

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken December, 2009)

DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements of the Outstanding Bonds and the principal and estimated interest requirements of the Bonds.

Year Ending 12-31	Current Total Debt Service	-----The Bonds-----		Total New Debt Service
		<u>Principal</u>	<u>Interest *</u>	
2010	\$ 128,425		\$ 135,363	\$ 263,788
2011	131,490	\$ 40,000	232,050	403,540
2012	134,340	40,000	229,450	403,790
2013	131,975	45,000	226,850	403,825
2014	134,610	45,000	223,925	403,535
2015	137,030	50,000	221,000	408,030
2016	134,170	55,000	217,750	408,920
2017	136,245	55,000	214,175	405,420
2018	138,025	60,000	210,600	408,625
2019	139,500	60,000	206,700	406,200
2020	140,500	65,000	202,800	408,300
2021	141,250	70,000	198,575	409,825
2022	141,750	75,000	194,025	410,775
2023	142,000	75,000	189,150	406,150
2024	142,000	80,000	184,275	406,275
2025	146,750	85,000	179,075	410,825
2026	146,000	90,000	173,550	409,550
2027	145,000	95,000	167,700	407,700
2028	148,750	100,000	161,525	410,275
2029	147,000	110,000	155,025	412,025
2030		265,000	147,875	412,875
2031		280,000	130,650	410,650
2032		300,000	112,450	412,450
2033		320,000	92,950	412,950
2034		345,000	72,150	417,150
2035		370,000	49,725	419,725
2036		395,000	25,675	420,675
	<u>\$2,786,810</u>	<u>\$3,570,000</u>	<u>\$4,555,038</u>	<u>\$10,911,848</u>

* Interest is estimated at 6.50% per annum for purposes of illustration.

Average Annual Requirements (2010-2036)	\$ 404,143
Maximum Annual Requirement (2036)	\$ 420,675

Bonded Indebtedness

2009 Assessed Valuation	\$97,371,741(a)
(As of January 1, 2009)	
See "TAX DATA" and "TAXING PROCEDURES"	
Estimated Valuation at November 1, 2009	\$105,289,898(b)
(As of November 1, 2009)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
The Outstanding Bonds	\$ 1,730,000
The Bonds	<u>3,570,000</u>
Total	\$ 5,300,000(c)
Estimated Overlapping Debt	\$ 1,668,960
Direct and Estimated Overlapping Debt	<u>\$ 6,968,960</u>
Direct Debt Ratios	
: as a percentage of 2009 Assessed Valuation	5.44%
: as a percentage of Estimated Valuation at November 1, 2009	5.03%
Direct and Estimated Overlapping Debt Ratios	
: as a percentage of 2009 Assessed Valuation	7.16%
: as a percentage of Estimated Valuation at November 1, 2009	6.62%
Debt Service Fund Balance (estimated upon delivery of the Bonds)	\$ 601,575(d)
General Fund Balance at November 3, 2009	\$ 461,980
2009 Tax Rate Per \$100 of Assessed Valuation	
Debt Service Tax	\$0.347
Maintenance Tax	<u>0.400</u>
Total	\$0.747(e)

- (a) As of January 1, 2009. All property located in the District is valued on the tax rolls by the Travis Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Travis County Appraisal Review Board (the "Appraisal Review Board"). Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District. The Appraisal District has proposed the valuation of such protested properties to be \$26,975,920. The Appraisal District does not provide an estimate of the total taxable value of such properties under protest which will be assigned to such properties if the owner's claims are upheld by the Appraisal Review Board. Therefore, for purposes of this Official Statement, an amount equal to 80% of such \$26,975,920 in value of such protested properties proposed by the Appraisal District (\$21,580,736) has been included in such total value of \$97,371,741. The District is unable to predict the amount of the District's final 2009 Assessed Valuation. Such 2009 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2009 See "TAXING PROCEDURES."

- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of November 1, 2009, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2009, through October 31, 2009. The value of all taxable property is certified annually as of January 1 by the Appraisal Review Board. No taxes were levied for 2009 against any values added since January 1, 2009. The assessed valuation of additions to the District's tax base from January 1, 2009, through October 31, 2009, which will be reflected on the District's 2010 tax roll, may vary significantly from the levels reflected by such estimate of value once they are certified on the 2010 tax roll.
- (c) In addition to the water supply and distribution, wastewater collection and treatment, storm drainage facilities that the District has financed with the proceeds of the sale of the Outstanding Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See "THE BONDS - Issuance of Additional Debt" and "RISK FACTORS - Future Debt."
- (d) The District will capitalize an amount equal to the initial 24 months of interest payments from the proceeds of the sale of the Bonds, and will deposit such sum in the Debt Service Fund. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such fund balance gives effect to the timely payment by the District of the entirety of its debt service requirements that were due in 2009. The District's initial debt service requirements on the Bonds are due on September 1, 2010 (seven-month interest payment).
- (e) The District has levied a debt service tax for 2009 in the amount of \$0.347 per \$100 of Assessed Valuation. In addition, the District has levied a maintenance tax of \$0.40 per \$100 of Assessed Valuation for 2009. As is enumerated in this Official Statement under the caption "TAX DATA - Tax Rate Calculations" and "RISK FACTORS - Maximum Impact on District Tax Rates," however, the District currently intends to levy a debt service tax in 2010 of approximately \$0.44 per \$100 of Assessed Valuation in connection with the sale of the Bonds, and a 2010 maintenance tax of approximately \$0.307 per \$100 of Assessed Valuation. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's rate, is \$2.5159. Such aggregate levies are higher than the aggregate tax levies of some municipal utility districts in the Austin metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Austin metropolitan area and the area of the District which are in stages of development comparable with the District. See "TAXING PROCEDURES" and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Debt as of	Estimated Overlapping	
	<u>November 1, 2009</u>	<u>Percent</u>	<u>Amount</u>
Travis County	\$523,079,987	0.0975%	\$ 510,259
Lago Vista Independent School District	14,812,002	7.8227	<u>1,158,701</u>
Total Estimated Overlapping Debt			\$1,668,960
The District (the Bonds and the Outstanding Bonds)			<u>5,300,000</u>
Total Direct & Estimated Overlapping Debt			\$6,968,960

Debt Ratios

	% of 2009 <u>Assessed Valuation</u>	% of Estimated Valuation at <u>at November 1, 2009</u>
Direct Debt	5.44%	5.03%
Direct and Estimated Overlapping Debt	7.16%	6.62%

TAX DATA

General

All taxable property located within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. On August 12, 1989, the District voters authorized the levy of such a maintenance tax in an amount not to exceed \$1.00 per \$100 of Assessed Valuation. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any parity bonds which may be issued in the future. The District has levied a maintenance tax of \$0.40 per \$100 of Assessed Valuation for 2009.

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate (a)</u>	<u>Adjusted Levy</u>	<u>% Collections Current & Prior Years (b)</u>	<u>Tax Year Ending</u>
1999	\$13,157,346	\$0.5000(c)	\$ 65,787	100.00%	2000
2000	24,095,480	0.9500(c)	228,907	100.00	2001
2001	33,180,034	0.9500(c)	315,210	100.00	2002
2002	36,277,071	0.9500(c)	344,632	100.00	2003
2003	40,341,824	0.9500(c)	383,247	100.00	2004
2004	43,270,481	0.8000(c)	346,164	99.99	2005
2005	43,935,395	0.8000	351,483	99.99	2006
2006	51,130,344	0.7914	404,646	99.99	2007
2007	57,641,051	0.7500	432,308	99.96	2008
2008	64,223,759	0.7470	479,751	99.88	2009
2009	97,371,741(d)	0.7470	727,367	(e)	2010

(a) Per \$100 of Assessed Valuation.

(b) As of September 30, 2009.

(c) Maintenance tax only.

- (d) As of January 1, 2009. All property located in the District is valued on the tax rolls by the Travis Central Appraisal District (the "Appraisal District") at 100% of appraised value as of January 1 of each year. The District's tax roll is certified by the Travis County Appraisal Review Board (the "Appraisal Review Board"). Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District. The Appraisal District has proposed the valuation of such protested properties to be \$26,975,920. The Appraisal District does not provide an estimate of the total taxable value of such properties under protest which will be assigned to such properties if the owner's claims are upheld by the Appraisal Review Board. Therefore, for purposes of this Official Statement, an amount equal to 80% of such \$26,975,920 in value of such protested properties proposed by the Appraisal District (\$21,850,736) has been included in such total value of \$97,371,741. The District is unable to predict the amount of the District's final 2009 Assessed Valuation. Such final 2009 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Boards for 2009. See "TAXING PROCEDURES" and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."
- (e) Levied November 3, 2009.

Tax Rate Distribution

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Debt Service	\$0.347	\$0.220	\$0.25	\$0.1500	\$0.38
Maintenance	<u>0.400</u>	<u>0.527</u>	<u>0.50</u>	<u>0.6414</u>	<u>0.42</u>
Total	\$0.747	\$0.747	\$0.75	\$0.7914	\$0.80

Exemptions

The District is not currently granting any tax exemptions.

Principal 2009 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2009. The information reflects the composition of property ownership reflected on the District's 2009 tax roll. See "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS."

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2009 Tax Roll</u>	<u>% of 2009 Tax Roll</u>
Waterstone Development, L.P.	Land and Condominiums	\$16,809,048	17.26%
Waterford LT Partners, L.P.	Acreage and Lots	12,720,557	13.06
Richard Jackson	House	5,431,769	5.58
FS Waterford, L.L.C.	Lots	2,987,090	3.07
Robert Ernst	House	1,853,822	1.90
Richard Knox	House	1,798,000	1.85
Barry Miller	House	1,764,380	1.81
Gary Becker, Trustee	House	1,713,505	1.80
Rex Womble	House	1,550,394	1.59
Andrew Fawthrop	House	<u>1,511,256</u>	<u>1.55</u>
		\$48,139,821	49.47%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the Estimated Valuation at November 1, 2009. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand, and the sale of no additional bonds by the District other than the Bonds and the Outstanding Bonds.

