

LAKEWAY MUNICIPAL UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Rick C. Reed
& COMPANY, PLLC
Certified Public Accountants

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LAKEWAY MUNICIPAL UTILITY DISTRICT

Annual Financial Report For the Year Ended September 30, 2009

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }
COUNTY OF TRAVIS }

I, Tom Rogers of the LAKEWAY MUNICIPAL UTILITY
(Name of Duly Authorized District Representative)

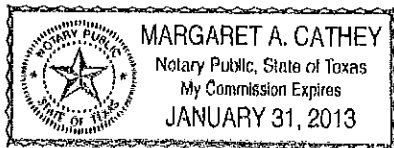
DISTRICT hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 10 day of February, 2010, its annual audit report for the fiscal year or period ended September 30, 2009 and that copies of the annual audit report have been filed in the District Office, located at 1097 Lohmans Crossing, Austin, Texas 78734. The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

DATE: 2/10, 2010

By: [Signature]
(Signature of District Representative)

Tom Rogers President
Typed Name and Title of Above District Representative

Sworn to and subscribed to before me on this 10 day of February, 2010.



[Signature]
(Signature of Notary)

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

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Rick C. Reed
& COMPANY, PLLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Lakeway Municipal Utility District
Austin, Texas

We have audited the accompanying basic financial statements of the Lakeway Municipal Utility District, as of and for the year ended September 30, 2009, as listed in the 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2009, and the changes in its 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 are not a required part of the basic financial statements but are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the District. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

Rick C. Reed & Company PLLC

Rick C. Reed & Company, PLLC
Certified Public Accountants

December 22, 2009

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION

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LAKEWAY MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2009

PURPOSE

In June 1999, the Governmental Accounting Standards Board issued Statement 34, "Basic Financial Statements and Management's Discussion and Analysis". The financial statements include a discussion and analysis of Lakeway Municipal Utility District's (District) overall financial position and results of operations in a format that will facilitate the public's understanding of reported data. This discussion provides an overview of our financial activities for the fiscal year ended September 30, 2009.

OVERVIEW

We (the District) are on a sound financial footing. Moody's Investors Service established an 'AAA' credit rating in May of 2009 and there have been no events since that date that would change that rating. The financial statements show continued growth in net assets and taxpayer equity. We are reducing bonded debt and our budgeting and rate setting process is effective. Management and the Board of Directors effectively monitors and controls expenses. The Annual Financial Report, beginning on page 17, provides detailed schedules of the financial position. The following discussion will refer to those schedules.

FINANCIAL STATEMENTS

The government wide financial statements (the statement of net assets and the statement of activities) and the governmental fund financial statements are combined and are present in pages 17 and 19, and report our financial information.

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

The Statement of Activities presents information showing how our net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Fund financial statements report our operations in more detail than the government-wide statements by providing information about our most significant funds. The governmental funds balance sheet reports financial information for the general, debt service, and capital project funds in separate columns because we believe each to be a major fund because each fund is particularly important to financial statement users. The governmental funds revenues, expenditures, and

changes in fund balances also reports the three major funds in separate columns, and reports the expenses, program revenues, and general revenues for each fund.

STATEMENT OF NET ASSETS

We ended fiscal year 2009 with \$18,129,846 in Total Net Assets. This was made up of \$36,472,627 in Assets comprised of cash, investments and capital assets with Liabilities of \$18,342,781 including accounts payable and long term liabilities (debt service). See page 17.

STATEMENT OF ACTIVITIES

Program revenues totaled \$4,910,754 while total general revenue was \$2,654,679. Therefore, total revenue for the year was \$7,565,433. Total expenses for the year were \$6,399,611, so the change in net assets increased by \$1,165,822. See page 19.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The focus of the presentation of our governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing our financing requirements. In particular, unreserved fund balance may serve as a useful measure of our net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, our governmental funds reported combined ending fund balances of \$7,849,825. Approximately 55% of this total amount (\$4,353,904) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for future construction (\$2,370,396) and 2) to pay for debt service (\$1,125,525).

Due to revenues being more than expenses and transfers out, the actual general fund balance increased by \$603,981. Debt service fund balance decreased by \$31,057. The capital projects fund balance increased by \$2,369,824 due to a bond sale.

SOURCE OF FUNDS

We generate operating funds in two ways:

Rates

About half of the total cost of service is received through bi-monthly customer billings for water and wastewater service. We had 3,998 active water connections as of September 30, 2009. This was a decrease of 8 connections over the prior fiscal year. We had 2,959 active wastewater connections as of September 30, 2009. This was an increase of 7 connections over the prior fiscal year.

Rates are calculated annually and reviewed in a mid-year rate audit. Rates are based upon actual costs and revenues in the most recent twelve-month period running from June 1st to May 31st,

after adjustments for known and measurable change. Generally, the rates will change annually. In FY 2009 water base rates increased from \$15.56 to \$19.00 and wastewater base rates increased slightly from \$14.25 to \$14.69. Water volume rate charges changed to encourage conservation. 0-15,000 gallons (\$2.25 per thousand); 15,001-30,000 (\$3.00); 30,001-50,000 (\$3.50); 50,001-80,000 (\$4.00); 80,001-100,000 (\$4.50); and over 100,000 (\$5.00). Rates were adequate to cover the projected cost of operations.

Ad Valorem Taxes

Ad Valorem taxes of \$.1622 per \$100 valuation were collected to make principal and interest payments on wastewater debt. Tax charges, included \$.03 per \$100 valuation, were collected for general maintenance and operations. Ninety-nine percent of the taxes levied in 2008 were collected and the remaining 1% is considered collectable. Total assessed valuation increased from \$897 million in fiscal 2008 to \$982 million in fiscal 2009.

All Ad Valorem taxes are applied to principal and interest payments for wastewater debt or for wastewater operations and maintenance. The remainder of the principal and interest payment comes from water rate revenue. The total principal and interest payment is \$2,954,363.

OPERATING REVENUES AND EXPENDITURES

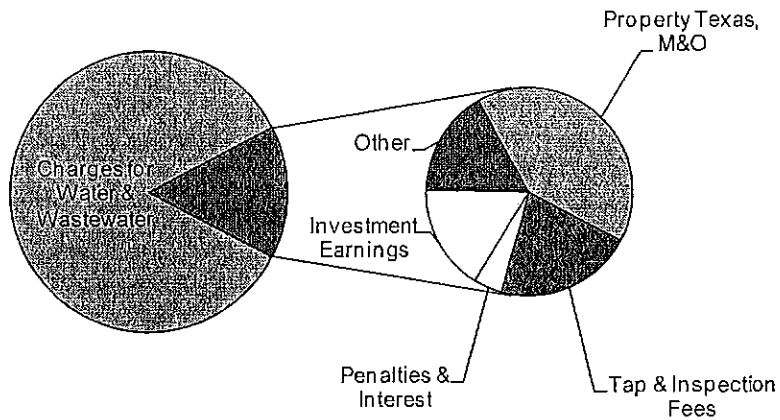
Operating revenues and expenses are budgeted annually. The administrative staff develops the budget then it is reviewed and approved by the Board of Directors. During the year the budget is reviewed frequently and all significant deviations are discussed with and approved by the Board of Directors. There is a formal mid-year review that may result in rate changes; however, there was no mid-year rate change for FY 2009.

There were two significant variations between the final budget amounts and actual amounts. The positive variance in Charges for water services was due to a drought of record and a surplus of \$582,000. The positive variance in Other Revenue was due to a large sale of LUEs of \$335,800.

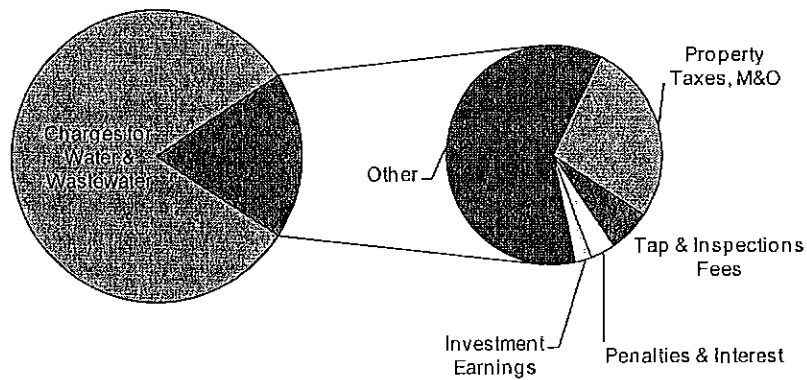
Revenues

General Fund Revenues were \$926,657, or 18.50%, above the original budget. This was due, in part, to the drought and large wholesale contract payments.

