

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**Rick C. Reed**  

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**& COMPANY, PLLC**  
Certified Public Accountants

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LAKELWAY MUNICIPAL UTILITY DISTRICT

Annual Financial Report  
For the Year Ended September 30, 2007

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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)

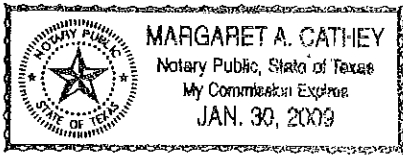
DISTRICT hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 6 day of February, 2008, its annual audit report for the fiscal year or period ended September 30, 2007 and that copies of the annual audit report have 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: 2/6, 2008

By: Thomas J. Rogers  
(Signature of District Representative)

Tom Rogers, President  
Typed Name and Title of Above District Representative

Sworn to and subscribed to before me on this 6 day of February, 2008.



Margaret A. Cathey  
(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, 2007, 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, 2007, 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

November 28, 2007

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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, 2007**

## **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, 2007.

## **OVERVIEW**

We (the District) are on a sound financial footing. Moody's Investors Service established an 'Aaa' credit rating in December 2000 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 2007 with \$15,505,847 in Total Net Assets. This was made up of \$32,559,342 in Assets comprised of cash, investments and capital assets with Liabilities of \$17,053,495 including accounts payable and long term liabilities (debt service). See page 17.

## **STATEMENT OF ACTIVITIES**

Program revenues totaled \$3,947,889 while total general revenue was \$3,343,973. Therefore, total revenue for the year was \$7,291,862. Total expenses for the year were \$5,529,908, so the change in net assets increased by \$1,761,952. 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 \$5,190,365. Approximately 74% of this total amount (\$3,826,986) 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 (\$563) and 2) to pay for debt service (\$1,362,816).

Due to revenues being more than expenses, and transfers out, the actual general fund balance increased by \$1,152,485. Debt service fund balance decreased by \$211,449. The capital projects fund balance decreased by \$18,742 due to current year expenditures for capital outlays.

## **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 3,928 active water connections as of September 30, 2007. This was an increase of 59 connections over the prior fiscal year. We had 2,865 active wastewater connections as of September 30, 2007. This was an increase of 48 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 2007 water base rates decreased from \$ 20.90 to \$16.51 and wastewater base rates decreased from \$19.25 to \$14.23. Volume rate charges of \$2.50 per thousand did not change. Rates were adequate to cover the projected cost of operations.

### **Ad Valorem Taxes**

Ad Valorem taxes of \$.2305 per \$100 valuation were collected to make principal and interest payments of \$2,948,666. Tax charges included \$242,839 collected for general maintenance and operations. Ninety-nine percent of the taxes levied in 2006 were collected and the remaining 1% is considered collectable. Total assessed valuation increased from \$749 million in fiscal 2006 to \$822 million in fiscal 2007.

### **OPERATING REVENUES AND EXPENDITURES**

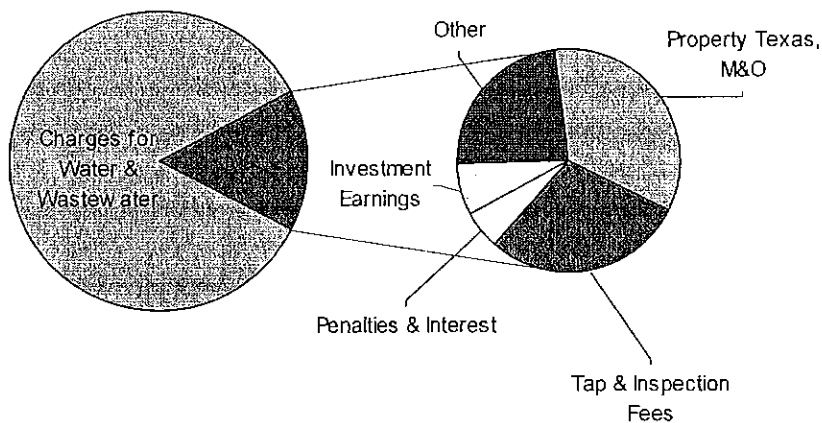
Operating revenues and expenses are budgeted annually. The administrative staff develops the budget then it is reviewed and approved by the Board of Directors. During the year the budget is reviewed frequently and all significant deviations are discussed with and approved by the Board of Directors. There is a formal mid-year review that may result in rate changes; however, there was no mid-year rate change for FY 2007.

There were several significant variations between the original and final revenue budget amounts. Revenues are subject to significant variations each year because the sale of water is highly dependent upon annual rainfall. This previous year was wet, therefore sales were down.

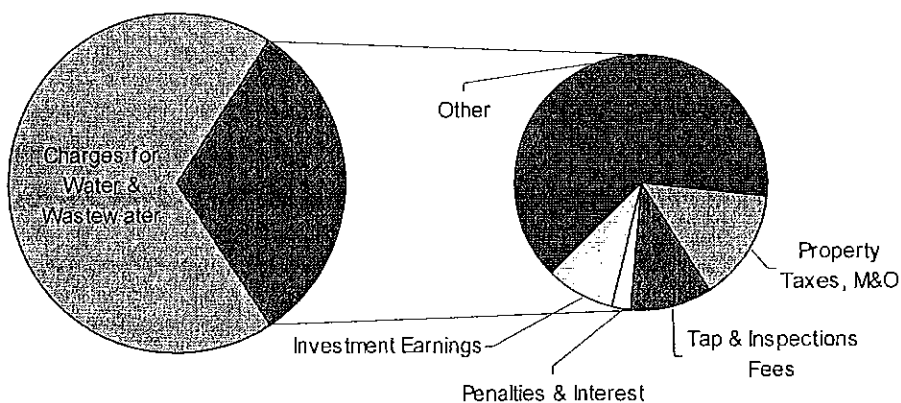
## Revenues

General Fund Revenues were \$533,990, or 10.7%, above the original budget. This was due, in part, to large wholesale contract payments.