Average Annual Debt Service Requirements (2010-2036)	\$404,143
Tax Rate of \$0.44 on the 2009 Assessed Valuation (\$97,371,741) produces	\$407,014
Tax Rate of \$0.41 on the Estimated Valuation at November 1, 2009 (\$105,289,898) produces	\$410,104
Maximum Annual Debt Service Requirements (2036)	\$420,675
Tax Rate of \$0.46 on the 2009 Assessed Valuation (\$97,371,741) produces	\$425,515
Tax Rate of \$0.43 on the Estimated Valuation at November 1, 2009 (\$105,289,898) produces	\$430,109

The District has levied a debt service tax in 2009 of \$0.347 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.40 per \$100 of Assessed Valuation. As the above table indicates, the 2009 debt service rate will be insufficient to pay the debt service on the Bonds and the Outstanding Bonds, unless taxable values increase beyond the level of the Estimated Valuation at November 1, 2009, assuming a tax collection rate of 95%, no use of District funds on hand and the sale of no additional bonds by the District. Taxable values within the District would have to reach \$122,597,604 in order for a debt service tax rate of \$0.347 per \$100 Assessed Valuation to be sufficient to pay the average annual debt service requirements on the Bonds and the Outstanding Bonds, assuming that the District will have a tax collection rate of 95%, no use of District funds on hand, and the sale of no bonds by the District in addition to the Bonds. Taxable values within the District would have to reach \$127,612,620 in order for a debt service tax rate of \$0.347 per \$100 Assessed Valuation to be sufficient to pay the maximum annual debt service requirement on the Bonds and the Outstanding Bonds, assuming that the District will have a tax collection rate of 95%, no use of District funds on hand, and the sale of no additional bonds by the District. However, the District currently intends to levy a debt service tax in 2010 of approximately \$0.44 per \$100 of Assessed Valuation in connection with the sale of the Bonds, and a 2010 maintenance tax of approximately \$0.307 per \$100 of Assessed Valuation. See "TAXING PROCEDURES" and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2009 taxes levied upon property located within the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u>Taxing Jurisdiction</u>	<u>2009 Tax Rate/\$100</u>
Lago Vista ISD	\$1.1800
Travis County	0.4215
Travis County Emergency Services District No. 1	0.1000
Travis County Healthcare District	0.0674
The District *	<u>0.7470</u>
TOTAL TAX RATE	\$2.5159

* Consisting of a debt service tax of \$0.347 per \$100 of Assessed Valuation and a maintenance tax of \$0.40 per \$100 of Assessed Valuation.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. See "TAX DATA - Maintenance Tax" and - "Tax Rate Distribution."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Travis Central Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within Travis County, including the District. Such appraisal values will be subject to review and change by the Travis County Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 of taxable valuation depending on the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. See "TAX DATA - Exemptions."

Freeport Goods Exemption: Goods in transit ("freeport goods") are constitutionally exempted from taxation. Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating or used to repair or maintain aircraft of a certified air carrier and shipped out of the state within 175 days.

Goods-In-Transit Exemption: Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

Tax Abatement

Travis County may designate all or part of the District as a reinvestment zone, and the District, Travis County, and the Lago Vista Independent School District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine the terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or

improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes, unless it elects to transfer such functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units (see "TAX DATA - Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "RISK FACTORS - Tax Collection Limitations."

THE SYSTEM

Regulation

According to the District's Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Austin and/or the City of Lago Vista, and Travis County.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of equivalent single-family connections ("ESFC") estimated at this time for the District upon the full development of its 589.7 acres is approximately 357 with a total estimated population of 1,249 people (assuming that all are full-time residents). The following descriptions are based upon information supplied by the District's Engineer.

Description

The System presently serves the 212 fully developed single-family residential lots platted as Waterford on Lake Travis, Sections 1 through 3, 3D, 4A and 6, three lots that are not contained within any of such sections, plus the 71-unit Waterstone Condominiums on Lake Travis (Waterford on Lake Travis, Section 7) in the District. The District financed the cost of construction of Water Plant Expansion, Phase I, Wastewater Treatment Plant, Phase I and Lift Station No. 1 with the proceeds of the sale of the Series 2004 Bonds. The District will finance the cost of acquisition or construction of the aforementioned components of the System that serve Waterford on Lake Travis, Sections 2, 3 and 6, offsite water and wastewater facilities for Waterford on Lake Travis, Section 5, and other facilities with portions of the proceeds of the sale of the Bonds, as is enumerated in this Official Statement under the caption "THE BONDS - Use and Distribution of Bond Proceeds." The District anticipates financing the acquisition of the components of the System that serve Waterford on Lake Travis, Sections 1, 4A and 7, the Water Treatment Plant, Transmission Main and Intake Barge, cluster septic system, Wastewater Treatment Plant, Phase 2, and other facilities with the proceeds of the sale, if any, of bonds in the future.

Water Supply

The source of water supply for District customers is surface water from Lake Travis pursuant to a purchase agreement with the Lower Colorado River Authority dated January 12, 2000. The District is authorized to purchase up to 55 acre-feet (17.921 million gallons) of raw water per year for municipal purposes. The surface water diverted from Lake Travis is pumped from the raw water intake barge through two 100 gallons-per-minute ("gpm") pumps to the District's water treatment plant. The District financed Water Plant Expansion, Phase I with a portion of the proceeds of the sale of the Series 2004 Bonds.

The following table summarizes the District's current water supply facilities along with the capacity of each component (expressed as ESFC) based on TCEQ criteria:

<u>Facility</u>	<u>Minimum Requirement</u>	<u>Existing Capacity</u>	<u>Total Capacity ESFCs</u>
Pressure Tank	20 gal/ESFC	2,500 gal	125
Ground Storage	200 gal/ESFC	219,000 gal	1,095
Booster Pump	2.0 gpm/ESFC	800 gpm	400
Raw Water Pump Capacity	0.6 gpm/ESFC	100 gpm	167
Treatment Plant Capacity	0.6 gpm/ESFC	150 gpm	250
Surface Water	360 gpd/ESFC	49,098 gpd	136

At this time, the District is not required to have and does not have an emergency water interconnect.

According to the District's Engineer, the District's existing water supply facilities provide sufficient capacity to serve 125 ESFCs. Construction of an expansion to the facility is currently underway, and, upon its completion (expected in approximately May, 2010), the facility will provide sufficient capacity to serve 250 ESFCs.

Wastewater Treatment Facilities

Wastewater treatment for the District is provided by the District's 60,000 gpd plant that was completed in September, 2008. The plant includes two 30,000 gpd packaged plants, two 150,000 gallon effluent holding tanks and a surface drip irrigation system that discharges to 600,000 SF of irrigation zones. TCEQ Permit No. 14335-001 authorizes the plant to treat interim capacity of 0.030 MGD (Phase I), and 0.060 MG (Phase II), and a final capacity of 0.0864 MGD, with disposal via irrigation. A 60,000 gpd plant can serve 200 ESFCs at 300 gpd per ESFC.

Drainage Improvements

Storm drainage from within the District generally drains through roadside ditches which convey runoff into Lake Travis via a storm culvert and existing natural drainage patterns. A portion of the proceeds of the sale of bonds, if any, to be sold in the future, is to be used for drainage improvements specific to the subdivision. The District is financing the culverts and roadside ditches in Waterford on Lake Travis, Sections 2 and 3, with the exception of the 54" culvert in Section 3 with portions of the proceeds of the sale of the Bonds.

The Lower Colorado River Authority ("LCRA") Highland Lakes Watershed Ordinance applies to development within the District. It requires water quality facilities for any development with impervious cover greater than 15%. The District is financing fifty percent (50%) of the land costs and taxes for the Water Quality Ponds serving the Waterstone Condominiums on Lake Travis (Waterford on Lake Travis, Section 7) with portions of the proceeds of the sale of the Bonds.

100-Year Flood Plain

The 100-year floodplain is contained within inundation easements dedicated to the Lower Colorado River Authority. The entire District outside of these easements lies above the 100-year flood plain for Lake Travis as defined by the United States Geological Survey (USGS) and the Federal Insurance Administration (FIA). The District is located in the Flood Insurance Rate Map (FIRM), Map Number 48453CO215H, Panel 215 of 730, Travis County, Texas and Incorporated Areas, dated September 26, 2008.

Waterworks and Sewer System Operating Statement

The following statement summarizes the operating history of the District's waterworks and sewer System for the fiscal years ended September 30, 2004, through 2008 (all audited), and the fiscal year ended September 30, 2009 (unaudited). The summary has been condensed from information contained in the District's audited financial statements in the case of the fiscal years ended September 30, 2004, through 2008, to which reference is made for more complete and further information; and from an unaudited compilation of information supplied by the District's Bookkeeper in the case of the information covering the fiscal year ended September 30, 2009. The derivation of Net Revenues which follows excludes depreciation expenses. See "APPENDIX B - ANNUAL FINANCIAL REPORT."

	Fiscal Year Ended September 30					
	<u>2009*</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
GENERAL FUND REVENUES:						
Property Taxes	\$341,968	\$291,766	\$319,974	\$183,948	\$406,121	\$330,089
Water Revenues	86,706	70,422	45,441	50,625	36,543	40,693
Sewer Revenues	26,505	17,610	16,050	11,640	5,647	6,072
Grinder Pump Maintenance	20,526	12,100	10,762	7,725	3,523	3,795
Penalty and Interest	1,371	1,654	829	1,090	927	5,916
Tap Connection and Inspection Fees	44,428	100,912	35,800	13,575	0	0
Investment Revenues	4,162	11,909	14,740	14,699	9,257	4,642
Miscellaneous Revenues	<u>295</u>	<u>1,586</u>	<u>2,939</u>	<u>5,822</u>	<u>1,814</u>	<u>0</u>
TOTAL GENERAL FUND REVENUES	\$525,960	\$507,959	\$446,535	\$289,124	\$463,832	\$391,207
GENERAL FUND EXPENDITURES:						
Professional Fees	\$148,799	\$ 94,779	\$ 46,055	\$ 83,765	\$108,608	\$115,465
Contracted Services	138,692	78,035	69,418	71,058	78,482	62,860
Purchased Water	8,447	7,534	6,622	6,544	5,489	4,656
Utilities	37,553	31,500	17,560	19,841	9,106	9,283
Repairs and Maintenance	137,893	60,079	66,195	27,725	24,279	35,360
Other	30,864	46,376	56,210	36,413	33,331	29,666
Parks and Recreation	0	0	0	0	0	20,000
Capital Outlay	<u>0</u>	<u>0</u>	<u>71,155</u>	<u>411,375</u>	<u>107,659</u>	<u>0</u>
TOTAL GENERAL FUND EXPENDITURES	\$502,248	\$318,303	\$333,215	\$656,721	\$366,954	\$277,290
EXCESS GENERAL FUND REVENUES OVER (UNDER) EXPENDITURES	\$ 23,712	\$189,656	\$113,320	\$(367,597)	\$96,878	\$113,917

* Unaudited.