**General Fund
Budgeted Revenues
\$5,009,400**

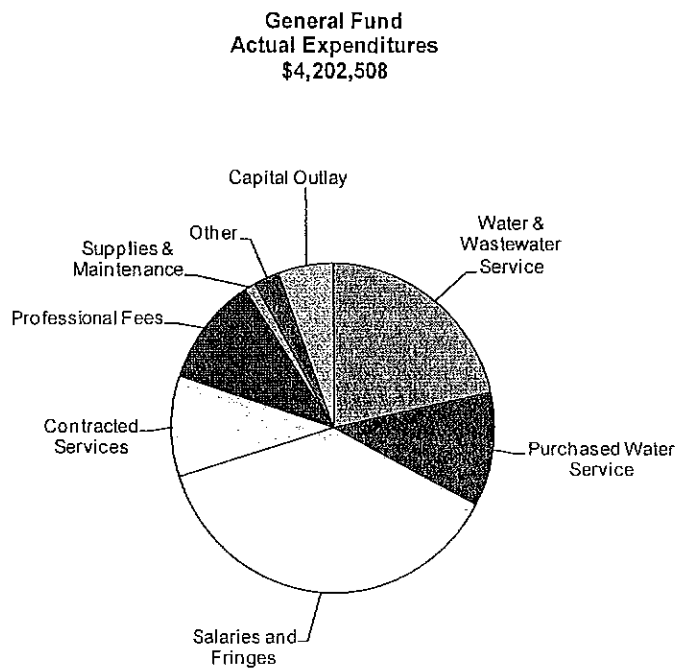
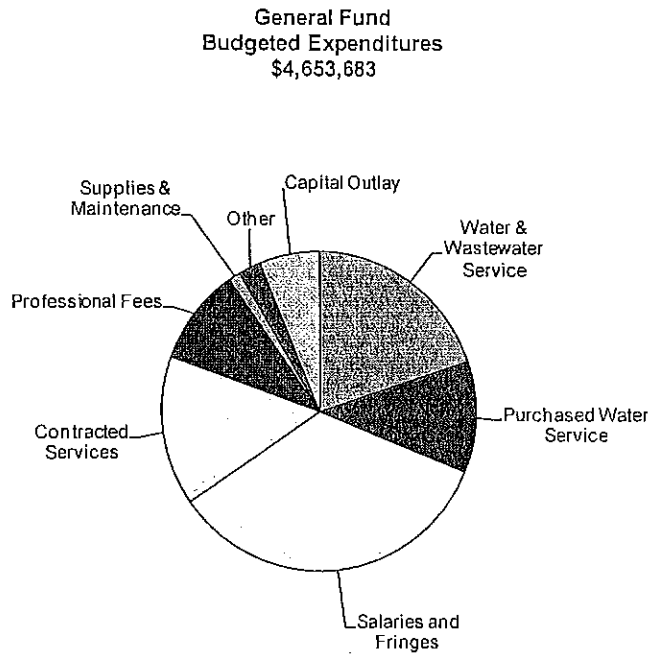


**General Fund
Actual Revenues
\$5,936,057**



Expenditures

General Fund Expenditures were \$451,175, or 10.73%, below budget. This was due to construction projects that were started with construction reserves and not included in the original budget.



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Our investment in capital assets, net of accumulated depreciation, as of September 30, 2009, was \$28,208,299. See Note C for additional information on capital assets.

Long-term Debt

At the end of the fiscal year, we had total bonded debt outstanding of \$17,813,101, an increase of 24.5% from the prior year. See Note D for additional information on long term debt.

WATER/WASTEWATER TREATMENT PLANTS AND COLLECTION SYSTEMS

Treatment Plants

We have one water and two wastewater treatment plants; all were completed or modernized in May of 2003. These plants have the capacity to serve us through build-out. No future construction of treatment plants is envisioned; however government regulatory agencies are constantly revising standards, so some future actions may be necessary.

Distribution and Collection System

Our water distribution system is in good condition, even though some of the underground piping is forty years old and subject to breaks and leaks. During the 1980's some polybutylene piping was installed, which has proven defective. We received financial compensation from the manufacturer for repair and replacement. We have determined that it is more economical to repair and replace piping when it fails than implement a capital intensive replacement program.

Similarly, the wastewater collection system is aging. We have a continuing program to monitor and repair these pipelines.

DIRECTORS, MANAGEMENT AND OPERATING PERSONNEL

Board of Directors

We receive overall direction from a five person Board of Directors. All are volunteer residents of the District. They are elected by the taxpayers and serve a staggered four year term. See page 67.

Management

A professional General Manager, with over thirty-four years experience, including sixteen years with the District, controls daily operations. See page 68.

Personnel

We employ 21 full time people; this is unchanged from the previous year. There was one employee turnover in FY 2009.

State regulations require specific levels of job qualifications for operations and management personnel. All concerned personnel were at or above the required level of certification through the fiscal year 2009. We have an incentive program to encourage employees to obtain more advanced certifications.

We provide retirement, disability and death benefits for all full-time employees through a defined benefit pension plan operated by the statewide Texas County & District Retirement System (TCDRS). We fund the plan by monthly contributions from both employees and the District. The employee contributes 7% by payroll deduction. The actuarially determined rate paid by the District for FY 2009 was 10.00%. The District contributed \$106,842. The funding for the retirement system is sound.

In addition, we offer an optional deferred compensation plan to all employees, IRC 457(b). The District will match up to 5% of the employee's salary.

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BASIC FINANCIAL STATEMENTS

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LAKEWAY MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2009

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjust- ments (Note N)</u>	<u>Statement of Net Assets</u>
ASSETS						
Cash and investments	\$3,516,521	\$1,125,525	\$2,492,116	\$7,134,162	\$	\$ 7,134,162
Taxes receivable	7,595	82,069		89,664		89,664
Other receivables	1,013,501			1,013,501		1,013,501
Prepayments	27,001			27,001		27,001
Capital assets (net of accumulated depreciation)						
Land and construction in progress					5,278,925	5,278,925
Other capital assets					<u>22,929,374</u>	<u>22,929,374</u>
Total assets	<u>\$4,564,618</u>	<u>\$1,207,594</u>	<u>\$2,492,116</u>	<u>\$8,264,328</u>	<u>\$28,208,299</u>	<u>\$36,472,627</u>
LIABILITIES						
Accounts payable	\$ 154,869	\$	\$ 102,362	\$ 257,231	\$	\$ 257,231
Security deposits payable	48,250			48,250		48,250
Salaries/benefits payable					127,887	127,887
Accrued interest payable			19,358	19,358	76,954	96,312
Deferred revenues	7,595	82,069		89,664	(89,664)	
Long-term liabilities:						
Due within one year					2,480,000	2,480,000
Due after one year					<u>15,333,101</u>	<u>15,333,101</u>
Total liabilities	<u>210,714</u>	<u>82,069</u>	<u>121,720</u>	<u>414,503</u>	<u>17,928,278</u>	<u>18,342,781</u>
FUND BALANCES/NET ASSETS						
Fund balances:						
Reserved, reported in:						
Debt service funds		1,125,525		1,125,525	(1,125,525)	
Capital projects funds			2,370,396	2,370,396	(2,370,396)	
Unreserved	<u>4,353,904</u>			<u>4,353,904</u>	<u>(4,353,904)</u>	
Total fund balances	<u>4,353,904</u>	<u>1,125,525</u>	<u>2,370,396</u>	<u>7,849,825</u>	<u>(7,849,825)</u>	
Total liabilities and fund balances	<u>\$4,564,618</u>	<u>\$1,207,594</u>	<u>\$2,492,116</u>	<u>\$8,264,328</u>		
Net Assets:						
Invested in capital assets, net of related debt					10,395,198	10,395,198
Restricted for debt service					1,125,525	1,125,525
Restricted for capital projects					2,370,396	2,370,396
Unrestricted					<u>4,238,727</u>	<u>4,238,727</u>
Total net assets					<u>\$18,129,846</u>	<u>\$18,129,846</u>