### General Fund Budgeted Revenues \$4,972,389



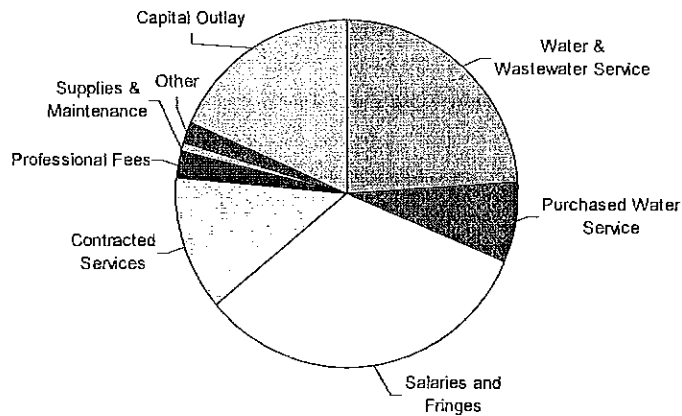
### General Fund Actual Revenues \$5,506,379



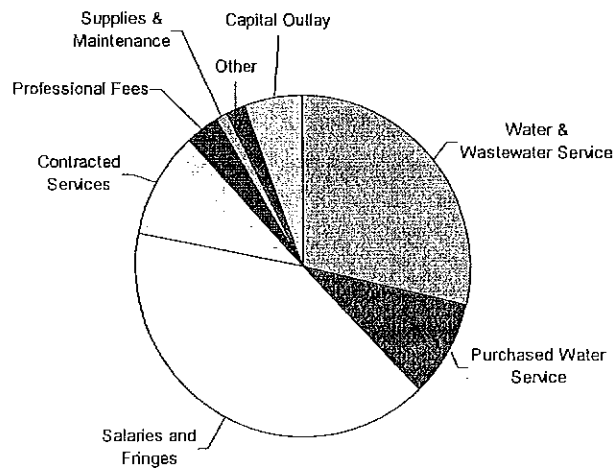
## Expenditures

General Fund Expenditures were \$890,675, or 20.8%, below budget. Small capital outlay projects and one large project were deferred resulting in a \$592,862 savings. Inflow and infiltration capital projects (contracted services) were also deferred resulting in a \$198,580 savings.

**General Fund  
Budgeted Expenditures  
\$4,267,019**



**General Fund  
Actual Expenditures  
\$3,376,344**



## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

Our investment in capital assets, net of accumulated depreciation, as of September 30, 2007, was \$26,966,115. 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 \$16,553,101, a decrease of 11.4% from the prior year. See Note D for additional information on long term debt and the advance refunding.

## **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 thirty 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 65.



## **Management**

A professional General Manager, with over twenty-five years experience, including fourteen years with the District, controls daily operations. See page 66.

## **Personnel**

We employ 21 full time people; this is unchanged from the previous year. There were two employee turnovers in FY 2007.

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 2007. 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 2007 was 9.72%. The District contributed \$98,156. 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**

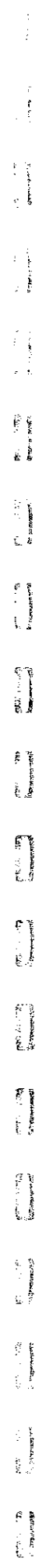
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**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2007**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjust- ments (Note M)</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>						
Cash and investments	\$3,376,082	\$1,362,816	\$ 563	\$4,739,461	\$	\$ 4,739,461
Taxes receivable	4,904	72,528		77,432		77,432
Other receivables	727,471			727,471		727,471
Due from other funds	25,785			25,785	(25,785)	
Prepayments	23,078		25,785	48,863		48,863
Capital assets (net of accumulated depreciation)						
Land and construction in progress					1,937,996	1,937,996
Other capital assets					25,028,119	25,028,119
Total assets	<u>\$4,157,320</u>	<u>\$1,435,344</u>	<u>\$ 26,348</u>	<u>\$5,619,012</u>	<u>\$26,940,330</u>	<u>\$32,559,342</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 256,680	\$	\$	\$ 256,680	\$	\$ 256,680
Due to other funds			25,785	25,785	(25,785)	
Security deposits payable	43,750			43,750		43,750
Salaries/benefits payable					116,325	116,325
Accrued interest payable					58,639	58,639
Deferred revenues	29,904	72,528		102,432	(77,432)	25,000
Long-term liabilities:						
Due within one year					2,245,000	2,245,000
Due after one year					14,308,101	14,308,101
Total liabilities	<u>330,334</u>	<u>72,528</u>	<u>25,785</u>	<u>428,647</u>	<u>16,624,848</u>	<u>17,053,495</u>
<b>FUND BALANCES/NET ASSETS</b>						
Fund balances:						
Reserved, reported in:						
Debt service funds		1,362,816		1,362,816	(1,362,816)	
Capital projects funds			563	563	(563)	
Unreserved	3,826,986			3,826,986	(3,826,986)	
Total fund balances	<u>3,826,986</u>	<u>1,362,816</u>	<u>563</u>	<u>5,190,365</u>	<u>(5,190,365)</u>	
Total liabilities and fund balances	<u>\$4,157,320</u>	<u>\$1,435,344</u>	<u>\$ 26,348</u>	<u>\$5,619,012</u>		
Net Assets:						
Invested in capital assets, net of related debt					10,413,014	10,413,014
Restricted for debt service					1,362,816	1,362,816
Restricted for capital projects					563	563
Unrestricted					3,729,454	3,729,454
Total net assets					<u>\$15,505,847</u>	<u>\$15,505,847</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, 2007**