Net Revenues are pledged to the payment of the Bonds and are defined in the Bond Resolution as all income that is derived from the ownership and operation of the District's System as the same is purchased, constructed or otherwise acquired, which remains after deducting the operation and maintenance expenses of the System, but not including income derived from contracts that is pledged for payment of any special project bonds that may be issued. The District does not expect that the operation of its System will provide Net Revenues sufficient to make significant contributions, if any, to the District's debt service requirements. The District's General Fund at September 30, 2008, was \$480,099 (audited), at September 30, 2009 (unaudited) was \$502,487, and at November 3, 2009 (unaudited) was \$461,980.

RISK FACTORS

General

The Bonds, which are obligations solely of the District and not of the State of Texas, Travis County, Texas, the City of Austin, Texas, the City of Lago Vista, Texas, or any political subdivision or agency other than the District, are secured by the proceeds of an annual ad valorem tax, levied without legal limit as to rate or amount, upon all taxable property within the District, and are further secured by a pledge of and lien on Net Revenues, if any, derived from the operation of the District's System. The System is not expected to produce sufficient Net Revenues to make significant contributions, if any, to future debt service payments. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "Tax Collection Limitations," "Registered Owners' Remedies and Bankruptcy," and "Production of Net Revenues" below and "THE BONDS - Source of Payment" and - "Registered Owners' Remedies."

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction and the sale of single-family residences and condominium units of the types that have been constructed within the District can be significantly affected by factors such as interest rates, credit availability, construction costs, the level of residential foreclosures, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although, as is described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION," and "DEVELOPER AND OTHER PRINCIPAL LANDOWNERS," (i) the development of 212 single-family residential lots is complete within the District, and (ii) as of December 1, 2009, the District contained 57 single-family homes (including 3 homes under construction), an 80-slip marina and parking lot, and the 71-unit Waterstone Condominiums on Lake Travis, the District cannot predict the pace or magnitude of any future development or single-family residential or condominium construction in the District other than that which has occurred to date.

National Economy: There has been a significant downturn in new housing construction in the United States, resulting in a decline in national housing market values. The Austin area, which includes Travis County and the area of the District (more particularly the Lake Travis market area), has experienced reduced levels of home construction. Although, as is described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION," and "DEVELOPER AND OTHER PRINCIPAL LANDOWNERS," (i) the development of 212 single-family residential lots is complete within the District, and (ii) as of December 1, 2009,

the District contained 57 single-family homes (including 3 homes under construction), an 80-slip marina and parking lot, and the 71-unit Waterstone Condominiums on Lake Travis, the District cannot predict the pace or magnitude of any future development or single-family residential or condominium construction in the District other than that which has occurred to date. The District cannot predict what impact, if any, a continued downturn in the local and national housing and financial markets may have on the Austin and Travis County market generally and the Lake Travis market area, which includes the District, specifically.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on residential development activity and the construction and sales of single-family residences and condominium units, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders and condominium developers are able to finance the construction of new homes and condominium units for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction or to facilitate the sale of the remaining unsold condominium units in the Waterstone Condominiums on Lake Travis. In addition, since the District is located approximately 26 miles northwest of the central downtown business district of the City of Austin, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economies and national credit and financial markets. A continued downturn in the economic conditions of Austin and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the District and restrain the growth of the District's property tax base.

Single-Family Residential Lot Development, Home Construction and Condominium Markets on Lake Travis: The single-family residential lot development, home construction and condominium markets on Lake Travis for lots, single-family homes and condominiums of the types heretofore developed and constructed in the District have been curtailed in recent years. Waterstone Development, L.P. ("WD") (see "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS"), the developer of the 71-unit Waterstone Condominiums on Lake Travis, initially conveyed 7 of such condominiums to purchasers subsequent to the April, 2009, completion of the project (2 of which purchasers are principals of WD). WD offered 25 of the units for sale at auction on November 15, 2009. The auction resulted the sale of 10 units, which sales are subject to conditions of appraisal, loan application, approval, inspection and other conditions that make the likelihood of closing and conveyance to the prospective purchasers of such condominium units not determinable. Therefore, the District cannot predict whether any of such condominium units that have been contracted for sale will be conveyed to the prospective purchasers of such condominium units. Waterford Partners owns a total of approximately 70.1 acres of currently undeveloped land located within the District that it expects to develop as approximately 71 future single-family residential lots. Approximately 43.3 acres located within the District (future Waterford on Lake Travis, Section 5 - 31 future single-family residential lots) are owned by HA Waterford Investors, LP ("HA"). Neither Waterford Partners nor HA is under any obligation to the District to undertake the development of any currently undeveloped portion of the District according to any particular timetable or at all, and thus the District cannot represent whether, or when, the development of any of such currently undeveloped acres might occur. Moreover, Waterford Partners and HA may sell or otherwise dispose of their respective property within the District, or any other assets, at any time. In addition, a significant number of the currently vacant fully developed single-family residential lots located within the District have been sold to individuals who have no obligation to construct homes on such lots at any time, and thus the District cannot predict the likelihood that a home will be constructed on any of such lots. See "DEVELOPMENT AND HOME CONSTRUCTION," "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS," "FUTURE DEVELOPMENT" and "TAX DATA - Principal 2009 Taxpayers."

The housing industry in the Austin metropolitan area and on Lake Travis is very competitive, and the District can give no assurance that any future home construction will be undertaken within the District by any home builder or individual lot owner. The competitive positions of any developer or home builder or individual lot owner which might attempt future development or home building projects in the District in the sale of developed lots or in the construction or sale of single-family residential units are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District. Moreover, the District cannot predict the likelihood of the sale of the remaining unsold condominium units in the Waterstone Condominiums on Lake Travis.

Developer/Builder Obligation to the District: The ability of Waterford Partners, WD (both defined in this Official Statement under the caption “DEVELOPER AND OTHER PRINCIPAL LAND OWNERS”), or any other principal taxpayer within the District to make full and timely payments of taxes levied against their property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. See “TAX DATA - Principal 2009 Taxpayers.” There is no commitment by or legal requirement of Waterford Partners or HA to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any home building company or any individual lot owner that has not yet constructed a home on a lot that such owner has purchased, to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the District. See “FUTURE DEVELOPMENT.” Moreover, the District cannot predict the likelihood of the future sale of the condominium units of Waterstone Condominiums on Lake Travis that are currently available for sale.

For information concerning the financial condition of Waterford Partners, see “APPENDIX B - UNAUDITED FINANCIAL INFORMATION CONCERNING WATERFORD LT PARTNERS, L.P.” attached to this Official Statement which includes the unaudited financial statements of Waterford Partners as of October 31, 2009, and December 31, 2008. Inclusion of such financial information concerning Waterford Partners is relevant, among other reasons, to the ability of Waterford Partners to continue to develop land within the District and to pay taxes levied by the District and other taxing entities. Waterford Partners is not responsible for, liable for, and has not made any commitment for payment of debt service on the Bonds or other obligations of the District. Waterford Partners has no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District or any other assets, at any time. Further, the financial condition of Waterford Partners is subject to change at any time.

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District's 2009 Assessed Valuation is \$97,371,741. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be \$420,675 (2036) and the Average Annual Debt Service Requirements on the Bonds will be \$404,143 (2010 through 2036, inclusive). Assuming no increase to nor decrease from the 2009 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, a tax rates of \$0.46 and \$0.44 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. Moreover, the Estimated Valuation at November 1, 2009, of property located within the District, supplied by the Appraisal District is \$105,289,898. Assuming no increase to nor decrease from the Estimated Valuation at November 1, 2009, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.43 and \$0.41 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District has levied a debt service tax for 2009 of \$0.347 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.40 per \$100 of Assessed Valuation. As the above table indicates, the 2009 debt service rate will be insufficient to pay the debt service on the Bonds unless taxable values increase beyond the level of the Estimated Valuation at November 1, 2009, assuming a tax collection rate of 95%, no use of District funds on hand and the sale of no additional

bonds by the District. Taxable values within the District would have to reach \$122,597,604 in order for a debt service tax rate of \$0.347 per \$100 Assessed Valuation to be sufficient to pay the Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds, assuming that the District will have a tax collection rate of 95%, no use of District funds on hand, and the sale of no bonds by the District in addition to the Bonds. Taxable values within the District would have to reach \$127,612,620 in order for a debt service tax rate of \$0.347 per \$100 Assessed Valuation to be sufficient to pay the Maximum Annual Debt Service Requirement on the Bonds, assuming that the District will have a tax collection rate of 95%, no use of District funds on hand, and the sale of no additional bonds by the District. See "TAXING PROCEDURES." However, the District currently intends to levy a debt service tax in 2010 of approximately \$0.44 per \$100 of Assessed Valuation in connection with the sale of the Bonds, and a 2010 maintenance tax of approximately \$0.307 per \$100 of Assessed Valuation. Increases in the District's tax rate to higher levels than the total \$0.747 per \$100 of Assessed Valuation rate which the District levied for 2009 may have an adverse impact upon future development of the District, the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's rate, is \$2.5159 per \$100 of Assessed Valuation. Such aggregate rates are higher than the aggregate tax levies of some municipal utility districts in the Austin metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Austin metropolitan area and the area of the District which are in stages of development comparable with the District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities which have parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. See "TAXING PROCEDURES."