See Accompanying Notes to Financial Statements

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LAKEWAY MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjust- ments (Note O)</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES:						
Service operations:						
Water service	\$ 362,172	\$	\$	\$ 362,172	\$	\$ 362,172
Wastewater service	541,903			541,903		541,903
Purchased water service	470,947			470,947		470,947
Salaries, benefits & payroll taxes	1,573,614			1,573,614	(260)	1,573,354
Contracted services	415,367			415,367		415,367
Professional fees	453,689			453,689		453,689
Supplies & maintenance- administrative	47,157			47,157		47,157
Other	105,810			105,810		105,810
Capital outlay-Capitalized	187,760		3,062,800	3,250,560	(3,250,560)	
Capital outlay-Not Capitalized	44,089			44,089		44,089
Debt service:						
Principal		2,365,000		2,365,000	(2,365,000)	
Interest and fiscal charges		607,645	77,667	685,312	27,840	713,152
Bond issuance costs			173,808	173,808		173,808
Depreciation					<u>1,498,163</u>	<u>1,498,163</u>
Total expenditures/expenses	<u>4,202,508</u>	<u>2,972,645</u>	<u>3,314,275</u>	<u>10,489,428</u>	<u>(4,089,817)</u>	<u>6,399,611</u>
REVENUES:						
Program revenues:						
Charges for water service	3,227,085			3,227,085		3,227,085
Charges for wastewater service	1,614,721			1,614,721		1,614,721
Tap connection & inspection fees	68,948			68,948		68,948
Total program revenues	<u>4,910,754</u>			<u>4,910,754</u>		<u>4,910,754</u>
Net program revenue/expense						<u>(1,488,857)</u>
General revenues:						
Property taxes	294,447	1,588,322		1,882,769	3,257	1,886,026
Investment earnings	26,268	16,845	11,562	54,675		54,675
Penalties and interest	40,351	9,390		49,741		49,741
Other (See Note L)	664,237			664,237		664,237
Transfers-internal activities	<u>(1,129,568)</u>	<u>1,327,031</u>	<u>(197,463)</u>			
Total general revenues/transfers	<u>(104,265)</u>	<u>2,941,588</u>	<u>(185,901)</u>	<u>2,651,422</u>	<u>3,257</u>	<u>2,654,679</u>
Total revenues and transfers	<u>4,806,489</u>	<u>2,941,588</u>	<u>(185,901)</u>	<u>7,562,176</u>	<u>3,257</u>	<u>7,565,433</u>
Other financing sources:						
Bond proceeds			5,870,000	5,870,000	(5,870,000)	
Excess (deficiency) of revenues, transfers in, and other sources over expenditures and transfers out	603,981	(31,057)	2,369,824	2,942,748	(2,942,748)	
Change in net assets					1,165,822	1,165,822
Fund balance/net assets:						
Beginning of the year	<u>3,749,923</u>	<u>1,156,582</u>	<u>572</u>	<u>4,907,077</u>	<u>12,056,947</u>	<u>16,964,024</u>
End of the year	<u>\$4,353,904</u>	<u>\$1,125,525</u>	<u>\$2,370,396</u>	<u>\$7,849,825</u>	<u>\$10,280,021</u>	<u>\$18,129,846</u>

See Accompanying Notes to Financial Statements

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**LAKEWAY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2009**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. **Creation of District** - Lakeway Municipal Utility District was created by an order of the Texas Water Rights Commission on February 17, 1972, under Chapter 54 of the Texas Water Code and confirmed by the electorate of Lakeway Municipal Utility District at a confirmation election held on April 28, 1972. The Board of Directors held its first meeting on February 21, 1972, and the first bonds were sold on September 1, 1972. The District is a tax-exempt entity.
2. **Reporting Entity** - In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in codification of Government and Financial Reporting Standards, Section 2100. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component unity for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units.
3. **Basic Financial Statements** - The government wide financial statements (the statement of net assets and the statement of activities) and the governmental fund financial statements are combined and are presented in pages 17 and 19, and report financial information of the District. The statement of net assets and governmental funds balance sheet reports financial information for the general, debt service, and capital project funds in separate columns because the District believes each to be a major fund because each fund is particularly important to financial statement users. Also included in the statement of net assets and governmental funds balance sheet is a column for adjustments which reconciles the governmental funds balance sheet to the statement of net assets. See Note N for an explanation of the adjustments. The statement of activities and governmental funds revenues, expenditures, and changes in fund balances also reports the three major funds in separate columns, and reports the expenses, program revenues, and general revenues for each fund. Program revenues include charges to customers for water, wastewater, and related services. Other revenues not properly included with program revenues are reported as general

revenues. Also included in the statement of activities is a column for adjustments which reconciles the governmental fund revenues, expenditures, and changes in fund balance to the statement of activities. See Note O for an explanation of the adjustments.

4. Measurement Focus, Basis of Accounting, and Financial Statement Presentation -

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- **A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- ** Financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure.
- **A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District elected to implement the general provisions of the Statement in the year ended September 30, 2004.

The government-wide financial statements (The Statement of Net Assets and the Statement of Activities) 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 tax revenues are recognized in the year for which they are levied.

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 sixty days of the end of the current fiscal period. Expenditures generally are recorded when a

liability is incurred, as under accrual accounting, except for bond principal and interest which are reported as expenditures in the year due.

Revenues susceptible to accrual are property taxes, interest revenue, and charges for services.

Fund Accounting - The accounts of the District are organized 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 separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped by category and type in the financial statements. The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term 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.

5. **Cash and Investments** - Cash of all funds are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. Deposits and investments are stated at cost. The District's cash deposits at year end and during the year were covered by Federal Depository Insurance or by pledged collateral held by JPMorgan Chase Bank in the District's name. The carrying amount and market value of deposits in JPMorgan Chase Bank at year end were \$243,714.

The District's temporary investments, considered to be "cash equivalents", during the year ended September 30, 2009, consisted entirely of the investment pool, TexPool, which is duly chartered and is operated under the overview of the State Comptroller of Public Accounts. The carrying amount and market value of investments in TexPool at year end were \$6,890,148.

State statutes, and District resolutions authorize the District's investments. The District is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, no-load money market mutual funds whose investments are restricted to 100% U.S. Treasury Obligations, and the Texas Treasury Safekeeping Trust Company's public investment pool (Texpool).

Cash deposits in JPMorgan Chase Bank and investments in TexPool can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Deposits which are insured or collateralized with securities held by or by its agent in the entity's name.

Category 2 - Deposits which are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Deposits which are not collateralized.

Based on these three levels of risk, all of the District's cash deposits, including those held by Texas Treasury Safekeeping Trust Company, TexPool, are classified as Category 2.

6. **Capital Assets, Depreciation, and Amortization** - The District's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported as assets in the statement of net assets. Current year acquisitions of capital assets are reported as capital expenditures in the governmental funds financial statements. The District maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The District capitalizes assets with cost or estimated historical cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, not including land and construction in progress, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	30
Infrastructure & Improvements	20-30
Machinery & Equipment	5-20

7. **Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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 expenses during the reporting period. Actual results could differ from those estimates.

8. **Capitalized Interest** - The District does not normally capitalize net interest costs as part of the cost of constructing various projects.
9. **Inventories and Prepaids** - The District records purchases of inventories (expendable supplies) as expenditures at the time of purchase. At year end the amounts on hand are immaterial and therefore no inventory (asset) amount is reported in the financial statements.

Prepaids record payments to vendors that benefit future reporting periods and are reported as an asset on the statement of net assets and governmental funds balance sheet.

10. **Long-Term Debt** - In the statement of net assets, long-term debt is reported as liabilities. Payments of bond principal and interest is reported as expenditures in the debt service fund.
11. **Compensated Absences** - This represents the estimated liability for employees accrued vacation and sick leave for which employees are entitled to be paid upon termination. Employees are granted working days of paid vacation in varying amounts to specified maximums depending on tenure with the District. Vacation pay is charged to operations when taken by the employees. Sick leave accrues to full-time employees to specified maximums. Upon termination of employment, unused sick leave and vacation time earned will be paid to employees up to specified maximums. Compensated absences are reported as accrued and included in salaries/benefits payable in the government wide financial statements (the statement of net assets and the statement of activities). The governmental fund financial statements include only matured compensated absences payable to currently terminating employees and are included in salaries and benefits payable. The estimated liabilities include required salary-related payments.
12. **Reservations of Fund Balance** - The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditure in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity, which is available for appropriations, in future periods. Fund equity reserves have been established in the capital projects fund and for future debt service in the debt service fund.

13. **Net Assets** - Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.
14. **Deferred Revenues** - Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In general, monies received within sixty days after year-end are considered to have been for prior year services. Tax revenue reported as deferred revenue in the general fund and debt service fund is recorded as revenue in the statement of activities. Accordingly, deferred tax revenue is excluded in the statement of net assets.
15. **Property Taxes** - Property taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year. Property taxes attach as an enforceable lien on property as of January 1. The tax rates assessed for the year ended September 30, 2009, for the maintenance and operation of the District, and for the payment of debt service on the District's outstanding bonds were \$.03 and \$.1622 per \$100 valuation, respectively, for a total of \$.1922 per \$100 valuation, and was based on an assessed valuation of \$982,675,349.

Property tax revenues are recognized in the governmental funds when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. In the statement of activities, property tax revenues are recognized in the year for which they are levied regardless of when the tax collections are received.

B. RECEIVABLES:

Property taxes receivable - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

Other receivables - significant amounts include what is due from customers primarily from water and wastewater billings.

