,500	14,000	12,500	8,000	-	2.1%	2.4%	2.3%	1.6%	-
Engineering fees	450	3,057	2,827	2,661	2,402	0.1%	0.5%	0.5%	0.5%	2.6%
Management fees	28,155	26,102	21,663	23,478	5,648	3.8%	4.5%	4.0%	4.5%	6.1%
Bookkeeping fees	20,150	22,898	20,506	3,238	-	2.7%	3.9%	3.8%	0.6%	-
Tax/appraisal fees	1,936	2,068	1,318	861	-	0.3%	0.4%	0.2%	0.2%	-
Insurance	4,201	1,541	1,562	1,676	-	0.6%	0.3%	0.3%	0.3%	-
Office expenditures	-	-	2,168	-	-	-	-	0.4%	-	-
Other	2,674	1,774	20,070	1,334	844	0.4%	0.3%	3.7%	0.3%	0.9%
Reimburse prior year expenditures	-	-	-	8,867	-	-	-	-	1.7%	-
Capital outlay	-	5,224	-	-	-	-	0.9%	-	-	-
TOTAL GENERAL FUND EXPENDITURES & OTHER USES	600,825	493,014	513,047	508,902	83,287	81.2%	85.0%	95.5%	98.5%	90.2%
EXCESS (DEFICIENCY) OF GENERAL FUND REVENUES OVER EXPENDITURES & OTHER USES	\$ 139,355	\$ 87,247	\$ 22,741	\$ 7,164	\$ 9,004	18.8%	15.0%	4.5%	1.5%	9.8%
DEBT SERVICE FUND REVENUES & OTHER SOURCES -										
Property taxes, including penalties	\$ 281,703	\$ 234,273	\$ 135,093	\$ 13,957	\$ -	99.6%	99.3%	43.4%	5.2%	-
Interest	1,132	1,556	128	35	-	0.4%	0.7%	-	-	-
Bond proceeds	-	-	175,701	255,165	-	-	-	56.6%	94.8%	-
TOTAL DEBT SERVICE FUND REVENUES & OTHER SOURCES	282,835	235,829	310,922	269,157	-	100.0%	100.0%	100.0%	100.0%	-
DEBT SERVICE FUND EXPENDITURES & OTHER USES -										
Tax appraisal/collection	2,404	2,306	939	72	-	0.8%	0.1%	0.3%	-	-
Financial advisor fees	800	800	400	-	-	0.3%	0.3%	0.1%	-	-
Bond principal	105,000	65,000	-	-	-	37.1%	27.6%	-	-	-
Bond interest	269,352	263,712	193,702	(14,217)	-	95.3%	111.8%	62.3%	(5.3)%	-
Fiscal agent fees and other	-	32	346	120	-	-	-	0.1%	-	-
Bond discount	-	-	60,000	-	-	-	-	19.3%	-	-
TOTAL DEBT SERVICE FUND EXPENDITURES & OTHER USES	377,556	331,850	255,387	(14,025)	-	133.5%	139.8%	82.1%	(5.3)%	-
EXCESS (DEFICIENCY) OF DEBT SERVICE FUND REVENUES OVER EXPENDITURES & OTHER USES	\$ (94,721)	\$ (96,021)	\$ 55,535	\$ 283,182	\$ -	-33.5%	-39.8%	18.0%	105.3%	-
TOTAL ACTIVE RETAIL WATER CONNECTIONS	241	244	212	147	28					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	239	240	210	141	27					

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2011**

Draft

Complete District Mailing Address:	<u>901 S. Mopac Expressway, Suite 225, Austin, TX 78746</u>
District Business Telephone Number:	<u>(512) 328-2008</u>
Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054):	<u>June 4, 2010</u>
Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)	<u>\$7,200</u>