Production of Net Revenues

The Net Revenues, if any, to be derived from the operation of the System are entirely dependent upon sales of water and sewer service to current and future residents and users of the System and related operating expenses. The District does not expect that the operation of the System will produce Net Revenues sufficient to make a significant contribution, if any, to the District's debt service requirements. The District's General Fund (operating fund) balance was \$480,099 at September 30, 2008 (audited), at September 30, 2009 was \$502,487 (unaudited), and at November 3, 2009, was \$461,980 (unaudited). An audit of the District's accounts for the fiscal year ended September 30, 2008, is included as "APPENDIX C" to this Official Statement. See "THE SYSTEM - Waterworks and Sewer System Operating Statement."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Registered Owners' Remedies."

Future Debt

The District reserved in the Bond Resolution the right to issue the remaining \$14,810,000 in combination unlimited tax and revenue bonds authorized but unissued for waterworks, wastewater and drainage facilities, the \$13,200,000 for refunding purposes, and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining bonds described above for waterworks, wastewater and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$14,810,000 in bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization. The District's Engineer currently estimates that the aforementioned \$14,810,000 authorized bonds which remain unissued will be adequate to finance the construction of all waterworks, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. See "Maximum Impact on District Tax Rates" above, "THE BONDS," "FUTURE DEVELOPMENT," "DEVELOPMENT AND HOME CONSTRUCTION" and "THE SYSTEM." If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Issuance of Additional Debt."

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

There has been no definitive judicial determination of the validity of these provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by state property tax law, and that, although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorney's fees, costs of abstract, and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the

FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent the FIRREA provisions are valid and applicable to any property in the District and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "LEGAL MATTERS - Tax Exemption."

Environmental Regulation

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

1. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
2. Restricting the manner in which wastes are released into the air, water, or soils;
3. Restricting or regulating the use of wetlands or other property;
4. Requiring remedial action to prevent or mitigate pollution; and
5. Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a municipal utility district or other type of district ("District") for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance of and the ability to operate the District's water supply, waste water treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to Districts. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues

Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality ("TCEQ") may impact new industrial, commercial and residential development in the Austin area. Under the Clean Air Act ("CAA") Amendments of 1990, the five-county "Austin Area" – Travis, Hays, Williamson, Bastrop, and Caldwell counties – has been redesignated by the EPA as an attainment area. The Austin Area entered into an early action compact ("EAC") with the TCEQ and EPA which demonstrates attainment and maintenance of the 8-hour ozone standard. EACs allow regions that are in nonattainment or near-nonattainment for ozone under the federal CAA to elect to use their knowledge of local conditions to determine which ozone control strategies should be implemented in their area, as opposed to having rules dictated by state and federal agencies.

The EPA signed a consent decree with several environmental organizations which bound the EPA to designating nonattainment areas for 8-hour nonattainment. The Austin Area took early action with an EAC on November 17, 2004 to reduce its emissions so as not to be designated nonattainment. Voluntary reductions have focused on reducing the number of vehicles on Austin Area roads, since vehicles are the area's main source of air pollution.

The area reports semi-annually on the progress of their control measures. The EAC ended on December 31, 2007. However, as noted below, the EAC State Implementation Plan revision demonstrates maintenance through 2012 as part of the area's commitment. EPA approved the photochemical modeling in support of the attainment demonstration for the 8-hour ozone standard within the Austin Area on August 19, 2005. EPA also approved the Austin EAC "CAAP" which includes control measures and demonstrates maintenance of the standard through 2012 (including a vehicle inspection and maintenance (I/M) program). These steps and any EPA/TCEQ responses could impact the economy and communities in the Austin Area.

Water Supply and Discharge Issues

Water supply and discharge regulations that the District may be required to comply with involve: (1) public water supply systems, (2) waste water discharges from treatment facilities, (3) storm water discharges and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the Safe Drinking Water Act ("SWDA"), potable (drinking) water provided by the District to more than twenty-five (25) people or fifteen (15) service connections will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Further, EPA adopted new drinking water rules in 2006 (the Stage 2 Disinfectants and Disinfection Byproducts Rule; the Long Term 2 Enhanced Surface Water Treatment Rule, and the Ground Water Rule), which the TCEQ adopted on December 19, 2007. These new rules became effective on January 10, 2008. Additionally, the EPA has been charged with establishing maximum contaminant levels (MCLs) for potential drinking water contaminants (both naturally occurring and anthropogenic) such as arsenic, lead, radon, and disinfection by-products (e.g. chlorine). Additional or more stringent regulations or requirements pertaining to these and other drinking water contaminants in the future could require installation of more costly treatment facilities.

Operations of Districts' sewer facilities will be subject to regulation under the Federal Clean Water Act and the Texas Water Code. All discharges of pollutants into the nation's navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed in permits issued by the EPA pursuant to the National Pollutant Discharge Elimination System ("NPDES") program, a national program established by the Clean Water Act for issuing, revoking, monitoring and enforcing wastewater discharge permits. On September 14, 1998, EPA authorized Texas to implement the NPDES program, which is called the Texas Pollutant Discharge Elimination System ("TPDES") program.

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by a District. Moreover, the Clean Water Act and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations. In addition, under the Clean Water Act, states must identify any bodies of water for which more stringent effluent standards are needed to achieve water quality standards and must establish the maximum allowable daily load of certain pollutants into the water bodies. Total maximum daily loads ("TMDLs") rules can have a significant impact on Districts' ability to obtain TPDES permits and maintain those permits. Districts may be required to expend substantial funds to meet any of these regulatory requirements. If the District fails to achieve compliance with its discharge permits, a private plaintiff or the EPA could institute a civil action for injunctive relief and civil penalties. On August 8, 2007, the TCEQ adopted a TMDL for bacteria in Gilleland Creek located in northeastern Travis County. The EPA approved this TMDL on April 21, 2009, and the TMDL became part of the state's Water Quality Management Plan. In addition, TCEQ has postponed adoption of a bacteria TMDL for Peach Creek in Bastrop County. TCEQ is awaiting action on proposed revisions to the water quality standards, and is not expected to take action until late 2009 or early 2010.

Operations of Districts are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and has issued a general permit for stormwater discharges associated with industrial activities (which was amended and reissued on August 14, 2006) and a general permit for stormwater discharges associated with small municipal separate storm sewer systems (which was issued on August 13, 2007). Districts may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. Districts could incur substantial costs to develop and implement such plans and in connection with the installation or performance of best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

Operations of the District are also potentially subject to requirements and restrictions under the Clean Water Act regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the U.S. Army Corps of Engineers if operations of the District require that wetlands be filled, dredged, or otherwise altered.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, and that the Bonds are further payable from and secured by a pledge of Net Revenues, if any, from the operation of the District's System, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel for the District, to a like effect. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel's opinion also will address the matters described below under "Tax Matters."

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - Management of the District - Bond Counsel and General Counsel," "TAXING PROCEDURES," "TAX MATTERS," - "Tax Accounting Treatment of Original Issue Discount Bonds," and - "Qualified Tax-Exempt Obligations" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Order of the TCEQ approving the Bonds with respect to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the Bonds are not subject to the alternative minimum tax on individuals and corporations.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review

of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$30,000,000 for tax-exempt obligations issued after December 31, 2008 and before January 1, 2011.

The Issuer will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the Issuer and entities aggregated with the Issuer under the Code during calendar year 2010 is not expected to exceed \$30,000,000 and that the Issuer and entities aggregated with the Issuer under the Code have not designated more than 30,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2010.

An additional exception to the foregoing provision is provided in the Code for an amount of tax-exempt obligations issued after December 31, 2008 and before January 1, 2011, the total amount of which does not exceed 2 percent of the adjusted basis of all of the assets of the financial institution.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below under "Certification as to Official Statement." The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE BONDS - Use and Distribution of Bond Proceeds," "THE DISTRICT" and "THE SYSTEM" has been provided by Jones & Carter, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Thomas W. Lee of Assessments of the Southwest, Inc. and the Appraisal District. Such information has been included herein in reliance upon Mr. Lee's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

The District's audited financial statements for the year ended September 30, 2008, were prepared by McCall, Gibson & Company, PLLC, Certified Public Accountants, and have been included herein as "APPENDIX C." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, has consented to the publication of such financial statements in this Official Statement. A copy of the Management Letter from the District's auditor to the District's Board of Directors relating to the District's financial reporting under Statement of Auditing Standards No. 112, including the District's response thereto, is included in "APPENDIX B."

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

Official Statement "Deemed Final"

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an Official Statement with respect to the Bonds described herein "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "FINAL OFFICIAL STATEMENT" of the District with respect to the Bonds, as that term is defined in Rule 15c2-12.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the "SEC") regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the information vendors.

Annual Reports

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the appropriate state information depository.

The financial information and operating data which will be provided with respect to the District is found in "APPENDIX C" (the District's Audited Financial Statements). The District will update and provide this information to any state information depository ("SID") that is designated by the State of Texas and approved by the staff of the SEC within six months after the end of each of its fiscal years ending in or after September 30, 2010. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the SID within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31, in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify any SID of the change.

Material Event Notices

The District will also provide timely notices of certain events to any SID and to either each nationally recognized municipal securities information repository ("NRMSIR") or the Municipal Securities Rulemaking Board ("MSRB"). The District will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information From NRMSIRs, SID, and MSRB

The District has agreed to provide the foregoing updated information only to the information vendors described above. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The Municipal Advisory Council of Texas (the "MAC") has been designated by the State of Texas as a SID and has received a no-action letter from the SEC dated August 29, 1995, that recognizes the MAC as a SID. The address of the MAC is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947.