C. CAPITAL ASSETS:

The capital asset activity for the District for the year ended September 30, 2009, was as follows:

<u>CAPITAL ASSETS</u>	<u>Land</u>	<u>Construction In Progress</u>	<u>Buildings</u>	<u>Infrastructure And Improvements</u>	<u>Machinery And Equipment</u>	<u>TOTALS</u>
September 30, 2008	\$1,901,958	\$ 272,236	\$ 1,099,283	\$ 47,417,512	\$ 519,527	\$51,210,516
Increases		3,240,579	9,980	135,848		3,386,407
Decreases		(135,848)			(23,657)	(159,505)
September 30, 2009	<u>1,901,958</u>	<u>3,376,967</u>	<u>1,109,263</u>	<u>47,553,360</u>	<u>495,870</u>	<u>54,437,418</u>
<u>ACCUMULATED DEPRECIATION</u>						
September 30, 2008			374,263	24,071,856	308,494	24,754,613
Increases			37,287	1,399,425	61,451	1,498,163
Decreases					(23,657)	(23,657)
September 30, 2009			<u>411,550</u>	<u>25,471,281</u>	<u>346,288</u>	<u>26,229,119</u>
CAPITAL ASSETS - NET	<u>\$1,901,958</u>	<u>\$3,376,967</u>	<u>\$ 697,713</u>	<u>\$ 22,082,079</u>	<u>\$ 149,582</u>	<u>\$28,208,299</u>

D. LONG-TERM DEBT:

Bonded Debt consists of Lakeway Municipal Utility District Water and Sewer Combination Revenue and Unlimited Tax Bonds, Series 1997, Series 1998-A, Series 1998-B, Series 1999, Unlimited Tax Bonds, Series 2000 and Series 2000-A, Unlimited Tax Refunding Bonds, Series 2005, and Unlimited Tax Bonds, Series 2009. Bond interest and principal is secured by and payable from the proceeds of an ad valorem tax levied without limitation as to rate or amount on all property within the District. Net revenues from the District's operations are not pledged for payment on the bonds, but may be used for such purpose.

Bonds payable at September 30, 2009, are comprised of the following individual issues:

Series 1997, due in annual principal installments ranging from \$165,000 to \$220,000 through September 1, 2017; interest rate is variable from 3.95% to 4.30%. \$ 1,530,000

Series 1998-A, due in annual principal installments ranging from \$46,897 to \$1,380,000 through September 1, 2015; interest rate is variable from 4.70% to 5.30%. 1,748,110

Series 1998-B, due in annual principal installments ranging from \$355,000 to \$400,000 through September 1, 2011; interest rate remaining is at 6.50%. 755,000

Series 1999, due in annual principal installments ranging from \$85,000 to \$90,000 through September 1, 2011; interest rate is variable from 4.5% to 6.5%.	175,000
Series 2000, due in annual principal installments with final payment of \$140,000 due September 1, 2010; interest rate is variable from 5.25% to 7.25%.	140,000
Series 2000-A, due in annual principal installments ranging from \$250,000 to \$265,000 and through September 1, 2012; interest rate is variable from 4.80% to 6.25%	765,000
Series 2005, due in annual principal installments ranging from \$105,000 to \$885,000 through September 1, 2022; interest rate is fixed at 3.57%.	6,829,991
Series 2009, due in annual principal installments ranging from \$100,000 to \$530,000 through September 1, 2029; interest rate is variable from 4.375% to 4.50%.	<u>5,870,000</u>
Total Bonds Payable at September 30, 2009	<u>\$17,813,101</u>

At September 30, 2009, the District had \$7,430,000 in remaining authorized but unissued bonds.

Debt service requirements are as follows:

<u>Due Fiscal Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$2,480,000	\$ 825,939	\$ 3,305,939
2011	1,168,208	2,140,868	3,309,076
2012	691,330	2,593,496	3,284,826
2013	465,098	2,870,196	3,335,294
2014	1,026,568	2,295,706	3,322,274
2015-2019	5,901,897	3,624,867	9,526,764
2020-2024	3,715,000	893,531	4,608,531
2025-2029	<u>2,365,000</u>	<u>328,250</u>	<u>2,693,250</u>
TOTALS	<u>\$ 17,813,101</u>	<u>\$15,572,853</u>	<u>\$33,385,954</u>

The provisions of the orders relating to debt service requirements for the upcoming fiscal year will be met with the cash allocated for these purposes and the proceeds of the ad valorem tax to be collected.

The debt service fund is in good financial condition and is being managed and utilized in accordance with the provisions of the bond orders.

Redemption of Bonds

The provisions relating to the redemption, callability, and call price of outstanding bonds are as follows:

Series 1997:

Bonds maturing in years 2009 through 2017 are callable September 1, 2009, or any date thereafter, in whole or in part, in inverse order of maturity in increments of \$5000 at par plus accrued interest.

Series 1998-A:

Current Interest Bonds maturing on or after September 1, 2009, are callable September 1, 2009, or any date thereafter, in whole or in part, in increments of \$5000 at par plus accrued interest.

The Capital Appreciation Bonds are not subject to redemption prior to maturity.

Series 1998-B:

Current Interest Bonds maturing on or after September 1, 2009, are callable September 1, 2009, or any date thereafter, in whole or in part, in increments of \$5000 at par plus accrued interest.

The Capital Appreciation Bonds are not subject to redemption prior to maturity.

Series 1999:

Bonds maturing on or after September 1, 2009, are callable September 1, 2009, or any date thereafter, in whole or in part, in increments of \$5,000 at par plus accrued interest.

Series 2000

Bonds maturing on or after September 1, 2009, are subject to redemption, in whole or in part, on or after September 1, 2009 or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

Series 2000-A

Bonds maturing on and after September 1, 2011, are subject to redemption, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2011, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Series 2005

Bonds maturing on and after September 1, 2009 are subject to redemption, in whole or in part, at any date, at the par value thereof plus accrued interest to the date of redemption.

Series 2009

Bonds maturing on and after September 1, 2019 callable in whole or in part on any date beginning September 1, 2018 at par value plus accrued interest to the date of redemption.

New Bond Issue

On April 15, 2009, the District issued \$5,870,000 of unlimited tax bonds, Series 2009. Proceeds used/to be used for infrastructure improvements to the District's water and wastewater systems. Interest rates are from 4.375% to 4.5%. The District was authorized to issue bonds for \$13,300,000. Remaining authorized but unissued bonds total \$7,430,000 as of September 30, 2009.

Advance Refunding

On May 24, 2005, the District issued \$7,304,991 of unlimited tax refunding bonds, Series 2005 for the purpose of an advance refunding on a portion of the District's Series 1999 bonds of \$1,055,000, Series 2000 bonds of \$2,250,000, and on Series 2000-A bonds of \$4,000,000. The resources from the issue were deposited in an irrevocable trust with an escrow agent to provide resources for all future debt service payments on the above Series 1999, 2000, and 2000-A bonds. As a result, these refunded bonds are considered to be defeased and the liability has been removed from the District's Statement of Net Assets. The trust account asset and liabilities for the defeased bonds are not included in the District's financial statements. As of September 30, 2009, \$4,000,000 of bonds considered defeased are still outstanding.

**LAKEWAY MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM DEBT
SEPTEMBER 30, 2009**

BOND ISSUES

	<u>Series 1997</u>	<u>Series 1998-A</u>	<u>Series 1998-B</u>	<u>Series 1999</u>	<u>Series 2000</u>	<u>Series 2000-A</u>	<u>Series 2005</u>	<u>Series 2009</u>	<u>Totals</u>
Interest Rate	3.85-4.30%	4.65-4.75%	6.45-6.50%	4.50-6.50%	5.25-7.25%	4.80-6.25%	3.57%	4.375-4.50%	
Dates Interest Payable	3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	
Bonds Outstanding Beginning of Current Year	\$ 1,690,000	\$ 3,063,110	\$ 1,090,000	\$ 260,000	\$ 270,000	\$ 1,000,000	\$ 6,934,991	\$ 0	\$ 14,308,101
Bonds Issued During Current Year	0	0	0	0	0	0	0	5,870,000	5,870,000
Retirements: Principal	<u>160,000</u>	<u>1,315,000</u>	<u>335,000</u>	<u>85,000</u>	<u>130,000</u>	<u>235,000</u>	<u>105,000</u>	<u>0</u>	<u>2,365,000</u>
Bonds Outstanding End of Current Year	<u>\$ 1,530,000</u>	<u>\$ 1,748,110</u>	<u>\$ 755,000</u>	<u>\$ 175,000</u>	<u>\$ 140,000</u>	<u>\$ 765,000</u>	<u>\$ 6,829,991</u>	<u>\$ 5,870,000</u>	<u>\$ 17,813,101</u>
Retirements: Interest	\$ 70,620	\$ 127,354	\$ 70,850	\$ 11,963	\$ 14,175	\$ 53,783	\$ 240,618	\$ 0	\$ 589,363

Paying Agent's Name & Address:

J.P. Morgan Chase Bank
P.O. Box 911542
Dallas, Texas 75391-1542

The Bank of New York
P.O. Box 14099
New York, New York 07198-0099

Debt Service Fund Cash and Temporary Investments
balances as of September 30, 2009: \$ 1,125,525
Average Annual Debt Service Payment (Principal and Interest)
for remaining term of all debt: \$ 1,669,297.

Bond Authority:

	<u>Tax Bonds*</u>
Amount Authorized by Voters	\$53,115,000
Amount Issued	\$45,685,000
Remaining to be Issued	\$ 7,430,000

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

E. SHORT-TERM DEBT:

On December 16, 2008, the District issued a Bond Anticipation Note for \$3,000,000. The proceeds were deposited into the Capital Projects Fund to pay for construction of a portion of approved system improvement projects. The interest rate on this note was 4%. The note was paid in full on June 15, 2009.