	<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 Activities</u>
<b>EXPENDITURES/EXPENSES:</b>						
<b>Service operations:</b>						
Water service	\$ 449,567	\$	\$	\$ 449,567	\$	\$ 449,567
Wastewater service	520,193			520,193		520,193
Purchased water service	305,823			305,823		305,823
Salaries, benefits & payroll taxes	1,364,505			1,364,505	13,174	1,377,679
Contracted services	334,739			334,739		334,739
Professional fees	107,176			107,176		107,176
Supplies & maintenance- administrative	36,735			36,735		36,735
Other	72,668			72,668		72,668
Capital outlay-Capitalized	110,101		18,702	128,803	(128,803)	
Capital outlay-Not Capitalized	74,837			74,837		74,837
<b>Debt service:</b>						
Principal		2,135,000		2,135,000	(2,135,000)	
Interest and fiscal charges		829,557		829,557	(9,049)	820,508
Depreciation					<u>1,429,983</u>	<u>1,429,983</u>
Total expenditures/expenses	<u>3,376,344</u>	<u>2,964,557</u>	<u>18,702</u>	<u>6,359,603</u>	<u>(829,695)</u>	<u>5,529,908</u>
<b>REVENUES:</b>						
<b>Program revenues:</b>						
Charges for water service	2,231,883			2,231,883		2,231,883
Charges for wastewater service	1,532,692			1,532,692		1,532,692
Tap connection & inspection fees	<u>183,314</u>			<u>183,314</u>		<u>183,314</u>
Total program revenues	<u>3,947,889</u>			<u>3,947,889</u>		<u>3,947,889</u>
Net program revenue/expense						<u>(1,582,019)</u>
<b>General revenues:</b>						
Property taxes	245,019	1,617,441		1,862,460	9,695	1,872,155
Investment earnings	149,290	149,017	230	298,537		298,537
Penalties and interest	38,055	9,100		47,155		47,155
Other (See Note K)	1,126,126			1,126,126		1,126,126
Transfers-internal activities	<u>(977,550)</u>	<u>977,550</u>				
Total general revenues/transfers	<u>580,940</u>	<u>2,753,108</u>	<u>230</u>	<u>3,334,278</u>	<u>9,695</u>	<u>3,343,973</u>
Total revenues and transfers	<u>4,528,829</u>	<u>2,753,108</u>	<u>230</u>	<u>7,282,167</u>	<u>9,695</u>	<u>7,291,862</u>
Excess (deficiency) of revenues, and transfers in, over expenditures and transfers out	1,152,485	(211,449)	(18,472)	922,564	(922,564)	
Change in net assets					1,761,952	1,761,952
<b>Fund balance/net assets:</b>						
Beginning of the year	<u>2,674,501</u>	<u>1,574,265</u>	<u>19,035</u>	<u>4,267,801</u>	<u>9,476,094</u>	<u>13,743,895</u>
End of the year	<u>\$3,826,986</u>	<u>\$1,362,816</u>	<u>\$ 563</u>	<u>\$5,190,365</u>	<u>\$10,315,482</u>	<u>\$15,505,847</u>

See Accompanying Notes to Financial Statements

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**LAKEWAY MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2007**

**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 M 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 N 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 \$313,379.

The District's temporary investments, considered to be "cash equivalents", during the year ended September 30, 2007, 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 \$4,425,782.

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, 2007, for the maintenance and operation of the District, and for the payment of debt service on the District's outstanding bonds were \$.03 and \$.2005 per \$100 valuation, respectively, for a total of \$.2305 per \$100 valuation, and was based on an assessed valuation of \$822,199,171.

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, 2007, 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, 2006	\$1,901,958	\$ 921,956	\$ 1,093,361	\$ 45,897,574	\$ 421,754	\$50,236,603
Increases		51,354	5,922	971,413	37,385	1,066,074
Decreases		(937,272)				(937,272)
September 30, 2007	<u>1,901,958</u>	<u>36,038</u>	<u>1,099,283</u>	<u>46,868,987</u>	<u>459,139</u>	<u>50,365,405</u>
<u>ACCUMULATED DEPRECIATION</u>						
September 30, 2006			300,781	21,447,210	221,316	21,969,307
Increases			36,445	1,343,691	49,847	1,429,983
Decreases						
September 30, 2007			<u>337,226</u>	<u>22,790,901</u>	<u>271,163</u>	<u>23,399,290</u>
CAPITAL ASSETS -						
NET	<u>\$1,901,958</u>	<u>\$ 36,038</u>	<u>\$ 762,057</u>	<u>\$ 24,078,086</u>	<u>\$ 187,976</u>	<u>\$26,966,115</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, and Unlimited Tax Refunding Bonds, Series 2005. 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, 2007, are comprised of the following individual issues:

Series 1997, due in annual principal installments ranging from \$150,000 to \$220,000 through September 1, 2017; interest rate is variable from 3.85% to 4.30%. \$ 1,840,000

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 4.65% to 5.30%. 4,323,110

Series 1998-B, due in annual principal installments ranging from \$315,000 to \$400,000 through September 1, 2011; interest rate is variable from 6.45% to 6.50%. 1,405,000

Series 1999, due in annual principal installments ranging from \$80,000 to \$90,000 through September 1, 2011; interest rate is variable from 4.5% to 6.5%.	340,000
Series 2000, due in annual principal installments ranging from \$120,000 to \$140,000 through September 1, 2010; interest rate is variable from 5.25% to 7.25%.	390,000
Series 2000-A, due in annual principal installments ranging from \$220,000 to \$265,000 and through September 1, 2012; interest rate is variable from 4.80% to 6.25%	1,220,000
Series 2005, due in annual principal installments ranging from \$100,000 to \$885,000 through September 1, 2022; interest rate is fixed at 3.57%.	<u>7,034,991</u>
Total Bonds Payable at September 30, 2007	<u>\$16,553,101</u>

At September 30, 2007, the District had no 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>
2008	\$2,245,000	\$ 703,666	\$ 2,948,666
2009	2,365,000	589,363	2,954,363
2010	2,480,000	470,335	2,950,335
2011	1,068,208	1,882,768	2,950,976
2012	581,330	2,339,771	2,921,101
2013-2017	4,118,563	6,969,933	11,088,496
2018-2022	<u>3,695,000</u>	<u>358,072</u>	<u>4,053,072</u>
TOTALS	<u>\$ 16,553,101</u>	<u>\$13,313,908</u>	<u>\$29,867,009</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 2008 through 2017 are callable September 1, 2008, 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, 2008, are callable September 1, 2008, 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, 2008, are callable September 1, 2008, 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, 2008, 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, 2008, 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, 2010, 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, 2008 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.

