

1ST AMENDED ORDER ADOPTING A MANAGEMENT POLICY FOR DIRECTORS
AND EMPLOYEES OF THE LAKEWAY MUNICIPAL UTILITY DISTRICT

WHEREAS, LAKEWAY MUNICIPAL UTILITY DISTRICT (the "District") is a political sub-division of the State of Texas operating pursuant to Chapters 49 & 54 of the Texas Water Code; and

WHEREAS, Texas Water Code Section 49.057 states that the Board of Directors of the District shall be responsible for the management of all the affairs of the District:

NOW, THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF
THE LAKEWAY MUNICIPAL UTILITY DISTRICT THAT:

1.01 PURPOSE

The purpose of this policy is to present guidelines for the preparation and use of accounting records, the budget, the rate design, the tax levy, and the audit.

1.02 ACCOUNTING RECORDS

District accounting records shall be prepared on a timely basis and maintained in an orderly manner, in conformity with generally accepted accounting principles and the requirements of the Texas Commission on Environmental Quality (TCEQ). Such records shall be available for public inspection during regular business hours at the District's office.

1.03 BUDGET, RATE DESIGN AND TAX LEVY

These documents shall be prepared annually by the staff in conjunction with the appropriate committee of the Board of Directors. The methodology to be employed in the preparation of said documents is presented in the District's Rate Manual. The Budget shall be used throughout the fiscal year to monitor revenues and to monitor and control operations and maintenance expenses. Such records shall be available for public inspection during regular business hours at the District's office.

1.04 AUDIT REQUIREMENTS

A. Unless otherwise exempted by the rules of the TCEQ as described in 5.03(C), the District's fiscal accounts and records shall be audited annually in accordance with State law governing the audits of water districts, at the expense of the District, by a certified public accountant familiar with the TCEQ's rules, regulations, standards, and guidelines applicable to water district audits. As of the date of adoption of these policies, section 49 Subchapter G of the Texas Water Code (Rules of the TCEQ) govern the audits of water districts (the "Audit Laws").

B. The audit, or other required affidavit, shall be completed and filed within the time limits established by the Audit Laws. Copies shall be filed with the TCEQ, the county in which the District is located, and the city in which the District is located (if within corporate limits or extraterritorial jurisdiction), together with an annual filing affidavit in the form prescribed by the Audit Laws. In the event the Board refuses to approve the annual audited report, the District shall file a statement with the audit which explains the reasons for disapproval of the audit.

C. If the District does not have sufficient revenues or activity so that it meets the requirements of the Audit Laws for financially dormant or inactive districts, it may prepare and submit an annual financial dormancy affidavit or an annual financial report described in the Audit Laws.

D. If the District violates the Audit Laws, it may be subject to a civil penalty.


1.05 AUDIT COMMITTEE

Responsibility for review of the annual audit is assigned to the Finance, Accounting and Audit Committee. This committee shall make a verbal report to the Board on such review and shall recommend that appropriate action be taken on the audit. The audit shall be available for public inspection during regular business hours at the District's office.

The President and the Secretary, respectively, of the Board of Directors are authorized to evidence adoption of this Order on behalf of the District and to do any and all things necessary to carry out the intent hereof.

PASSED AND APPROVED this the 8th day of July, 2009.

ATTEST:



Secretary, Board of Directors
1st VP



President, Board of Directors

[SEAL]