Short-term debt activity for the year ended September 30, 2009:

<u>Balance</u> <u>9-30-08</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>9-30-09</u>
\$ -0-	\$ 3,000,000	\$ (3,000,000)	\$ -0-

F. RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster. During the year ended September 30, 2009, the District contracted with the Texas Municipal League Intergovernmental Risk Pool for liability, property, and crime damage. Coverages provided are as follows:

Public Official and Employee Bond (Per occurrence)	\$ 50,000
Auto Liability and Physical Damage	1,000,000
General Liability	1,000,000
Commercial Property - Real and Personal Property	8,904,218
Tax Collector Bond	100,000
Errors and Omissions Liability	5,000,000
Pollution Liability	1,000,000

The District has had no significant reduction in insurance coverage from prior years. The District has had no settlements exceeding insurance coverage. Workers' compensation was maintained by paying premiums to the Texas Municipal League Intergovernmental Risk Pool and Texas Political Subdivisions Joint Self-Insurance Funds. The premium is calculated based upon accident history and administrative costs.

G. OPERATING TRANSFERS:

During the year ended September 30, 2009, the General Fund transferred \$1,327,031 to the Debt Service Fund for the payment of bond interest and principal. The Capital Projects Fund transferred \$197,463 to the General Fund for reimbursement of construction expenditures.

H. INTEREST AND FISCAL CHARGES:

The Debt Service Fund incurred interest and fiscal charges broken down as follows:

	<u>Debt Service</u>
Interest	\$ 589,363
Appraisal Services	10,006
Collection Expenses	3,228
Paying Agent Fees & Misc.	<u>5,048</u>
Total	<u>\$ 607,645</u>

I. RELATIONSHIPS WITH OTHER DISTRICTS:

The District has interconnects with the Hurst Creek Municipal Utility District and Travis County Water Control and Improvement District No. 17 for use in emergency situations. The cost of the interconnects was shared equally with Hurst Creek Municipal Utility District and Travis County Water Control and Improvement District No. 17.

The District has two wholesale contracts - water and wastewater with Travis County Municipal Utility District No. 11 and wastewater with Travis County Water Control and Improvement District No. 17.

J. EMPLOYEE RETIREMENT PLAN:

Plan Description

Lakeway Municipal Utility District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 586 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The employer elected effective January 1, 2001 the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 10.00% for the months of the accounting year in 2009. The deposit rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost

For the accounting year ending September 30, 2009, the amount of employer's contribution to the plan was \$106,842, and the employee's contribution amount was \$75,287.

While the actual contributions for the months of the accounting year in 2009 were not actuarially determined but were a fixed percent of the covered payroll of the participating employees, the part of the annual required contributions for the months of the accounting year in 2008 was in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2007, the basis for assessing the adequacy of the financing arrangement beginning with the contribution rate for calendar year 2008. The part of the annual required contributions for the months of the accounting year in 2009 was actuarially determined as a percent of the covered payroll of the participating employees, and was in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2007, the basis for determining the contribution rate for calendar year 2009. The December 31, 2008 actuarial valuation is the most recent valuation.

The required contribution was determined as part of the December 31, 2008 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2008 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.3 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 20 years.

Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the plan was 81.03 percent funded. The actuarial accrued liability for benefits was \$2,826,332, and the actuarial value of assets was \$2,290,117, resulting in an unfunded actuarial accrued liability (UAAL) of \$536,215. The covered payroll (annual payroll of active employees covered by the plan) was \$1,036,108, and the ratio of the UAAL to the covered payroll was 51.75 percent.

Actuarial Valuation Information

Actuarial valuation date	12/31/06	12/31/07	12/31/08
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period in years	11.9	12.3	20.0
Asset valuation method	Long term smoothed value ESF: Fund Value	SAF: 10-yr. smoothed value ESF: Fund value	SAF: 10-yr. smoothed value ESF: Fund value
Actuarial Assumptions:			
Investment return ¹	8%	8%	8%
Projection salary increases ¹	5.3%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost of living adjustments	0.0%	0.0%	0.0%

¹Includes inflation at the stated rate

Trend Information for the Retirement Plan for the Employees of Lakeway Municipal Utility District

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2007	\$ 98,156	100%	\$ 0
September 30, 2008	\$ 98,882	100%	0
September 30, 2009	\$106,842	100%	0

**Schedule of Funding Progress for the Retirement Plan
for the Employees of Lakeway Municipal Utility District**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/06	\$1,957,887	\$2,269,412	\$311,525	86.27%	\$ 942,878	33.04%
12/31/07	\$2,148,153	\$2,477,806	\$329,653	86.70%	\$ 979,926	33.64%
12/31/08	\$2,290,117	\$2,826,332	\$536,215	81.03%	\$ 1,036,108	51.75%

¹ The annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.

Deferred Compensation Plan

The District offers employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457(b). The assets of the plans were held in trust for the exclusive benefit of the employees. An agreement was made with a Service Provider to act as the District's agent to provide administrative services under the plan. Under provisions of GASB Statement 32, plan balances and activities are not reflected in Lakeway Municipal Utility District's financial statements.

K. LITIGATION:

The District has no pending litigation that would materially affect the general purpose financial statements.

L. OTHER GENERAL REVENUES:

Included in other general revenues are revenues of: LUE fees of \$335,800 and reservation fees of \$60,010 from Travis County Water Control And Improvement District No. 17 pertaining to the agreement between that District and Lakeway Municipal Utility District for out-of-District wastewater service. Also included in other general revenues is \$171,009 from Travis County Municipal Utility District No. 11 pertaining to the wholesale agreement between that District and Lakeway Municipal Utility District which includes upgrades to a water booster pump and wastewater lift station.

**NOTE N. Explanation of Differences Between the Governmental Funds Balance Sheet
and the Statement of Net Assets**

<u>Explanation</u>	<u>Amount of Adjustment</u>
Capital assets are not reported as assets in the governmental funds but are reported as expenditures when acquired. However, in the statement of net assets, these assets are capitalized and reported at cost net of depreciation:	
Land and construction in progress	5,278,925
Other capital assets	22,929,374
Long-term liabilities and other payables applicable to the District's governmental activities are not due and payable in the current period and therefore are not reported as liabilities in the funds. All liabilities, both current and long-term, are reported in the statement of net assets:	
Salaries/benefits payable:	
(Compensated absences)	127,887
Accrued interest payable	76,954
Long-term liabilities:	
(Bonds payable)	
Due within one year	2,480,000
Due after one year	15,333,101
Deferred tax revenues as reported in the funds included as deferred revenue are not available to pay current period expenditures and therefore are deferred in the funds but are reported as property tax revenue in the statement of activities and therefore no tax revenue deferral amount is reported in the statement of assets.	(89,664)

NOTE O. Explanation of Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities

<u>Explanation</u>	<u>Amount of Adjustment</u>
Salaries/benefits payable (compensated absences) are currently reported as an expense in the statement of activities and since this expense does not require the use of current financial resources, it is not reported as an expenditure in the governmental funds.	(260)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Current year capital assets Capitalized purchased or constructed	(3,250,560)
Depreciation expense	1,498,163
Repayment of bond principal is an expenditure in the governmental funds, and a reduction in long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.	(2,365,000)
Interest expense reported in the statement of activities includes accrued interest at year end whereas in the governmental funds interest expense is reported when due:	
Interest accrual @ 9-30-08	(49,114)
Interest accrual @ 9-30-09	76,954
Net adjustment	27,840
Tax revenues in the statement of activities that do not provide current financial resources, "not available", are not reported in the funds.	
Deferred tax revenue @ 9-30-08	(86,407)
Deferred tax revenue @ 9-30-09	89,664
Net adjustment	3,257

(Cont'd)

NOTE O. Explanation of Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities

<u>Explanation</u>	<u>Amount of Adjustment</u>
Bond proceeds provide current financial resources to governmental funds, and are reported as other financing sources. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities.	(5,870,000)

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REQUIRED SUPPLEMENTARY INFORMATION