Any filing under this agreement may be made solely by transmitting such filing to the MAC as provided at <http://www.disclosureusa.org> unless the SEC has withdrawn the interpretive advice in its letters to the MAC dated September 7, 2004, and October 3, 2007.

The SEC has approved amendments to SEC Rule 15c2-12, to become effective July 1, 2009, to designate the MSRB as the sole NRMSIR. To make such continuing disclosure information available to investors free of charge, the MSRB has established the Electronic Municipal Market Access ("EMMA") system. The District will be required to file its continuing disclosure information using the EMMA system beginning on July 1, 2009. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of such Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with its continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

This Official Statement was approved by the Board of Directors of Travis County Municipal Utility District No. 10 as of the date shown on the first page hereof.

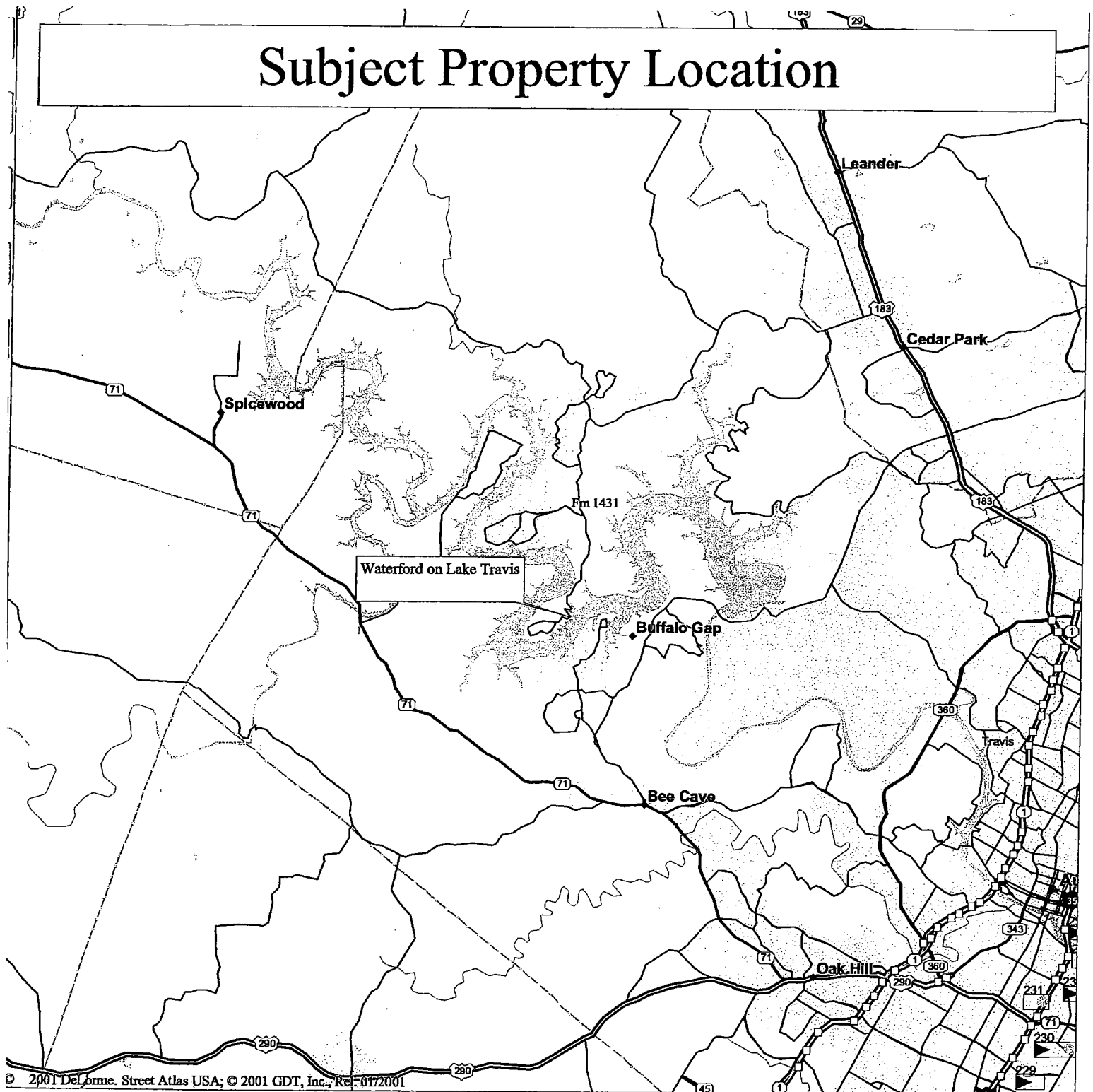
Harvey Reiter
President, Board of Directors
Travis County Municipal Utility District No. 10

ATTEST:

Jack McMahon
Secretary, Board of Directors
Travis County Municipal Utility District No. 10

APPENDIX A
LOCATION MAP

Subject Property Location



© 2001 DeLorme, Street Atlas USA; © 2001 GDT, Inc., Ref: 01/2001

Mag 11.00

Mon Jul 15 17:02 2002

Scale 1:250,000 (at center)

5 Miles

5 km

- | | |
|---------------------------|---------------------|
| Local Road | Exit/Gas |
| Major Connector | Exit/Lodging |
| State Route | Exit/Food |
| Interstate/Limited Access | Exit/Other Services |
| US Highway | County Boundary |
| Exit | Population Center |
| State Capital | Land |
| Small Town | Water |

APPENDIX B

UNAUDITED FINANCIAL INFORMATION CONCERNING WATERFORD LT PARTNERS, L.P.

As is stated in this Official Statement under the caption "DEVELOPER AND OTHER PRINCIPAL LANDOWNERS," Waterford LT Partners, L.P. ("Waterford Partners"), a Texas limited partnership, has delivered the unaudited financial information included in this Appendix to the District for publication in connection with the District's offer and sale of the Bonds. Reference is made in this Official Statement to the financial information covering Waterford Partners as the "Financial Information." The Financial Information has been included herein solely as additional information concerning Waterford Partners and its financial condition and capabilities. Such Financial Information is relevant, among other reasons, to the ability of Waterford Partners to continue developing its property within the District and to pay ad valorem taxes thereon. However, Waterford Partners is not responsible for, or liable for and has not made any commitment for the payment of the Bonds or any other obligations to the District, and the inclusion of the Financial Information herein should not be construed as an implication to that effect. Waterford Partners has no legal commitment to the District to continue development of its land within the District and may sell or otherwise dispose of its property within the District at any time. Further, the financial condition of Waterford Partners is subject to change, and financial information concerning Waterford Partners will not be provided by the District after the sale of the Bonds. Therefore, the District cautions that the Financial Information should not be construed or interpreted as an indication of the investment security of the Bonds or of any other securities proposed to be issued by the District.

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Accrual Basis

Waterford LT Partners, L.P.
Profit & Loss
 January through December 2008

	Jan - Dec 08
Ordinary Income/Expense	
Income	
4110 · Miscellaneous Income	877.00
Total Income	877.00
Expense	
6100 · Administrative Expense	
6120 · Bank Service Charges	0.00
6130 · Dues and Subscriptions	225.00
6135 · Postage and Delivery	557.34
6199 · Miscellaneous	8,552.73
Total 6100 · Administrative Expense	9,335.07
6200 · Marketing	
6260 · Printing and Reproduction	1,509.56
Total 6200 · Marketing	1,509.56
6270 · Professional Fees	
6280 · Legal Fees	22,326.43
6655 · RE Tax Consulting	750.00
Total 6270 · Professional Fees	23,076.43
6350 · Travel & Ent	
6356 · Lodging	1,163.91
6351 · Automobile Expense	3,748.53
6353 · Meals	114.42
6354 · Airfare	207.50
6355 · Car Rental	84.74
6350 · Travel & Ent - Other	0.00
Total 6350 · Travel & Ent	5,319.10
6390 · Utilities	
6410 · Water	12.00
Total 6390 · Utilities	12.00
6700 · Insurance	
6785 · Liability Insurance	3,566.94
Total 6700 · Insurance	3,566.94
6800 · Taxes	
6850 · Property_Real Estate	69,415.36
Total 6800 · Taxes	69,415.36
Total Expense	112,234.46
Net Ordinary Income	-111,357.46
Other Income/Expense	
Other Income	
7600 · Gain/(Loss) on Sale	
7603 · Gain/(Loss) - Sec 3	-137,755.17
7604 · Gain/(Loss) - Sec 4	1,093,611.60
7605 · Gain/(Loss) - Sec 5	
7605.2 · P/S Income(Loss) - Marbella	-31,007.00
7605 · Gain/(Loss) - Sec 5 - Other	-20,853.64
Total 7605 · Gain/(Loss) - Sec 5	-51,860.64
7606 · Gain/(Loss) - Sec 6	1,013,070.75
7607 · Gain/(Loss) - Sec 7	-167.50
Total 7600 · Gain/(Loss) on Sale	1,916,899.04

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Accrual Basis

Waterford LT Partners, L.P.
Profit & Loss
January through December 2008

	Jan - Dec 08
4000 · Lot Closing Costs	
4200 · Gross Proceeds - Sec 4	0.00
4210 · Closing Costs - Sec 4	-126,914.10
4300 · Gross Proceeds - Sec 6	0.00
4310 · Closing Costs - Sec 6	-177,887.34
Total 4000 · Lot Closing Costs	-304,801.44
Total Other Income	1,612,097.60
Other Expense	
9600 · Amortization Expense	806.00
Total Other Expense	806.00
Net Other Income	1,611,291.60
Net Income	1,499,934.14

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Accrual Basis

Waterford LT Partners, L.P.