### 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, 2007, \$7,305,000 of bonds considered defeased are still outstanding.

**LAKEWAY MUNICIPAL UTILITY DISTRICT  
ANALYSIS OF CHANGES IN LONG-TERM DEBT  
SEPTEMBER 30, 2007**

**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>Totals</u>
Interest Rate	3.85-4.30%	4.65-5.30%	6.45-6.50%	4.50-6.50%	5.25-7.25%	4.80-6.25%	3.57%	
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	
Bonds Outstanding Beginning of Current Year	\$ 1,985,000	\$ 5,528,110	\$ 1,700,000	\$ 415,000	\$ 505,000	\$ 1,425,000	\$ 7,129,991	\$ 18,688,101
Bonds Issued During Current Year	0	0	0	0	0	0	0	0
Retirements: Principal	<u>145,000</u>	<u>1,205,000</u>	<u>295,000</u>	<u>75,000</u>	<u>115,000</u>	<u>205,000</u>	<u>95,000</u>	<u>2,135,000</u>
Bonds Outstanding End of Current Year	<u>\$ 1,840,000</u>	<u>\$ 4,323,110</u>	<u>\$ 1,405,000</u>	<u>\$ 340,000</u>	<u>\$ 390,000</u>	<u>\$ 1,220,000</u>	<u>\$ 7,034,991</u>	<u>\$ 16,553,101</u>
Retirements: Interest	\$ 81,832	\$ 241,375	\$ 109,753	\$ 20,156	\$ 31,213	\$ 80,345	\$ 247,580	\$ 812,254

Paying Agent's Name & Address:

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

U.S. Trust Company  
P.O. Box 841  
New York, New York 1027

Debt Service Fund Cash and Temporary Investments  
balances as of September 30, 2007: \$ 1,362,816  
Average Annual Debt Service Payment (Principal and Interest)  
for remaining term of all debt: \$ 1,991,134.

Bond Authority:

	Tax <u>Bonds*</u>
Amount Authorized by Voters	\$39,815,000
Amount Issued	\$39,815,000
Remaining to be Issued	\$ 0

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

**E. 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, 2007, the District contracted with the Texas Municipal League Intergovernmental Risk Pool for liability, property, and crime damage. Coverages provided are as follows:

Boiler and Machinery	\$6,250,000
Public Official and Employee Bond (Per occurrence)	50,000
Auto Liability and Physical Damage	1,000,000
General Liability	1,000,000
Commercial Property - Bldgs., Contents, Equipment	7,549,318 to 8,178,918
Tax Collector Bond	250,000
Errors and Omissions Liability	5,000,000
Pollution Liability	1,000,000
Wastewater	25,000

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.

**F. OPERATING TRANSFERS:**

During the year ended September 30, 2007, the General Fund transferred \$977,550 to the Debt Service Fund for the payment of bond interest and principal.

**G. INTEREST AND FISCAL CHARGES:**

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

	<u>Debt Service</u>
Interest	\$ 812,254
Appraisal Services	9,040
Collection Expenses	3,216
Paying Agent Fees & Misc.	5,047
Total	<u>\$ 829,557</u>

## **H. 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.

## **I. 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 575 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 9.72% for the months of the accounting year in 2007. 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, 2007, the amount of employer's contribution to the plan was \$98,156, and the employee's contribution amount was \$68,532.

While the actual contributions for the months of the accounting year in 2006 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 2006 was in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2005, the basis for assessing the adequacy of the financing arrangement beginning with the contribution rate for calendar year 2006. The part of the annual required contributions for the months of the accounting year in 2007 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, 2005, the basis for determining the contribution rate for calendar year 2007. The December 31, 2006 actuarial valuation is the most recent valuation.

### Actuarial Valuation Information

Actuarial valuation date	12/31/04	12/31/05	12/31/06
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, open
Amortization period in years	11.3	11.8	11.9
Asset valuation method	Long term appreciation with adjustments	Long term appreciation with adjustments	SAF: 10-yr. smoothed value ESF: Fund value
Actuarial Assumptions:			
Investment return <sup>1</sup>	8%	8%	8%
Projection salary increases <sup>1</sup>	5.5%	5.5%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost of living adjustments	0.0%	0.0%	0.0%

<sup>1</sup>Includes 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, 2005	<u>\$62,741</u>	<u>100%</u>	<u>\$ 0</u>
September 30, 2006	<u>92,878</u>	<u>100%</u>	<u>0</u>
September 30, 2007	<u>98,156</u>	<u>100%</u>	<u>0</u>

**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 <sup>1</sup> (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04 <sup>1</sup>	\$1,531,968	\$1,878,108	\$346,140	81.57%	\$853,822	40.54%
12/31/05	\$1,734,552	\$2,116,341	\$381,789	81.96%	\$897,503	42.54%
12/31/06	\$1,957,887	\$2,269,412	\$311,525	86.27%	\$942,878	33.04%

<sup>1</sup> 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.

**J. LITIGATION:**

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

**K. OTHER GENERAL REVENUES:**

Included in other general revenues are revenues of: LUE fees of \$730,000 and reservation fees of \$89,250 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. Capacity Reservation and application fees of \$86,900 pertaining to the Sailfish Wastewater Improvement Project for out-of-District wastewater service; fees of \$159,275 in regards to the Lakeway Inn Water and Wastewater Project.

**L. SUBSEQUENT EVENT**

The Lakeway Municipal Utility District placed a bond authority request before the District's voters on November 6, 2007. The election was for the purpose of authority to sell up to \$13.3 million in tax supported bonds. The election passed 68% for and 32% against. The future proceeds will be used for infrastructure improvements to the District's water and wastewater systems.