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**LAKEWAY MUNICIPAL UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE -
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for water services	\$2,645,100	\$2,645,100	\$3,227,085	\$ 581,985
Charges for wastewater service	1,594,800	1,594,800	1,614,721	19,921
Property taxes	314,000	314,000	294,447	(19,553)
Tap connection and inspection fees	166,600	166,600	68,948	(97,652)
Investment earnings	126,400	126,400	26,268	(100,132)
Penalties and interest	34,600	34,600	40,351	5,751
Other	<u>127,900</u>	<u>127,900</u>	<u>664,237</u>	<u>536,337</u>
Total Revenues	<u>5,009,400</u>	<u>5,009,400</u>	<u>5,936,057</u>	<u>926,657</u>
Expenditures/expenses:				
Service operations:				
Water service	309,600	377,600	362,172	15,428
Wastewater service	542,500	549,300	541,903	7,397
Purchased water service	431,800	521,500	470,947	50,553
Salaries, benefits, and payroll taxes	1,599,700	1,595,800	1,573,614	22,186
Contracted services	700,200	702,700	415,367	287,333
Professional fees	131,000	457,500	453,689	3,811
Supplies and Maintenance -				
Administrative	37,900	54,700	47,157	7,543
Other	73,400	108,000	105,810	2,190
Capital outlay	<u>231,683</u>	<u>286,583</u>	<u>231,849</u>	<u>54,734</u>
Total expenditures/expenses	<u>4,057,783</u>	<u>4,653,683</u>	<u>4,202,508</u>	<u>451,175</u>
Excess (deficiency) of revenues over expenditures	951,617	355,717	1,733,549	1,377,832
Other financing sources (uses):				
Transfers - internal activities	<u>(978,500)</u>	<u>(1,129,568)</u>	<u>(1,129,568)</u>	_____
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(26,883)	(773,851)	603,981	1,377,832
Fund balance:				
Beginning of the year	<u>3,749,923</u>	<u>3,749,923</u>	<u>3,749,923</u>	_____
End of the year	<u>\$3,723,040</u>	<u>\$2,976,072</u>	<u>\$4,353,904</u>	<u>\$ 1,377,832</u>

See Accompanying Note to Required Supplementary Information

**LAKEWAY MUNICIPAL UTILITY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2009**

Budgetary Information

The General Manager submits an annual budget to the Finance, Accounting & Audit Committee, which in turn presents it to the Board of Directors. In August, the Board adopts the annual fiscal year budget for the District for the general fund prepared in accordance with generally accepted accounting principles. Once approved, the Board may amend the adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budget is prepared in a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: salaries and benefits, supplies, maintenance, purchased and contracted services, and capital expenditures. Budget approvals for capital expenditures are subject to final review by the Board. The level of control is by department, which has been established by an Authority Matrix. Expenditures may not exceed appropriations.

The budget is prepared on a cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable expenditure is expected to be made.

The budget amounts presented in the budgetary comparison schedule represent the original and final amended budget as adopted during the year. The District does not appropriate current funds for estimates of expenditures for construction projects in the general fund. Instead, the District budgets for construction project expenditures on a project basis and not on an annual basis. All budget appropriations lapse at fiscal year end. The District's budget is used for management control and rate setting purposes.

OTHER SUPPLEMENTARY INFORMATION

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**LAKEWAY MUNICIPAL UTILITY DISTRICT
SUPPLEMENTAL SCHEDULES INCLUDED WITHIN THIS REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

- A. *Schedule of Services and Rates*
- B. *Schedule of General Fund Expenditures*
- C. *Schedule of Temporary Investments*
- D. *Schedule of Taxes Levied and Receivable*
- E. *Long-Term Debt Service Requirements by Years*
- F. *Analysis of Changes in Long-Term Debt*
- G. *Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Years*
- H. *Board Members, Key Personnel and Consultants*

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**LAKWAY MUNICIPAL UTILITY DISTRICT
(A) SCHEDULE OF SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

1. Services Provided by the District:

<u> X </u>	Retail Water	<u> X </u>	Wholesale Water
<u> X </u>	Retail Wastewater	<u> X </u>	Wholesale Wastewater
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection
<u> </u>	Solid Waste/Garbage	<u> </u>	Flood Control
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)	<u> </u>	Irrigation
<u> </u>	Drainage	<u> </u>	Security
<u> </u>	Other _____	<u> </u>	Roads

2. Retail Rates Based on 5/8" Meter: Retail Rates Not Applicable

The most prevalent type of meter (if not a 5/8"): _____

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$ 19.00	-0-	N	\$ 2.25	0 to 15,000
				\$ 3.00	15,001 - 30,000
				\$ 3.50	30,001 - 50,000
				\$ 4.00	50,001 - 80,000
				\$ 4.50	80,001 - 100,000
				\$ 5.00	Over 100,000
WASTEWATER:	\$ 14.69	-0-	N	\$ 2.50	0 to infinity

District employs winter averaging for wastewater usage? Yes X No

Total water and wastewater charges per 10,000 gallons usage (including surcharges) \$81.19

3. Retail Services Providers: Number of retail water and/or wastewater* connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:

<u>Active Connections</u>	<u>Active ESFC</u>	<u>Inactive Connections (ESFC)</u>
<u>3998</u>	<u>4158</u>	<u>48</u>

* Number of connections relates to water service.

4. Total Water Consumption (In Thousands) During the Fiscal Year:

Gallons pumped into system:	<u>821,601</u>
Gallons billed to customers:	<u>737,629</u>
Gallons of District use:	<u>23,476</u>

5. Standby Fees:

Does the District assess Standby Fees? Yes No

For the most recent full fiscal year, FYE 9/30/09:

General Fund:

Total Levy	\$	0
Total Collected	\$	0
Percentage Collected		N/A

Have Standby Fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? Yes No

*Standby Fees have not been levied since August 1998. Existing uncollected Fees still remain.

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**LAKELWAY MUNICIPAL UTILITY DISTRICT
(B) SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Personnel (including benefits)	\$ 1,573,614
Professional Fees:	
Auditing	14,500
Legal	151,861
Engineering	64,176
Other	223,152
Water Services:	
Treated Water and Chemicals	54,800
Utilities	127,587
Supplies	24,059
Maintenance	155,726
Wastewater Services:	
Chemicals	55,605
Utilities	226,635
Supplies	24,494
Maintenance	235,169
Purchased Water Services:	
Bulk Water	313,674
LCRA Variable Cost	157,273
Contracted Services:	
Insurance	36,904
Communications	35,633
Inspection Fees	14,240
Equipment Rental	5,269
Custodial	5,100
Testing and Lab Fees	25,729
Permits	4,033
Inflow and Infiltration	271,189
Miscellaneous	15,890
Security Fees	1,380

(Cont'd)

**LAKeway MUNICIPAL UTILITY DISTRICT
(B) SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Supplies and Maintenance - Administrative:	
Supplies	24,085
Maintenance	23,072
Other:	
Transportation	6,000
Employee Welfare	3,971
Education	23,895
Medical	396
Bank Fees	34,365
Safety	4,649
Miscellaneous	32,534
Capital Outlay:	
Capitalized Assets	187,760
Expenditures Not Capitalized	<u>44,089</u>
 TOTAL EXPENDITURES	 <u>\$4,202,508</u>
 Number of persons employed by the District:	 <u>21 Full-Time</u>
(Does not include independent contractors or consultants)	<u>0 Part-Time</u>

**LAKEWAY MUNICIPAL UTILITY DISTRICT
(C) SCHEDULE OF TEMPORARY INVESTMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

<u>FUNDS</u>	<u>ACCOUNT NUMBER</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BALANCE AT END OF YEAR</u>	<u>ACCRUED INTEREST AT END OF YEAR</u>
General Fund					
Investment Pool -					
TexPool	8121300002	*	Open	\$ 3,303,857	\$ 0
Total				<u>3,303,857</u>	<u>0</u>
Debt Service Fund					
Investment Pool -					
TexPool	8121300017	*	Open	1,113,877	0
Total				<u>1,113,877</u>	<u>0</u>
Capital Projects Fund					
Investment Pool -					
TexPool	8121300015	*	Open	1,603,825	0
TexPool	8121300020	*	Open	868,589	0
Total				<u>2,472,414</u>	<u>0</u>
Total - All Funds				<u>\$ 6,890,148</u>	<u>\$ 0</u>

*Variable Rate - Interest Rate as of 09/30/09 on a Simple Basis was .2303%.

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LAKEWAY MUNICIPAL UTILITY DISTRICT
(D) TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Maintenance <u>Taxes</u>	Debt Service <u>Taxes</u>
Taxes Receivable, Beginning of Year	\$ 6,420	\$ 79,987
2008 Original Tax Levy - Net of Adjustments	295,756	1,591,456
Adjustments - Prior Years	<u>(134)</u>	<u>(1,050)</u>
 Total to be Accounted for Tax Collections:	 <u>302,042</u>	 <u>1,670,393</u>
Current Year	(292,789)	(1,575,408)
Prior Years	<u>(1,658)</u>	<u>(12,916)</u>
Total Collections	<u>(294,447)</u>	<u>(1,588,324)</u>
 Taxes Receivable, End of Year	 <u>\$ 7,595</u>	 <u>\$ 82,069</u>
 Taxes Receivable, By Years:		
1988 and earlier	\$ 0	10,864
1989	0	236
1990	0	396
1991	0	70
1992	0	27
1993	0	340
1994	0	663
1995	0	1,298
1996	0	746
1997	0	556
1998	0	713
1999	0	1,275
2000	0	2,789
2001	341	3,934
2002	112	2,819
2003	66	1,794
2004	309	8,399
2005	756	9,896
2006	1,194	7,979
2007	1,849	11,228
2008	<u>2,968</u>	<u>16,047</u>
 Taxes Receivable, End of Year	 <u>\$ 7,595</u>	 <u>\$ 82,069</u>