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	9/30/2011	9/30/2011	Title at Year End
<i>Board Members:</i>						
Rashid Shamsie, Jr.	(Elected) 5/21/2008 - 5/12/2012	\$	-	\$	341	President
Brian White	(Appointed) 5/19/2010 - 5/12/2012	\$	-	\$	-	Vice-President
Chris Hatch	(Elected) 5/9/2010 - 5/10/2014	\$	-	\$	-	Secretary
Chad Stonecipher	(Elected) 5/9/2010 - 5/10/2014	\$	-	\$	-	Assistant Secretary
Laurie Mahnke	(Elected) 5/9/2010 - 5/10/2014	\$	-	\$	-	Assistant Secretary
<i>Consultants:</i>						
Crossroads Utility Services, LLC	11/23/2010	\$	30,057	\$	-	Operator
McLean & Howard, L.L.P.	3/12/2006	\$	37,091	\$	-	Attorney
Bott & Douthitt, PLLC	8/25/2010	\$	18,650	\$	198	District Accountant
McCall Gibson Swedlund & Barfoot, PLLC	8/9/2011	\$	-	\$	-	Auditor
Peña Swayze & Co., L.L.P.	9/20/2006	\$	12,560	\$	-	Prior Auditor
Specialized Public Finance	12/17/2008	\$	-	\$	-	Financial Advisor
Williamson County Tax Collector	6/21/2006	\$	59	\$	-	Tax Collector

* Fees of Office are the amounts actually paid to a director during the district's fiscal year.

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**OTHER SUPPLEMENTAL
INFORMATION**

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2011**

Draft

Taxpayer	Type of Property	Tax Roll Year		
		2011	2010	2009
Charette, S.	N/A	\$ 721,139	\$ 720,768	\$ -
Harriman, D. & C.	N/A	482,243	453,027	-
Tamburro, P.	N/A	464,239	462,029	488,162
Driscoll, P. & K.	N/A	454,204	437,212	-
Moczygemba, N. & K.	N/A	448,194	-	-
Avutu, R. & A.	N/A	447,795	445,941	471,005
Nieto, J. & A.	N/A	441,112	437,422	-
Mahnke, A. & L.	N/A	440,889	-	-
Schoening, C. & D.	N/A	438,720	-	-
Giesen, R. & I.	N/A	437,865	-	-
Highland Homes - Austin Ltd.	N/A	-	623,981	1,281,723
Taylor Woodrow Homes - Austin Division Ltd.	N/A	-	509,397	913,422
Highland Homes - Austin Ltd.	N/A	-	478,655	574,565
Macaluso, A.	N/A	-	439,612	464,253
Taylor Morrison of Texas Inc.	N/A	-	-	859,989
Drees Custom Homes	N/A	-	-	580,295
Merion 100 LP	N/A	-	-	546,420
Talmar Holding Company LLC	N/A	-	-	459,224
Total		\$ 4,776,400	\$ 5,008,044	\$ 6,639,058
Percent of Assessed Valuation		5.3%	6.4%	9.9%

**WALSH RANCH MUNICIPAL UTILITY DISTRICT
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2011**

Draft

Type of Property	Tax Roll Year					
	2011		2010		2009	
	Amount	%	Amount	%	Amount	%
Land - Homesite	\$ 13,493,524	15.1%	\$ 12,086,450	15.4%	\$ 10,059,400	15.1%
Land - Non Homesite	6,069	-	664,419	0.8%	2,819,469	4.2%
Improvements - Homesite	76,106,245	84.9%	64,596,906	82.4%	51,638,263	77.1%
Improvements - Non Homesite	22,438	-	22,168	-	-	-
Personal Property	40,182	0.1%	94,950	0.1%	121,123	0.2%
Less: Adjustments/Exemptions	<u>(62,961)</u>	<u>-0.1%</u>	<u>941,613</u>	<u>1.2%</u>	<u>2,322,953</u>	<u>3.5%</u>
Total	<u>\$ 89,605,497</u>	<u>100.0%</u>	<u>\$ 78,406,506</u>	<u>100.0%</u>	<u>\$ 66,961,208</u>	<u>100.0%</u>