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

<u>Explanation</u>	<u>Amount of Adjustment</u>
Interfund receivables (due from other funds) and interfund payables (due to other funds) as reported in the governmental funds balance sheet should not be reported as assets or liabilities in the Statement of Net Assets.	
Due from other funds	(25,785)
Due to other funds	(25,785)
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	1,937,996
Other capital assets	25,028,119
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)	116,325
Accrued interest payable	58,639
Long-term liabilities:	
(Bonds payable)	
Due within one year	2,245,000
Due after one year	14,308,101
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.	(77,432)

**NOTE N. 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.	13,174
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	(128,803)
Depreciation expense	1,429,983
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.	(2,135,000)
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 @ 9-30-06	(67,688)
Interest accrual @ 9-30-07	58,639
Net adjustment	(9,049)
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 @ 9-30-06	(67,737)
Deferred tax revenue @ 9-30-07	77,432
Net adjustment	9,695

**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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>Revenues:</b>				
Charges for water services	\$2,678,832	\$2,678,832	\$2,231,883	\$(446,949)
Charges for wastewater service	1,554,087	1,554,087	1,532,692	(21,395)
Property taxes	253,770	253,770	245,019	(8,751)
Tap connection and inspection fees	213,600	213,600	183,314	(30,286)
Investment earnings	55,700	55,700	149,290	93,590
Penalties and interest	41,300	41,300	38,055	(3,245)
Other	<u>175,100</u>	<u>175,100</u>	<u>1,126,126</u>	<u>951,026</u>
<b>Total Revenues</b>	<u>4,972,389</u>	<u>4,972,389</u>	<u>5,506,379</u>	<u>533,990</u>
<b>Expenditures/expenses:</b>				
<b>Service operations:</b>				
Water service	479,200	484,800	449,567	35,233
Wastewater service	591,100	540,300	520,193	20,107
Purchased water service	385,100	309,100	305,823	3,277
Salaries, benefits, and payroll taxes	1,411,200	1,390,400	1,364,505	25,895
Contracted services	322,100	533,319	334,739	198,580
Professional fees	88,500	109,100	107,176	1,924
Supplies and Maintenance -				
Administrative	35,900	39,100	36,735	2,365
Other	79,500	83,100	72,668	10,432
<b>Capital outlay</b>	<u>546,500</u>	<u>777,800</u>	<u>184,938</u>	<u>592,862</u>
<b>Total expenditures/expenses</b>	<u>3,939,100</u>	<u>4,267,019</u>	<u>3,376,344</u>	<u>890,675</u>
Excess (deficiency) of revenues over expenditures	1,033,289	705,370	2,130,035	1,424,665
Other financing sources (uses):				
Transfers - internal activities	<u>(977,600)</u>	<u>(977,600)</u>	<u>(977,550)</u>	<u>50</u>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	55,689	(272,230)	1,152,485	1,424,715
<b>Fund balance:</b>				
Beginning of the year	<u>2,674,501</u>	<u>2,674,501</u>	<u>2,674,501</u>	<u>          </u>
End of the year	<u>\$2,730,190</u>	<u>\$2,402,271</u>	<u>\$3,826,986</u>	<u>\$1,424,715</u>

See Accompanying Note to Required Supplementary Information

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2007**

**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. 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, 2007**

- 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, 2007**

1. Services Provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input checked="" type="checkbox"/> Wholesale Water
<input checked="" type="checkbox"/> Retail Wastewater	<input checked="" type="checkbox"/> Wholesale Wastewater
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection
<input type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control
<input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Drainage	<input type="checkbox"/> Security
<input type="checkbox"/> Other _____	<input type="checkbox"/> 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:	\$ 16.51	-0-	N	\$ 2.50 \$ 3.50	0 to 50,000 Over 50,000
WASTEWATER:	\$ 14.23	-0-	N	\$ 2.50	0 to infinity

District employs winter averaging for wastewater usage? Yes  No

Total water and wastewater charges per 10,000 gallons usage (including surcharges) \$80.74

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>3928</u>	<u>4064</u>	<u>42</u>

\* Number of connections relates to water service.

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

Gallons pumped into system:	<u>602,798</u>
Gallons billed to customers:	<u>519,287</u>

5. Standby Fees:

Does the District assess Standby Fees? Yes  No

For the most recent full fiscal year, FYE 9/30/07:

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.

6. Anticipated sources of funds to be used for debt service payments in the District's following fiscal year:

a. Debt Service Tax Receipts	\$ 1,970,034
b. Water and Wastewater Revenue	\$ 978,632
c. Debt Service Fund Balances To Be Used	\$ 0

TOTAL ANTICIPATED FUNDS TO BE USED\* \$ 2,948,666

\*This total should equal the District's total annual debt service for the fiscal year following the fiscal year reported or in the audited financial statements.

7. Location of District:

County (ies) in which District is located. Travis

Is the District located entirely within one county? Yes X No     

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

City (ies) in which District is located. Lakeway Village of the Hills

Is the District located within a city's extra territorial jurisdiction (ETJ)?  
Entirely      Partly X Not at all     

ETJ's in which District is located.                     

Is the general membership of the Board appointed by an office outside the District?  
Yes      No X

If Yes, by whom?

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**LAKEWAY MUNICIPAL UTILITY DISTRICT  
 (B) SCHEDULE OF GENERAL FUND EXPENDITURES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Personnel (including benefits)	\$ 1,364,505
Professional Fees:	
Auditing	13,600
Legal	16,493
Engineering	46,019
Other	31,064
Water Services:	
Treated Water and Chemicals	28,375
Utilities	104,229
Supplies	24,680
Maintenance	292,283
Wastewater Services:	
Chemicals	39,637
Utilities	205,056
Supplies	24,249
Maintenance	251,251
Purchased Water Services:	
Bulk Water	229,881
LCRA Variable Cost	75,941
Contracted Services:	
Insurance	32,798
Communications	30,754
Inspection Fees	25,110
Equipment Rental	4,918
Custodial	5,133
Testing and Lab Fees	20,560
Permits	4,195
Inflow and Infiltration	202,454
Miscellaneous	7,437
Security Fees	1,380

(Cont'd)