Balance Sheet

As of December 31, 2008

	Dec 31, 08
ASSETS	
Current Assets	
Checking/Savings	
1001 · Colonial-Operating #8035540536	-55,112.20
1030 · Escrow - City of Lago Vista	
1030.5 · Austin Marbella	394.05
1030 · Escrow - City of Lago Vista - Other	-4,296.24
Total 1030 · Escrow - City of Lago Vista	-3,902.19
Total Checking/Savings	-59,014.39
Other Current Assets	
1100 · Due To/(From) Waterford LT	
1102 · Due (To)/From WT Equity	2,035.00
1103 · Due (To)/From WT New Equity	1,000.00
1105 · Due (To)/From Austin Marbella	-394.05
1106 · Due (To)/From Travis Waterford	
1106.1 · I/C re Sec 3 Dev Costs	35,000.00
1106.2 · I/C re WTLT Colonial Draws	-410,000.00
1106.4 · I/C re Sec 4 Dev Costs	-104,236.84
Total 1106 · Due (To)/From Travis Waterford	-479,236.84
1107 · Due (To)/From WF Property Owner	79.30
Total 1100 · Due To/(From) Waterford LT	-476,516.59
Total Other Current Assets	-476,516.59
Total Current Assets	-535,530.98
Fixed Assets	
1201 · Land	
1201.2A · Land Basis - Sec 2A	102,454.93
1201.4B · Land Basis - Sec 4B	184,418.88
1201.DR · Land Basis - DRIP	28,441.49
Total 1201 · Land	315,315.30
1200 · INVENTORY_FIXED ASSETS	
1499 · Inventory - Land & Lots	439,317.44
1404 · SECTION 4	
SECTION 4A	
4A-TWD · Sec 4 - TRAVIS	
1404ACQ · Sec 4 - Lot ReAcquisition	125,576.00
4A Pave · 4A - Paving	1,315,261.45
4A Eng · 4A - Engineering	170,885.90
4A Bird · 4A - Bird Fees	235,200.00
4A Brdg · 4A - Bridge	207,351.93
4A Cabl · 4A Cable	44,138.76
4A Entr · 4A - Entryway	17,205.36
4A Legl · 4A - Legal	793.00
4A Lift · 4A - Lift Station	502,314.01
1404.2 · SEC 4 - Lot Dispositions re DEV	-697,476.74
1420.4p · Sec 4 - Park Fees	34,924.00
4B Eng · 4B - Engineering	15,075.75
4B Fees · 4B - Fees & Permits	1,661.38
1449 · LESS MUD Reimb Costs-Sec 4A	-760,685.00
Total 4A-TWD · Sec 4 - TRAVIS	1,212,225.80
Total SECTION 4A	1,212,225.80
Total 1404 · SECTION 4	1,212,225.80

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Accrual Basis

Waterford LT Partners, L.P.
Balance Sheet
As of December 31, 2008

	Dec 31, 08
1406 · SECTION 6	
1406.99 · Lot Dispositions re SEC 6	-1,340,540.24
1410.6p · Section 6 - Paving	376,082.38
1410.6u · Sec 6 - Utilities	122,169.02
1410.6w · Sec 6 -Wastewater/Drainage Plnt	158,798.52
1415.6 · Entry Gate,Design & Landscape_6	129,445.10
Sec 6 - Bird Fee	171,400.00
1420.6 · Soft Costs - Section 6	14,176.91
1469 · LESS MUD Reimb Costs-Sec 6	-260,127.00
Total 1406 · SECTION 6	-628,595.31
1425 · LIFT STATION	
1410.41 · Sec 4 - Lift Station	418,319.57
1410.51 · Sec 5 - Lift Station	352,487.87
1425.99 · LESS MUD Reimb Costs-Lift Statn	-770,807.44
Total 1425 · LIFT STATION	0.00
1410 · Hard Costs	
1410.10 · Sewer Plant Engineering Costs	712,490.52
1410.11 · Waste Water Plant	776,147.90
1410.12 · Water Plant	157,412.80
1410.99 · LESS MUD Reimb Costs-Hard C	-1,838,215.14
1430.28 · PreDev_Engineering - Wastewater	91,313.07
1430.29 · PreDev_Engineering - Waterplant	100,850.85
Total 1410 · Hard Costs	0.00
1420 · Soft Costs - Sec 3,4,6, & 7	
1430 · Soft Costs - WTLT	
1430.1 · PreDev_Advertising	19,202.51
1430.10 · Fees & Permits	198.25
1430.11 · Bank Inspection_LoC Fees	23,699.16
1430.2 · PreDev_Engineering	70,914.71
1430.3 · PreDev Taxes	733,870.91
1430.4 · PreDev Insurance	33,090.06
1430.5 · PreDev Interest	1,286,889.15
1430.6 · PreDev Mgmt Fees	458,333.33
1430.7 · Pre-Dev Marketing	430.66
1430.8 · Pre-Dev Financing Costs	65,824.18
1430.9 · Pre-Dev_Legal	70,084.98
1430.99 · LESS MUD Reimb Costs-Soft Csts	-500,490.42
Total 1430 · Soft Costs - WTLT	2,262,047.48
Total 1420 · Soft Costs - Sec 3,4,6, & 7	2,262,047.48
Total 1200 · INVENTORY_FIXED ASSETS	3,284,995.41
1450 · Marina & Water Activities	
1450.1 · Marina	1,786,578.09
1450.2 · Boat	76,031.61
1450.3 · Dock & Lift	33,050.78
Total 1450 · Marina & Water Activities	1,895,660.48
1460 · Bond Package Costs	4,313.50
1610 · MUD Reimbursement Costs	
1610.4 · MUD Reimb Costs - Sec 4A	760,685.00
1610.6 · MUD Reimb Costs - Sec 6	260,127.00
1610.8 · MUD Reimb Costs - Lift Station	770,807.44
1610.9 · MUD Reimb Costs - Hard Costs	1,838,215.14
1610.10 · MUD Reimb Costs - SOFT	500,490.42
Total 1610 · MUD Reimbursement Costs	4,130,325.00
Total Fixed Assets	9,630,609.69

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Accrual Basis

Waterford LT Partners, L.P.
Balance Sheet
As of December 31, 2008

	Dec 31, 08
Other Assets	
1600 · Note Receivable	
1603 · N/R - Travis Waterford Dev, Inc	78,756.90
Total 1600 · Note Receivable	78,756.90
1650 · INVESTMENT IN -	
1603.1 · INV - Travis Waterford Dev	338,000.00
1605 · N/R - Austin Marbella,Ltd _Sec5	700,000.00
1655 · INV - Austin Marbella, Ltd.	628,967.00
Total 1650 · INVESTMENT IN -	1,666,967.00
1700 · Intangible Assets	
1701 · Loan Costs	
1703.1 · Loan Costs - DEV_Colonial Refi	168,562.09
1703.2 · AccAmort-Loan_DEV-Colonial Refi	-168,562.09
Total 1701 · Loan Costs	0.00
1750 · Organization & Setup Costs	
1750.1 · Organization Costs	4,029.90
1750.2 · Accum Amort - Org Costs	-3,694.28
Total 1750 · Organization & Setup Costs	335.62
Total 1700 · Intangible Assets	335.62
Total Other Assets	1,746,059.52
TOTAL ASSETS	10,841,138.23
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 · Accounts Payable	767,080.76
Total Accounts Payable	767,080.76
Other Current Liabilities	
2300 · Deferred Gn/Ls_Installment Sale	
2303 · Deferred Gn/Ls_Sec 3	71,446.71
2305 · Deferred Gain - Sec 5	328,580.00
Total 2300 · Deferred Gn/Ls_Installment Sale	400,026.71
Total Other Current Liabilities	400,026.71
Total Current Liabilities	1,167,107.47
Long Term Liabilities	
2600 · Mortgage Note Payable	
2603 · Dev Loan - Colonial_Refi 4,5,6	
2603.1 · Interest Reserve (offset_#1603)	236,490.82
2603.2 · Interest Reserve Refi_Colonial	-236,490.82
2603 · Dev Loan - Colonial_Refi 4,5,6 - Other	5,258,626.20
Total 2603 · Dev Loan - Colonial_Refi 4,5,6	5,258,626.20
Total 2600 · Mortgage Note Payable	5,258,626.20
Total Long Term Liabilities	5,258,626.20
Total Liabilities	6,425,733.67
Equity	
3000 · EQUITY	
3001 · GP_Waterford LT Investments,Inc	
3001.5 · GP-NII/(NL) Allocs	15,345.56
Total 3001 · GP_Waterford LT Investments,Inc	15,345.56

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Accrual Basis

Waterford LT Partners, L.P.

Balance Sheet

As of December 31, 2008

	Dec 31, 08
3010 · LP-Waterford Equity Partners,LP	
3010.1 · LP-W Eq_Orig Contribution	650,000.00
3010.3 · LP-W Eq_Return of Capital	-13,745.78
3010.4 · LP-W Eq_CF Distributions	-254,963.39
3010.5 · LP-W Eq_NI/(NL) Allocs	1,432,742.17
Total 3010 · LP-Waterford Equity Partners,LP	1,814,033.00
3015 · LP-Waterford New Equity Ptrs,LP	
3015.1 · LP-W New Eq_Orig Contribution	100,000.00
3015.3 · LP-W New Eq_Return of Capital	-2,114.74
3015.4 · LP-W New Eq_CF Distributions	-37,918.72
3015.5 · LP-W New Eq_NI/(NL) Allocs	79,819.46
Total 3015 · LP-Waterford New Equity Ptrs,LP	139,786.00
3020 · LP-Joe Longbotham	
3020.1 · LP-JL_Orig Contribution	640,000.00
3020.3 · LP-JL_Return of Capital	-13,534.30
3020.4 · LP-JL_CF Distributions	-238,692.84
3020.5 · LP-JL_NI/(NL) Allocs	506,852.14
Total 3020 · LP-Joe Longbotham	894,625.00
3025 · LP - Rainier WT Investors, LP	
3025.1 · LP-RWTI_Orig Contribution	800,000.00
3025.3 · LP-RWTI_Return of Capital	-16,917.89
3025.4 · LP-RWTI_CF Distributions	-299,939.81
3025.5 · LP-RWTI_NI/(NL) Allocs	635,137.70
Total 3025 · LP - Rainier WT Investors, LP	1,118,280.00
3030 · LP - Charles Milos	
3030.1 · LP-CM_Orig Contribution	250,000.00
3030.3 · LP-CM_Return of Capital	-5,286.84
3030.4 · LP-CM_CF Distributions	-93,239.39
3030.5 · LP-CM_NI/(NL) Allocs	197,989.23
Total 3030 · LP - Charles Milos	349,463.00
3035 · LP - Keith Longbotham	
3035.1 · LP-KL_Orig Contribution	20,000.00
3035.3 · LP-KL_Return of Capital	-422.95
3035.4 · LP-KL_CF Distributions	-7,459.15
3035.5 · LP-KL_NI/(NL) Allocs	15,839.10
Total 3035 · LP - Keith Longbotham	27,957.00
3040 · LP - Charlie Longbotham	
3040.1 · LP-CL_Orig Contribution	20,000.00
3040.3 · LP-CL_Return of Equity	-422.95
3040.4 · LP-CL_CF Distributions	-7,459.15
3040.5 · LP-CL_NI/(NL) Allocs	15,840.10
Total 3040 · LP - Charlie Longbotham	27,958.00
3045 · LP - Cynthia Hill	
3045.1 · LP-CH_Orig Contribution	20,000.00
3045.3 · LP-CH_Return of Capital	-422.95
3045.4 · LP-CH_CF Distributions	-7,459.15
3045.5 · LP-CH_NI/(NL) Allocs	15,839.10
Total 3045 · LP - Cynthia Hill	27,957.00
Total 3000 · EQUITY	4,415,404.56
3999 · Retained Earnings	-1,499,934.14
Net Income	1,499,934.14
Total Equity	4,415,404.56
TOTAL LIABILITIES & EQUITY	10,841,138.23