LAKEWAY MUNICIPAL UTILITY DISTRICT
(D) TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Property Valuations:	\$ 982,675,349	\$ 897,114,882	\$ 822,199,171	\$ 749,110,742
Tax Rates per \$100 Valuation:				
Debt service tax rates	\$.1622	\$.1822	\$.2005	\$.2618
Maintenance tax rates	<u>.03</u>	<u>.03</u>	<u>.03</u>	<u>.02</u>
Total Tax Rates per \$100 Valuation	\$ <u>.1922</u>	\$ <u>.2122</u>	\$ <u>.2305</u>	\$ <u>.2818</u>
Original Tax Levy:	<u>\$ 1,887,211</u>	<u>\$ 1,897,786</u>	<u>\$ 1,881,536</u>	<u>\$ 2,105,497</u>
Percent of Taxes Collected to Taxes Levied*	<u>98.99%</u>	<u>99.31%</u>	<u>99.51%</u>	<u>99.49%</u>

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

LAKeway MUNICIPAL UTILITY DISTRICT
(E) LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
SEPTEMBER 30, 2009

Due During Fiscal Year Ending September 30	Series 1997			Series 1998-A			Series 1998-B		
	Principal Due Sept. 1	Interest Due March 1 and Sept. 1	Total	Principal Due Sept. 1	Interest Due March 1 and Sept. 1	Total	Principal Due Sept. 1	Interest Due March 1 and Sept. 1	Total
2010	165,000	64,300	229,300	1,380,000	65,550	1,445,550	355,000	49,075	404,075
2011	170,000	57,700	227,700	89,533	1,335,467	1,425,000	400,000	26,000	426,000
2012	180,000	50,730	230,730	93,874	1,751,126	1,845,000	0	0	0
2013	185,000	43,260	228,260	76,238	1,773,762	1,850,000	0	0	0
2014	195,000	35,490	230,490	61,568	1,783,432	1,845,000	0	0	0
2015	205,000	27,203	232,203	46,897	1,688,103	1,735,000	0	0	0
2016	210,000	18,490	228,490	0	0	0	0	0	0
2017	220,000	9,460	229,460	0	0	0	0	0	0
TOTALS	\$ 1,530,000	\$ 306,633	\$ 1,836,633	\$ 1,748,110	\$ 8,397,440	\$10,145,550	\$ 755,000	\$ 75,075	\$ 830,075

LAKEWAY MUNICIPAL UTILITY DISTRICT
(E) LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
 (continued)
 SEPTEMBER 30, 2009

Due During Fiscal Year Ending September 30	Series 2000-A			Series 2005		
	Principal Due Sept.1	Interest Due March 1 and Sept. 1	Total	Principal Due Sept.1	Interest Due March 1 and Sept. 1	Total
2010	250,000	39,095	289,095	105,000	236,870	341,870
2011	265,000	24,970	289,970	53,675	434,446	488,121
2012	250,000	12,250	262,250	57,456	525,665	583,121
2013	0	0	0	83,860	804,261	888,121
2014	0	0	0	640,000	233,121	873,121
2015	0	0	0	755,000	210,273	965,273
2016	0	0	0	660,000	183,320	843,320
2017	0	0	0	780,000	159,758	939,758
2018	0	0	0	885,000	131,912	1,016,912
2019	0	0	0	885,000	100,317	985,317
2020	0	0	0	795,000	68,723	863,723
2021	0	0	0	660,000	40,341	700,341
2022	0	0	0	470,000	16,779	486,779
TOTAL	\$ 765,000	\$ 76,315	\$ 841,315	\$6,829,991	\$3,145,786	\$ 9,975,777

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LAKEWAY MUNICIPAL UTILITY DISTRICT
(E) LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
 (continued)
 SEPTEMBER 30, 2009

Due During Fiscal Year Ending September 30	Series 2009			Due During Fiscal Year Ending September 30	Annual Requirements for All Series		
	Principal Due Sept.1	Interest Due March 1 and Sept. 1	Total		Total Principal Due	Total Interest Due	Total Principal and Interest Due
2010	-0-	355,604	355,604	2010	2,480,000	825,939	3,305,939
2011	100,000	258,100	358,100	2011	1,168,208	2,140,868	3,309,076
2012	110,000	253,725	363,725	2012	691,330	2,593,496	3,284,826
2013	120,000	248,913	368,913	2013	465,098	2,870,196	3,335,294
2014	130,000	243,663	373,663	2014	1,026,568	2,295,706	3,322,274
2015	135,000	237,975	372,975	2015	1,141,897	2,163,554	3,305,451
2016	260,000	232,069	492,069	2016	1,130,000	433,879	1,563,879
2017	270,000	220,694	490,694	2017	1,270,000	389,912	1,659,912
2018	285,000	208,881	493,881	2018	1,170,000	340,793	1,510,793
2019	305,000	196,412	501,412	2019	1,190,000	296,729	1,486,729
2020	320,000	183,069	503,069	2020	1,115,000	251,792	1,366,792
2021	335,000	169,069	504,069	2021	995,000	209,410	1,204,410
2022	355,000	154,413	509,413	2022	825,000	171,192	996,192
2023	380,000	138,881	518,881	2023	380,000	138,881	518,881
2024	400,000	122,256	522,256	2024	400,000	122,256	522,256
2025	420,000	104,756	524,756	2025	420,000	104,756	524,756
2026	445,000	86,381	531,381	2026	445,000	86,381	531,381
2027	470,000	66,913	536,913	2027	470,000	66,913	536,913
2028	500,000	46,350	546,350	2028	500,000	46,350	546,350
2029	<u>530,000</u>	<u>23,850</u>	<u>553,850</u>	2029	<u>530,000</u>	<u>23,850</u>	<u>553,850</u>
TOTAL	<u>\$5,870,000</u>	<u>\$3,551,974</u>	<u>\$9,421,974</u>	TOTAL	<u>\$17,813,101</u>	<u>\$15,572,853</u>	<u>\$33,385,954</u>

Cash and Temporary Investment Balance at September 30, 2009

Debt Service Fund \$1,125,525

**LAKEWAY MUNICIPAL UTILITY DISTRICT
(F) ANALYSIS OF CHANGES IN LONG-TERM DEBT
SEPTEMBER 30, 2009**

BOND ISSUES

	<u>Series 1997</u>	<u>Series 1998-A</u>	<u>Series 1998-B</u>	<u>Series 1999</u>	<u>Series 2000</u>	<u>Series 2000-A</u>	<u>Series 2005</u>	<u>Series 2009</u>	<u>Totals</u>
Interest Rate	3.85-4.30%	4.65-4.75%	6.45-6.50%	4.50-6.50%	5.25-7.25%	4.80-6.25%	3.57%	4.375%-4.50%	
Dates Interest Payable	3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	
Bonds Outstanding Beginning of Current Year	\$ 1,690,000	\$ 3,063,110	\$ 1,090,000	\$ 260,000	\$ 270,000	\$ 1,000,000	\$ 6,934,991	0	\$ 14,308,101
Bonds Issued During Current Year	0	0	0	0	0	0	0	5,870,000	5,870,000
Retirements: Principal	<u>160,000</u>	<u>1,315,000</u>	<u>335,000</u>	<u>85,000</u>	<u>130,000</u>	<u>235,000</u>	<u>105,000</u>	<u>0</u>	<u>2,365,000</u>
Bonds Outstanding End of Current Year	<u>\$ 1,530,000</u>	<u>\$ 1,748,110</u>	<u>\$ 755,000</u>	<u>\$ 175,000</u>	<u>\$ 140,000</u>	<u>\$ 765,000</u>	<u>\$ 6,829,991</u>	<u>\$ 5,870,000</u>	<u>\$ 17,813,101</u>
Retirements: Interest	\$ 70,620	\$ 127,354	\$ 70,850	\$ 11,963	\$ 14,175	\$ 53,783	\$ 240,618	\$ 0	\$ 589,363

Paying Agent's Name & Address:

J.P. Morgan Chase Bank
P.O. Box 911542
Dallas, Texas 75391-1542

The Bank of New York
P.O. Box 14099
New York, New York 07198-0099

Debt Service Fund Cash and Temporary Investments
balances as of September 30, 2009: \$ 1,125,525
Average Annual Debt Service Payment (Principal and Interest)
for remaining term of all debt: \$ 1,669,297.