**LAKEWAY MUNICIPAL UTILITY DISTRICT  
(B) SCHEDULE OF GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Supplies and Maintenance - Administrative:	
Supplies	21,600
Maintenance	15,135
Other:	
Transportation	7,154
Employee Welfare	3,543
Education	20,697
Medical	1,285
Bank Fees	30,676
Safety	4,666
Miscellaneous	4,648
Capital Outlay:	
Capitalized Assets	110,101
Expenditures Not Capitalized	<u>74,837</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$3,376,344</u></b>
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, 2007**

<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	\$ 3,074,754	\$ 0
Total				<u>3,074,754</u>	<u>0</u>
Debt Service Fund					
Investment Pool -					
TexPool	8121300017	*	Open	<u>1,351,028</u>	<u>0</u>
Total				<u>1,351,028</u>	<u>0</u>
Total - All Funds				<u>\$ 4,425,782</u>	<u>\$ 0</u>

\*Variable Rate - Interest Rate as of 09/30/07 on a Simple Basis was 5.1287%.

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LAKEWAY MUNICIPAL UTILITY DISTRICT  
(D) TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Maintenance <u>Taxes</u>	Debt Service <u>Taxes</u>
Taxes Receivable, Beginning of Year	\$ 2,798	\$ 64,939
2006 Original Tax Levy - Net of Adjustments	247,778	1,633,758
Adjustments - Prior Years	<u>(653)</u>	<u>(8,758)</u>
 Total to be Accounted for Tax Collections:	 <u>249,923</u>	 <u>1,689,939</u>
Current Year	(244,860)	(1,614,252)
Prior Years	<u>(159)</u>	<u>(3,159)</u>
Total Collections	<u>(245,019)</u>	<u>(1,617,411)</u>
 Taxes Receivable, End of Year	 <u>\$ 4,904</u>	 <u>\$ 72,528</u>
 Taxes Receivable, By Years:		
1987 and earlier	\$ 0	\$ 9,424
1988	0	1,444
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	2,915
2001	351	4,049
2002	112	2,830
2003	66	1,795
2004	370	10,050
2005	1,085	14,197
2006	<u>2,920</u>	<u>19,504</u>
 Taxes Receivable, End of Year	 <u>\$ 4,904</u>	 <u>\$ 72,528</u>

LAKEWAY MUNICIPAL UTILITY DISTRICT  
(D) TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Property Valuations:	\$ 822,199,171	\$ 749,110,742	\$ 721,407,967	\$ 696,990,722
Tax Rates per \$100 Valuation:				
Debt service tax rates	\$ .2005	\$ .2618	\$ .2718	\$ .2702
Maintenance tax rates	<u>.03</u>	<u>.02</u>	<u>.01</u>	<u>.01</u>
Total Tax Rates per \$100 Valuation	<u>\$ .2305</u>	<u>\$ .2818</u>	<u>\$ .2818</u>	<u>\$ .2802</u>
Original Tax Levy:	<u>\$ 1,881,536</u>	<u>\$ 2,105,497</u>	<u>\$ 2,024,814</u>	<u>\$ 1,952,969</u>
Percent of Taxes Collected to Taxes Levied*	<u>98.81%</u>	<u>99.27%</u>	<u>99.49%</u>	<u>99.90%</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, 2007**

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
2008	150,000	76,395	226,395	1,260,000	185,945	1,445,945	315,000	91,167	406,167
2009	160,000	70,620	230,620	1,315,000	127,354	1,442,354	335,000	70,850	405,850
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
57. TOTALS	<u>\$ 1,840,000</u>	<u>\$ 453,648</u>	<u>\$ 2,293,648</u>	<u>\$ 4,323,110</u>	<u>\$ 8,710,739</u>	<u>\$13,033,849</u>	<u>\$1,405,000</u>	<u>\$ 237,092</u>	<u>\$ 1,642,092</u>

LAKEWAY MUNICIPAL UTILITY DISTRICT  
(E) LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS  
(continued)  
SEPTEMBER 30, 2007

Due During Fiscal Year Ending <u>September 30</u>	<u>Series 1999</u>			<u>Series 2000</u>		
	<u>Principal Due Sept.1</u>	<u>Interest Due March 1 and Sept. 1</u>	<u>Total</u>	<u>Principal Due Sept.1</u>	<u>Interest Due March 1 and Sept. 1</u>	<u>Total</u>
2008	80,000	15,563	95,563	120,000	22,875	142,875
2009	85,000	11,963	96,963	130,000	14,175	144,175
2010	85,000	8,095	93,095	140,000	7,350	147,350
2011	<u>90,000</u>	<u>4,185</u>	<u>94,185</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL	<u>\$ 340,000</u>	<u>\$ 39,806</u>	<u>\$ 379,806</u>	<u>\$ 390,000</u>	<u>\$ 44,400</u>	<u>\$ 434,400</u>

**LAKEWAY MUNICIPAL UTILITY DISTRICT**  
**(E) LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS**  
 (continued)  
 SEPTEMBER 30, 2007

Due During Fiscal Year Ending September 30	<u>Series 2000-A</u>			<u>Series 2005</u>		
	<u>Principal Due Sept.1</u>	<u>Interest Due March 1 and Sept. 1</u>	<u>Total</u>	<u>Principal Due Sept.1</u>	<u>Interest Due March 1 and Sept. 1</u>	<u>Total</u>
2008	220,000	67,533	287,533	100,000	244,188	344,188
2009	235,000	53,783	288,783	105,000	240,618	345,618
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
<b>TOTAL</b>	<u>\$1,220,000</u>	<u>\$ 197,631</u>	<u>\$1,417,631</u>	<u>\$7,034,991</u>	<u>\$3,630,592</u>	<u>\$10,665,583</u>

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LAKEWAY MUNICIPAL UTILITY DISTRICT  
 (E) LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS  
 (continued)  
 SEPTEMBER 30, 2007