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Accrual Basis

Waterford LT Partners, L.P.
Profit & Loss
January through October 2009

	Jan - Oct 09
Ordinary Income/Expense	
Income	
4095 · Income - Marina	39,333.23
4090 · Interest Income	9,201.26
Total Income	48,534.49
Expense	
6100 · Administrative Expense	
6125 · Marina - Admin Expense	535.02
6145 · Corporate Filing Fees	225.00
6120 · Bank Service Charges	128.63
6135 · Postage and Delivery	393.12
Total 6100 · Administrative Expense	1,281.77
6200 · Marketing	
6295 · Marina - Advertising	750.00
6240 · Lease Commissions	1,313.50
6260 · Printing and Reproduction	112.95
6780 · Marketing Supplies	308.29
6200 · Marketing - Other	1,618.60
Total 6200 · Marketing	4,103.34
6270 · Professional Fees	
6275 · Marina - Professional Fees	4,045.52
6280 · Legal Fees	20,274.03
6650 · Accounting	20,776.50
6655 · RE Tax Consulting	1,500.00
6270 · Professional Fees - Other	-600.00
Total 6270 · Professional Fees	45,996.05
6300 · Repairs & Maintenance	
6251 · Marina - Maintenance	4,071.14
Total 6300 · Repairs & Maintenance	4,071.14
6350 · Travel & Ent	
6356 · Lodging	2,404.04
6351 · Automobile Expense	2,418.86
6353 · Meals	538.86
6350 · Travel & Ent - Other	67.00
Total 6350 · Travel & Ent	5,428.76
6390 · Utilities	
6420 · Marina - Utilities	649.95
6410 · Water	157.00
Total 6390 · Utilities	806.95
6560 · Payroll Expenses	
6385 · Marina - Payroll	4,500.00
Total 6560 · Payroll Expenses	4,500.00
6700 · Insurance	
6791 · Marina - Insurance	2,293.04
6798 · Boat Insurance	2,060.00
6785 · Liability Insurance	19,880.39
6700 · Insurance - Other	5,668.81
Total 6700 · Insurance	29,902.24

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Accrual Basis

Waterford LT Partners, L.P.
Profit & Loss
January through October 2009

	Jan - Oct 09
6800 · Taxes	
6850 · Property_Real Estate	229,567.41
6860 · State	0.00
6865 · Franchise Fees	16,381.03
6800 · Taxes - Other	411.56
Total 6800 · Taxes	246,360.00
Total Expense	342,450.25
Net Ordinary Income	-293,915.76
Other Income/Expense	
Other Income	
7700 · Gain/Loss Travis Waterford	
7700.02 · Inv Gain/Loss Travis Waterford	-41,914.05
7700.01 · Installment Sale Travis WF	71,446.71
Total 7700 · Gain/Loss Travis Waterford	29,532.66
7800 · Gain/Loss Austin Marbella	
7800.02 · Inv Gain/Loss Austin Marbella	-630,572.95
7800.01 · Installment Sale Austin Marbell	-371,420.00
Total 7800 · Gain/Loss Austin Marbella	-1,001,992.95
7030 · Other Income	100.00
7600 · Gain/(Loss) on Sale	
7603 · Gain/(Loss) - Sec 3	150,000.00
7604 · Gain/(Loss) - Sec 4	684,141.65
7606 · Gain/(Loss) - Sec 6	19,337.26
Total 7600 · Gain/(Loss) on Sale	853,478.91
4000 · Lot Closing Costs	
4400 · Gross Proceeds - Sec 3	0.00
4410 · Closing Costs - Sec 3	-4,083.57
4420 · Commission - Sec 3	-11,458.75
4200 · Gross Proceeds - Sec 4	0.00
4210 · Closing Costs - Sec 4	-16,578.50
4220 · Commission - Sec 4	-56,400.00
4300 · Gross Proceeds - Sec 6	0.00
4310 · Closing Costs - Sec 6	-1,872.79
4320 · Commission - Sec 6	-5,000.00
Total 4000 · Lot Closing Costs	-95,393.61
Total Other Income	-214,274.99
Other Expense	
8600 · Interest Expense	
8606 · Int Exp - American Bank of TX	81,728.19
Total 8600 · Interest Expense	81,728.19
9500 · Depreciation Expense	46,225.67
9600 · Amortization Expense	42,625.77
Total Other Expense	170,579.63
Net Other Income	-384,854.62
Net Income	-678,770.38

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Accrual Basis

Waterford LT Partners, L.P.
Balance Sheet
As of October 31, 2009

	Oct 31, 09
ASSETS	
Current Assets	
Checking/Savings	
1002 · Operating - ABT #9161	25,198.01
1001 · Colonial-Operating #8035540536	4,334.81
\$1.5M Escrow	
1003 · Escrow - ABT #5920	757,394.96
1004 · Escrow - ABT, N.A. #146845	751,345.67
Total \$1.5M Escrow	1,508,740.63
1030 · Escrow - City of Lago Vista	
1030.5 · Austin Marbella	394.05
1030 · Escrow - City of Lago Vista - Other	-394.05
Total 1030 · Escrow - City of Lago Vista	0.00
Total Checking/Savings	1,538,273.45
Other Current Assets	
1100 · Due To/(From) Waterford LT	
1102 · Due (To)/From WT Equity	2,035.00
1103 · Due (To)/From WT New Equity	1,000.00
1106 · Due (To)/From Travis Waterford	
1106.1 · I/C re Sec 3 Dev Costs	53,843.21
1106.2 · I/C re WTLT Colonial Draws	-410,000.00
1106.4 · I/C re Sec 4 Dev Costs	-47,018.90
1106.5 · I/C re ABT Loan (02/09)	507,357.60
1106 · Due (To)/From Travis Waterford - Other	-104,181.91
Total 1106 · Due (To)/From Travis Waterford	0.00
1107 · Due (To)/From WF Property Owner	1,782.58
Total 1100 · Due To/(From) Waterford LT	4,817.58
Total Other Current Assets	4,817.58
Total Current Assets	1,543,091.03
Fixed Assets	
1201 · Land	
1201.2A · Land Basis - Sec 2A	102,454.93
1201.4B · Land Basis - Sec 4B	184,418.88
1201.DR · Land Basis - DRIP	28,441.49
Total 1201 · Land	315,315.30
1200 · INVENTORY_FIXED ASSETS	
1499 · Inventory - Land & Lots	
1499.3 · Section 3 Inventory	78,756.90
1499.4 · Section 4 Inventory	357,176.00
1499.6 · Section 6 Inventory	37,129.66
Total 1499 · Inventory - Land & Lots	473,062.56
1403 · SECTION 3	
1403.02 · Section 3 - Engineering	207.50
1403.03 · Section 3 - Entryway	40.12
1403.01 · Section 3 - Paving	116,013.78
1403 · SECTION 3 - Other	4,502.65
Total 1403 · SECTION 3	120,764.05

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Accrual Basis

Waterford LT Partners, L.P.