Bond Authority:

	Tax Bonds*
Amount Authorized by Voters	\$53,115,000
Amount Issued	\$45,685,000
Remaining to be Issued	\$ 7,430,000

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

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**LAKEWAY MUNICIPAL UTILITY DISTRICT
(G) COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FIVE YEARS ENDED SEPTEMBER 30, 2009**

	Amounts					Percent of Fund Total Revenues				
	2009	2008	2007	2006	2005	2009	2008	2007	2006	2005
General Fund Revenues										
Property Taxes - M & O	\$ 294,447	\$ 267,020	\$ 245,019	\$ 147,951	\$ 71,542	4.96%	4.98%	4.45%	2.32%	1.76%
Water & Wastewater Charges	4,841,806	4,188,066	3,764,575	4,393,548	3,652,113	81.57	78.14	68.37	68.93	89.73
Meter Installation	11,675	64,400	83,900	122,950	110,660	.20	1.20	1.52	1.93	2.72
Interest, Penalties & Other	<u>788,129</u>	<u>840,452</u>	<u>1,412,885</u>	<u>1,709,224</u>	<u>235,586</u>	<u>13.27</u>	<u>15.68</u>	<u>25.66</u>	<u>26.82</u>	<u>5.79</u>
Total General Fund Revenues	<u>5,936,057</u>	<u>5,359,938</u>	<u>5,506,379</u>	<u>6,373,673</u>	<u>4,069,901</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
General Fund Expenditures										
Salaries	1,573,614	1,441,522	1,364,505	1,301,151	1,185,915	26.51	26.89	24.78	20.41	29.14
Supplies	72,638	91,815	70,529	73,841	66,859	1.22	1.71	1.28	1.16	1.64
Maintenance & Repair	685,156	535,613	753,824	585,191	544,283	11.54	9.99	13.67	9.18	13.37
Purchased & Contracted Services	1,639,251	1,320,654	1,002,548	1,160,311	1,051,843	27.62	24.64	18.21	18.20	25.85
Capital Outlay	<u>231,849</u>	<u>994,961</u>	<u>184,938</u>	<u>886,312</u>	<u>110,965</u>	<u>3.91</u>	<u>18.56</u>	<u>3.36</u>	<u>13.91</u>	<u>2.73</u>
Total General Fund Expenditures	<u>4,202,508</u>	<u>4,384,565</u>	<u>3,376,344</u>	<u>4,006,806</u>	<u>2,959,865</u>	<u>70.80</u>	<u>81.79</u>	<u>61.32</u>	<u>62.86</u>	<u>72.73</u>
General Fund Revenue Over/Under Expenditures	1,733,549	975,373	2,130,035	2,366,867	1,110,036	29.20	18.21	38.68	37.14	27.27
Other Financing Sources (Uses)										
Operating Transfers In	197,463	0	0	0	0	3.33	0	0	0	0
Operating Transfers Out	<u>(1,327,031)</u>	<u>(1,052,436)</u>	<u>(977,550)</u>	<u>(1,071,896)</u>	<u>(1,220,543)</u>	<u>(22.36)</u>	<u>(19.64)</u>	<u>(17.75)</u>	<u>(16.82)</u>	<u>(29.99)</u>
Total Other Financing Sources (Uses)	<u>(1,129,568)</u>	<u>(1,052,436)</u>	<u>(977,550)</u>	<u>(1,071,896)</u>	<u>(1,220,543)</u>	<u>(19.03)</u>	<u>(19.64)</u>	<u>(17.75)</u>	<u>(16.82)</u>	<u>(29.99)</u>
General Fund Revenue And Other Sources Over/Under Expenditures And Other Uses	<u>\$ 603,981</u>	<u>\$ (77,063)</u>	<u>\$ 1,152,485</u>	<u>\$ 1,294,971</u>	<u>\$ (110,507)</u>	<u>10.17%</u>	<u>(1.43)%</u>	<u>20.93%</u>	<u>20.32%</u>	<u>(2.72)%</u>

**LAKEWAY MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES (CONT'D.)
DEBT SERVICE FUND
FIVE YEARS ENDED SEPTEMBER 30, 2009**

	Amounts					Percent of Fund Total Revenues				
	2009	2008	2007	2006	2005	2009	2008	2007	2006	2005
<u>Debt Service Fund Revenues</u>										
Property Taxes	\$1,588,322	\$1,623,130	\$1,617,441	\$1,946,020	\$1,945,497	98.38%	95.00%	91.09%	92.72%	96.04%
Penalties & Interest	<u>26,235</u>	<u>85,372</u>	<u>158,117</u>	<u>152,786</u>	<u>80,339</u>	<u>1.62</u>	<u>5.00</u>	<u>8.91</u>	<u>7.28</u>	<u>3.96</u>
Total Debt Service Fund Revenues	<u>1,614,557</u>	<u>1,708,502</u>	<u>1,775,558</u>	<u>2,098,806</u>	<u>2,025,836</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
<u>Debt Service Fund Expenditures</u>										
Tax Collection Expenditures	13,234	13,459	12,256	13,166	12,333	.82	.79	.69	.63	.60
Debt Service Interest & Fees	594,411	708,713	817,301	919,295	1,284,688	36.82	41.48	46.03	43.80	63.42
Debt Service Principal	2,365,000	2,245,000	2,135,000	2,030,000	1,677,204	146.48	131.40	120.24	96.72	82.79
Refunding Bonds Issuance Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>174,692</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8.63</u>
Total Debt Service Fund Expenditures	<u>2,972,645</u>	<u>2,967,172</u>	<u>2,964,557</u>	<u>2,962,461</u>	<u>3,148,917</u>	<u>184.12</u>	<u>173.67</u>	<u>166.96</u>	<u>141.15</u>	<u>155.44</u>
Debt Service Revenue Over/Under Expenditures	(1,358,088)	(1,258,670)	(1,188,999)	(863,655)	(1,123,081)	(84.12)	(73.67)	(66.96)	(41.15)	(55.44)
<u>Other Financing Sources</u>										
Operating Transfers In From General Fund	1,327,031	1,052,436	977,550	1,071,986	1,220,543	82.19	61.60	55.06	51.07	60.25
Sale Of Land	0	0	0	0	0	0	0	0	0	0
Sale of Bonds	0	0	0	0	0	0	0	0	0	0
Refunding Bonds Proceeds/Payments - Net	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>161,622</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7.98</u>
Total Other Financing Sources	<u>1,327,031</u>	<u>1,052,436</u>	<u>977,550</u>	<u>1,071,896</u>	<u>1,382,165</u>	<u>82.19</u>	<u>61.60</u>	<u>55.06</u>	<u>51.07</u>	<u>68.23</u>
Debt Service Revenue And Other Sources Over/Under Expenditures	<u>\$ (31,057)</u>	<u>\$ (206,234)</u>	<u>\$ (211,449)</u>	<u>\$ 208,241</u>	<u>\$ 259,084</u>	<u>(1.93)%</u>	<u>(12.07)%</u>	<u>(11.90)%</u>	<u>9.92%</u>	<u>12.79%</u>
Total Active Retail Water Connections	<u>3998</u>	<u>4006</u>	<u>3928</u>	<u>3869</u>	<u>3800</u>					
Total Active Retail Wastewater	<u>2959</u>	<u>2952</u>	<u>2865</u>	<u>2817</u>	<u>2757</u>					

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**LAKEWAY MUNICIPAL UTILITY DISTRICT
(H) BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
YEAR ENDED SEPTEMBER 30, 2009**

<u>Board Members</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Annual Fees Paid</u>	<u>Expense Reimb.</u>	<u>Title</u>	<u>Resident of District</u>	<u>*Relationship w/ Major Land Owner, Eng., Attorney & Tax Asses.-Col.</u>
Tom Rogers 1097 Lohmans Crossing Austin, Texas 78734	10/27/97 05/01/10	\$ 0	\$ 901	President	Yes	None
Tom Priddy 1097 Lohmans Crossing Austin, Texas 78734	05/10/08 05/01/12	\$ 0	\$ 0	1st Vice President	Yes	None
Kay Andrews 1097 Lohmans Crossing Austin, Texas 78734	05/10/08 05/01/12	\$ 0	\$ 818	2nd Vice President	Yes	None
Jerry Hietpas 1097 Lohmans Crossing Austin, Texas 78734	12/14/05 05/01/10	\$ 0	\$ 469	Secretary	Yes	None
Allan Hitchcock 1097 Lohmans Crossing Austin, Texas 78734	05/10/08 05/01/12	\$ 0	\$ 10	Treasurer	Yes	None

**LAKESWAY MUNICIPAL UTILITY DISTRICT
(H) BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
YEAR ENDED SEPTEMBER 30, 2009**

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<u>Key Personnel/ Board Members</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Annual Fees Paid</u>	<u>Expense Reimb.</u>	<u>Title</u>	<u>Resident of District</u>	<u>*Relationship w/ Major Land Owner, Eng., Attorney & Tax Asses.-Col.</u>
Richard Eason 1097 Lohmans Crossing Austin, Texas 78734	1993	\$ 0	\$ 3,098	General Manager	Yes	None
Margaret Cathey	1997	0	436	Office Manager	No	
Allan Hitchcock	05/01/08	0	0	Investment	Yes	
Tom Rogers 1097 Lohmans Crossing Austin, Texas 78734	05/01/10	0	0	Officers	Yes	None
<u>Consultants</u>						
Willatt & Flickinger 2001 N. Lamar Austin, Texas 78705	1992	\$ 150,672	0	Attorney	No	None
Travis Central Appraisal District P.O. Box 149012 Austin, Texas 78714-9012	1982	\$ 10,006	0	Central Appraisal District	No	None
Travis County Tax Collector P.O. Box 1748 Austin, Texas 78767	1982	\$ 3,228	0	Tax Collector	No	None

*Includes business or family relationship.