Due During Fiscal Year Ending September 30	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2008	2,245,000	703,666	2,948,666
2009	2,365,000	589,363	2,954,363
2010	2,480,000	470,335	2,950,335
2011	1,068,208	1,882,768	2,950,976
2012	581,330	2,339,771	2,921,101
2013	345,098	2,621,283	2,966,381
2014	896,568	2,052,043	2,948,611
2015	1,006,897	1,925,579	2,932,476
2016	870,000	201,810	1,071,810
2017	1,000,000	169,218	1,169,218
2018	885,000	131,912	1,016,912
2019	885,000	100,317	985,317
2020	795,000	68,723	863,723
2021	660,000	40,341	700,341
2022	<u>470,000</u>	<u>16,779</u>	<u>486,779</u>
<b>TOTAL</b>	<b><u>\$16,553,101</u></b>	<b><u>\$ 13,313,908</u></b>	<b><u>\$ 29,867,009</u></b>

Cash and Temporary Investment Balance at September 30, 2007

Debt Service Fund \$1,362,816

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**LAKEWAY MUNICIPAL UTILITY DISTRICT  
(F) ANALYSIS OF CHANGES IN LONG-TERM DEBT  
SEPTEMBER 30, 2007**

**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>Totals</u>
Interest Rate	3.85-4.30%	4.65-5.30%	6.45-6.50%	4.50-6.50%	5.25-7.25%	4.80-6.25%	3.57%	
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	
Bonds Outstanding Beginning of Current Year	\$ 1,985,000	\$ 5,528,110	\$ 1,700,000	\$ 415,000	\$ 505,000	\$ 1,425,000	\$ 7,129,991	\$ 18,688,101
Bonds Issued During Current Year	0	0	0	0	0	0	0	0
Retirements: Principal	<u>145,000</u>	<u>1,205,000</u>	<u>295,000</u>	<u>75,000</u>	<u>115,000</u>	<u>205,000</u>	<u>95,000</u>	<u>2,135,000</u>
Bonds Outstanding End of Current Year	<u>\$ 1,840,000</u>	<u>\$ 4,323,110</u>	<u>\$ 1,405,000</u>	<u>\$ 340,000</u>	<u>\$ 390,000</u>	<u>\$ 1,220,000</u>	<u>\$ 7,034,991</u>	<u>\$ 16,553,101</u>
Retirements: Interest	\$ 81,832	\$ 241,375	\$ 109,753	\$ 20,156	\$ 31,213	\$ 80,345	\$ 247,580	\$ 812,254

Paying Agent's Name & Address:

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

U.S. Trust Company  
P.O. Box 841  
New York, New York 1027

Debt Service Fund Cash and Temporary Investments  
balances as of September 30, 2007: \$ 1,362,816  
Average Annual Debt Service Payment (Principal and Interest)  
for remaining term of all debt: \$ 1,991,134.

Bond Authority:

	<u>Tax Bonds*</u>
Amount Authorized by Voters	\$39,815,000
Amount Issued	\$39,815,000
Remaining to be Issued	\$ 0

\*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, 2007**

	Amounts					Percent of Fund Total Revenues				
	2007	2006	2005	2004	2003	2007	2006	2005	2004	2003
<b>General Fund Revenues</b>										
Property Taxes - M & O	\$ 245,019	\$ 147,951	\$ 71,542	\$ 69,693	\$ 70,408	4.45%	2.32%	1.76%	1.86%	1.94%
Water & Wastewater Charges	3,764,575	4,393,548	3,652,113	3,410,794	3,301,985	68.37	68.93	89.73	90.72	90.81
Meter Installation	83,900	122,950	110,660	109,350	96,900	1.52	1.93	2.72	2.91	2.66
Interest, Penalties & Other (See Note K)	<u>1,412,885</u>	<u>1,709,224</u>	<u>235,586</u>	<u>169,674</u>	<u>166,776</u>	<u>25.66</u>	<u>26.82</u>	<u>5.79</u>	<u>4.51</u>	<u>4.59</u>
Total General Fund Revenues	<u>5,506,379</u>	<u>6,373,673</u>	<u>4,069,901</u>	<u>3,759,781</u>	<u>3,636,069</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<b>General Fund Expenditures</b>										
Salaries	1,364,505	1,301,151	1,185,915	1,186,832	1,100,655	24.78	20.41	29.14	31.57	30.27
Supplies	70,529	73,841	66,859	66,929	63,524	1.28	1.16	1.64	1.78	1.75
Maintenance & Repair	753,824	585,191	544,283	496,502	570,630	13.67	9.18	13.37	13.21	15.69
Purchased & Contracted Services	1,002,548	1,160,311	1,051,843	960,587	959,538	18.21	18.20	25.85	25.55	26.39
Capital Outlay	<u>184,938</u>	<u>886,312</u>	<u>110,965</u>	<u>132,740</u>	<u>153,457</u>	<u>3.36</u>	<u>13.91</u>	<u>2.73</u>	<u>3.52</u>	<u>4.22</u>
Total General Fund Expenditures	<u>3,376,344</u>	<u>4,006,806</u>	<u>2,959,865</u>	<u>2,843,590</u>	<u>2,847,804</u>	<u>61.32</u>	<u>62.86</u>	<u>72.73</u>	<u>75.63</u>	<u>78.32</u>
General Fund Revenue Over/Under Expenditures	2,130,035	2,366,867	1,110,036	916,191	788,265	38.68	37.14	27.27	24.37	21.68
<b>Other Financing Sources (Uses)</b>										
Operating Transfers In	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	<u>(977,550)</u>	<u>(1,071,896)</u>	<u>(1,220,543)</u>	<u>(868,515)</u>	<u>(746,196)</u>	<u>(17.75)</u>	<u>(16.82)</u>	<u>(29.99)</u>	<u>(23.09)</u>	<u>(20.52)</u>
Total Other Financing Sources (Uses)	<u>(977,550)</u>	<u>(1,071,896)</u>	<u>(1,220,543)</u>	<u>(868,515)</u>	<u>(746,196)</u>	<u>(17.75)</u>	<u>(16.82)</u>	<u>(29.99)</u>	<u>(23.09)</u>	<u>(20.52)</u>
General Fund Revenue And Other Sources Over/Under Expenditures And Other Uses	<u>\$ 1,152,485</u>	<u>\$ 1,294,971</u>	<u>\$ (110,507)</u>	<u>\$ 47,876</u>	<u>\$ 42,069</u>	<u>20.93%</u>	<u>20.32%</u>	<u>(2.72)%</u>	<u>1.28%</u>	<u>1.16%</u>