Balance Sheet

As of October 31, 2009

Oct 31, 09

1404 - SECTION 4	
SECTION 4A	
4A-TWD - Sec 4 - TRAVIS	
4A Util - A - Utilities	97,501.45
1404ACQ - Sec 4 - Lot ReAcquisition	125,576.00
4A Pave - 4A - Paving	1,375,587.40
4A Eng - 4A - Engineering	253,910.56
4A Bird - 4A - Bird Fees	235,200.00
4A Brdg - 4A - Bridge	207,351.93
4A Cabl - 4A - Cable	44,138.76
4A Entr - 4A - Entryway	199,700.57
4A Legl - 4A - Legal	5,440.50
4A Lift - 4A - Lift Station	502,314.01
4A Strt - 4A - Streets	112,635.80
4A Wall - 4A - Retaining Wall	110,201.00
1404.2 - SEC 4 - Lot Dispositions re DEV	-1,014,511.59
1420.4p - Sec 4 - Park Fees	34,924.00
4B Eng - 4B - Engineering	44,900.75
1449 - LESS MUD Reimb Costs-Sec 4A	-760,685.00
4A-TWD - Sec 4 - TRAVIS - Other	51,168.04
Total 4A-TWD - Sec 4 - TRAVIS	1,625,354.18
Total SECTION 4A	1,625,354.18
Total 1404 - SECTION 4	1,625,354.18
1405 - SECTION 5	23,950.11
1406 - SECTION 6	
1406.01 - Section 6 - Engineering	17,984.67
1406.99 - Lot Dispositions re SEC 6	-1,415,014.70
1410.6p - Section 6 - Paving	376,082.38
1410.6u - Sec 6 - Utilities	122,394.56
1410.6w - Sec 6 -Wastewater/Drainage Plnt	158,798.52
1415.6 - Entry Gate,Design & Landscape_6	158,387.10
Sec 6 - Bird Fee	171,400.00
1420.6 - Soft Costs - Section 6	14,176.91
1469 - LESS MUD Reimb Costs-Sec 6	-260,127.00
Total 1406 - SECTION 6	-655,917.56
1425 - LIFT STATION	
1410.41 - Sec 4 - Lift Station	419,435.20
1410.51 - Sec 5 - Lift Station	352,487.87
1425.99 - LESS MUD Reimb Costs-Lift Statn	-770,807.44
Total 1425 - LIFT STATION	1,115.63
1410 - Hard Costs	
1410.10 - Sewer Plant Engineering Costs	722,224.18
1410.11 - Waste Water Plant	920,086.80
1410.12 - Water Plant	184,333.98
1410.99 - LESS MUD Reimb Costs-Hard C	-1,838,215.14
1430.28 - PreDev_Engineering - Wastewater	91,313.07
1430.29 - PreDev_Engineering - Waterplant	101,534.85
Total 1410 - Hard Costs	181,277.74

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Accrual Basis

Waterford LT Partners, L.P.

Balance Sheet

As of October 31, 2009

	Oct 31, 09
1420 · Soft Costs - Sec 3,4,6, & 7	
1430 · Soft Costs - WTLT	
1430.1 · PreDev_Advertising	19,202.51
1430.10 · Fees & Permits	198.25
1430.11 · Bank Inspection_LoC Fees	23,699.16
1430.2 · PreDev_Engineering	75,571.19
1430.3 · PreDev Taxes	733,870.91
1430.4 · PreDev Insurance	33,090.06
1430.5 · PreDev Interest	1,520,567.16
1430.6 · PreDev Mgmt Fees	500,000.00
1430.7 · Pre-Dev Marketing	1,291.16
1430.8 · Pre-Dev Financing Costs	65,824.18
1430.9 · Pre-Dev_Legal	70,084.98
1430.99 · LESS MUD Reimb Costs-Soft Csts	-500,490.42
Total 1430 · Soft Costs - WTLT	2,542,909.14
Total 1420 · Soft Costs - Sec 3,4,6, & 7	2,542,909.14
Total 1200 · INVENTORY_FIXED ASSETS	4,312,515.85
1450 · Marina & Water Activities	
1450.10 · Accumulated Depreciation	-40,184.22
1450.1 · Marina	1,984,234.81
1450.2 · Boat	76,413.76
1450.3 · Dock & Lift	33,050.78
Total 1450 · Marina & Water Activities	2,053,515.13
1460 · Bond Package Costs	26,016.37
1610 · MUD Reimbursement Costs	
1610.3 · MUD Reimb Cost - Sec 3	397,877.35
1610.4 · MUD Reimb Costs - Sec 4A	760,685.00
1610.6 · MUD Reimb Costs - Sec 6	260,127.00
1610.8 · MUD Reimb Costs - Lift Station	770,807.44
1610.9 · MUD Reimb Costs - Hard Costs	1,838,215.14
1610.10 · MUD Reimb Costs - SOFT	500,490.42
Total 1610 · MUD Reimbursement Costs	4,528,202.35
Total Fixed Assets	11,235,565.00
Other Assets	
1650 · INVESTMENT IN -	
1660 · Inv - Waterford Marina	4,000.00
Total 1650 · INVESTMENT IN -	4,000.00
1700 · Intangible Assets	
1701 · Loan Costs	
1703.1 · Loan Costs - DEV_Colonial Refi	168,562.09
1703.2 · AccAmort-Loan_DEV-Colonial Refi	-168,562.09
1704.1 · Loan Costs-American Bank of TX	156,527.35
1704.2 · Accum Amort - ABT Loan Costs	-48,331.60
Total 1701 · Loan Costs	108,195.75
1750 · Organization & Setup Costs	
1750.1 · Organization Costs	4,029.90
1750.2 · Accum Amort - Org Costs	-4,029.90
Total 1750 · Organization & Setup Costs	0.00
Total 1700 · Intangible Assets	108,195.75
Total Other Assets	112,195.75
TOTAL ASSETS	12,890,851.78

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Accrual Basis

Waterford LT Partners, L.P.
Balance Sheet
As of October 31, 2009

	Oct 31, 09
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 · Accounts Payable	230,486.31
Total Accounts Payable	230,486.31
Total Current Liabilities	230,486.31
Long Term Liabilities	
2505 · N/P - ABT Capital	1,500,000.00
2600 · Mortgage Note Payable	
2603 · Dev Loan - Colonial_Refi 4,5,6	
2603.1 · Interest Reserve (offset_#1603)	-84,108.19
2603.2 · Interest Reserve Refi_Colonial	84,108.19
Total 2603 · Dev Loan - Colonial_Refi 4,5,6	0.00
2605 · Mortgage - American Bank of TX	7,423,731.29
Total 2600 · Mortgage Note Payable	7,423,731.29
Total Long Term Liabilities	8,923,731.29
Total Liabilities	9,154,217.60
Equity	
3000 · EQUITY	
3001 · GP_Waterford LT Investments,Inc	
3001.5 · GP-NI/(NL) Allocs	15,345.56
Total 3001 · GP_Waterford LT Investments,Inc	15,345.56
3010 · LP-Waterford Equity Partners,LP	
3010.1 · LP-W Eq_Orig Contribution	650,000.00
3010.3 · LP-W Eq_Return of Capital	-13,745.78
3010.4 · LP-W Eq_CF Distributions	-254,963.39
3010.5 · LP-W Eq_NI/(NL) Allocs	1,432,742.17
Total 3010 · LP-Waterford Equity Partners,LP	1,814,033.00
3015 · LP-Waterford New Equity Ptrs,LP	
3015.1 · LP-W New Eq_Orig Contribution	100,000.00
3015.3 · LP-W New Eq_Return of Capital	-2,114.74
3015.4 · LP-W New Eq_CF Distributions	-37,918.72
3015.5 · LP-W New Eq_NI/(NL) Allocs	79,819.46
Total 3015 · LP-Waterford New Equity Ptrs,LP	139,786.00
3020 · LP-Joe Longbotham	
3020.1 · LP-JL_Orig Contribution	640,000.00
3020.3 · LP-JL_Return of Capital	-13,534.30
3020.4 · LP-JL_CF Distributions	-238,692.84
3020.5 · LP-JL_NI/(NL) Allocs	506,852.14
Total 3020 · LP-Joe Longbotham	894,625.00
3025 · LP - Rainier WT Investors, LP	
3025.1 · LP-RWTI_Orig Contribution	800,000.00
3025.3 · LP-RWTI_Return of Capital	-16,917.89
3025.4 · LP-RWTI_CF Distributions	-299,939.81
3025.5 · LP-RWTI_NI/(NL) Allocs	635,137.70
Total 3025 · LP - Rainier WT Investors, LP	1,118,280.00
3030 · LP - Charles Milos	
3030.1 · LP-CM_Orig Contribution	250,000.00
3030.3 · LP-CM_Return of Capital	-5,286.84
3030.4 · LP-CM_CF Distributions	-93,239.39
3030.5 · LP-CM_NI/(NL) Allocs	197,989.23
Total 3030 · LP - Charles Milos	349,463.00

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Accrual Basis

Waterford LT Partners, L.P.

Balance Sheet

As of October 31, 2009

	Oct 31, 09
3035 · LP - Keith Longbotham	
3035.1 · LP-KL_Orig Contribution	20,000.00
3035.3 · LP-KL_Return of Capital	-422.95
3035.4 · LP-KL_CF Distributions	-7,459.15
3035.5 · LP-KL_NI/(NL) Allocs	15,839.10
Total 3035 · LP - Keith Longbotham	27,957.00
3040 · LP - Charlie Longbotham	
3040.1 · LP-CL_Orig Contribution	20,000.00
3040.3 · LP-CL_Return of Equity	-422.95
3040.4 · LP-CL_CF Distributions	-7,459.15
3040.5 · LP-CL_NI/(NL) Allocs	15,840.10
Total 3040 · LP - Charlie Longbotham	27,958.00
3045 · LP - Cynthia Hill	
3045.1 · LP-CH_Orig Contribution	20,000.00
3045.3 · LP-CH_Return of Capital	-422.95
3045.4 · LP-CH_CF Distributions	-7,459.15
3045.5 · LP-CH_NI/(NL) Allocs	15,839.10
Total 3045 · LP - Cynthia Hill	27,957.00
Total 3000 · EQUITY	4,415,404.56
Net Income	-678,770.38
Total Equity	3,736,634.18
TOTAL LIABILITIES & EQUITY	12,890,851.78

APPENDIX C

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10

TRAVIS COUNTY, TEXAS

FINANCIAL REPORT

SEPTEMBER 30, 2008

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10

TRAVIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2008

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Board of Directors
Travis County Municipal
Utility District No. 10
Travis County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Travis County Municipal Utility District No. 10 (the "District"), as of and for the year ended September 30, 2008, which collectively comprise the District's basic financial statements 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 have conducted our audit in accordance with auditing standards generally accepted as promulgated within the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 8 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 31 are not a required part of the basic financial statements but are supplementary information required by the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McCall, Gibson & Company, PLLC

McCall, Gibson & Company, PLLC
Certified Public Accountants

January 6, 2009

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Our discussion and analysis of Travis County Municipal Utility District No. 10's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2008. Please read it in conjunction with the District's financial statements, which begin on page 9.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Assets and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances. This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of the government-wide statements is the Statement of Net Assets. This information is found in the Statement of Net Assets column on pages 9 through 12. The Statement of Net Assets is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on pages 14 and 15 reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.