**LAKEWAY MUNICIPAL UTILITY DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES (CONT'D.)  
DEBT SERVICE FUND  
FIVE YEARS ENDED SEPTEMBER 30, 2007**

	<u>Amounts</u>					<u>Percent of Fund Total Revenues</u>				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b><u>Debt Service Fund Revenues</u></b>										
Property Taxes	\$1,617,441	\$1,946,020	\$1,945,497	\$1,888,261	\$1,768,749	91.09%	92.72%	96.04%	97.74%	97.44%
Penalties & Interest	<u>158,117</u>	<u>152,786</u>	<u>80,339</u>	<u>43,373</u>	<u>46,404</u>	<u>8.91</u>	<u>7.28</u>	<u>3.96</u>	<u>2.26</u>	<u>2.56</u>
<b>Total Debt Service Fund Revenues</b>	<b><u>1,775,558</u></b>	<b><u>2,098,806</u></b>	<b><u>2,025,836</u></b>	<b><u>1,932,004</u></b>	<b><u>1,815,153</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>
<b><u>Debt Service Fund Expenditures</u></b>										
Tax Collection Expenditures	12,256	13,166	12,333	13,501	13,168	.69	.63	.60	.70	.73
Debt Service Interest & Fees	817,301	919,295	1,284,688	1,473,179	1,541,081	46.03	43.80	63.42	76.25	84.90
Debt Service Principal	2,135,000	2,030,000	1,677,204	1,524,276	1,458,440	120.24	96.72	82.79	78.90	80.35
Refunding Bonds Issuance Costs	<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>	<u>0</u>	<u>0</u>
<b>Total Debt Service Fund Expenditures</b>	<b><u>2,964,557</u></b>	<b><u>2,962,461</u></b>	<b><u>3,148,917</u></b>	<b><u>3,010,956</u></b>	<b><u>3,012,689</u></b>	<b><u>166.96</u></b>	<b><u>141.15</u></b>	<b><u>155.44</u></b>	<b><u>155.85</u></b>	<b><u>165.98</u></b>
Debt Service Revenue Over/Under Expenditures	(1,188,999)	(863,655)	(1,123,081)	(1,078,952)	(1,197,536)	(66.96)	(41.15)	(55.44)	(55.85)	(65.98)
<b><u>Other Financing Sources</u></b>										
Operating Transfers In From General Fund	977,550	1,071,896	1,220,543	868,315	746,196	55.06	51.07	60.25	44.94	41.11
Sale Of Land	0	0	0	0	0	0	0	0	0	12.82
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>161,622</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7.98</u>	<u>0</u>	<u>0</u>
<b>Total Other Financing Sources</b>	<b><u>977,550</u></b>	<b><u>1,071,896</u></b>	<b><u>1,382,165</u></b>	<b><u>868,315</u></b>	<b><u>746,196</u></b>	<b><u>55.06</u></b>	<b><u>51.07</u></b>	<b><u>68.23</u></b>	<b><u>44.94</u></b>	<b><u>41.11</u></b>
Debt Service Revenue And Other Sources Over/Under Expenditures	<b><u>\$ (211,449)</u></b>	<b><u>\$ 208,241</u></b>	<b><u>\$ 259,084</u></b>	<b><u>\$ (210,637)</u></b>	<b><u>\$ (451,340)</u></b>	<b><u>(11.90)%</u></b>	<b><u>9.92%</u></b>	<b><u>12.79%</u></b>	<b><u>(10.91)%</u></b>	<b><u>(24.87)%</u></b>
Total Active Retail Water Connections	<u>3928</u>	<u>3869</u>	<u>3800</u>	<u>3736</u>	<u>3690</u>					
Total Active Retail Wastewater	<u>2865</u>	<u>2817</u>	<u>2757</u>	<u>2696</u>	<u>2665</u>					

**LAKEWAY MUNICIPAL UTILITY DISTRICT  
(H) BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
YEAR ENDED SEPTEMBER 30, 2007**

<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 &amp; Tax Asses.-Col.</u>
Tom Rogers 1097 Lohmans Crossing Austin, Texas 78734	10/27/97 05/01/10	\$ 0	\$ 0	President	Yes	None
Tom Priddy 1097 Lohmans Crossing Austin, Texas 78734	05/25/04 05/01/08	\$ 0	\$ 0	1st Vice President	Yes	None
Kay Andrews 1097 Lohmans Crossing Austin, Texas 78734	05/25/04 05/01/08	\$ 0	\$ 0	2nd Vice President	Yes	None
Jerry Hietpas 1097 Lohmans Crossing Austin, Texas 78734	12/14/05 05/01/10	\$ 0	\$ 0	Secretary	Yes	None
Allan Hitchcock 1097 Lohmans Crossing Austin, Texas 78734	05/25/04 05/01/08	\$ 0	\$ 0	Treasurer	Yes	None

**LAKESWAY MUNICIPAL UTILITY DISTRICT  
(H) BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
YEAR ENDED SEPTEMBER 30, 2007**

<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 &amp; Tax Asses.-Col.</u>
Richard Eason 1097 Lohmans Crossing Austin, Texas 78734	1993	\$ 0	\$2,307	General Manager	Yes	None
Margaret Cathey	1997	0	295	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
<b><u>Consultants</u></b>						
Willatt & Flickinger 2001 N. Lamar Austin, Texas 78705	1992	\$ 21,571	0	Attorney	No	None
Travis Central Appraisal District P.O. Box 149012 Austin, Texas 78714-9012	1982	\$ 9,040	0	Central Appraisal District	No	None
Travis County Tax Collector P.O. Box 1748 Austin, Texas 78767	1982	\$ 3,216	0	Tax Collector	No	None

\*Includes business or family relationship.