

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs, general expenditures and the cost of assessing and collecting taxes. The Debt Service Fund accounts for ad valorem taxes and financial resources accumulated for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources segregated for acquisition or construction of facilities and related costs.

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustment column, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets on page 13 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in the Fund Balances to the Statement of Activities on page 16 explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17 through 29 in this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$558,640 as of September 30, 2008.

A portion of the District's net assets reflects its investments in capital assets (e.g. water, wastewater and drainage facilities), less any debt used to acquire those assets that is still outstanding. The District uses these assets to provide water and wastewater services.

The following is a comparative analysis of government-wide changes in net assets:

<u>Summary of Changes in the Statement of Net Assets</u>			
	<u>2008</u>	<u>2007</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 824,948	\$ 678,886	\$ 146,062
Capital Assets (Net of Accumulated Depreciation)	<u>5,070,093</u>	<u>4,365,903</u>	<u>704,190</u>
Total Assets	<u>\$ 5,895,041</u>	<u>\$ 5,044,789</u>	<u>\$ 850,252</u>
Long-Term Liabilities	\$ 1,730,000	\$ 1,775,000	\$ 45,000
Due to Developer	3,506,957	2,793,108	(713,849)
Other Liabilities	<u>99,444</u>	<u>109,807</u>	<u>10,363</u>
Total Liabilities	<u>\$ 5,336,401</u>	<u>\$ 4,677,915</u>	<u>\$ (658,486)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ (25,609)	\$ (17,408)	\$ (8,201)
Restricted	104,076	90,264	13,812
Unrestricted	<u>480,173</u>	<u>294,018</u>	<u>186,155</u>
Total Net Assets	<u>\$ 558,640</u>	<u>\$ 366,874</u>	<u>\$ 191,766</u>

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the District's operations for the years ended September 30, 2008, and September 30, 2007. The District increased its net assets by \$191,766, accounting for a 52.3% growth in net assets.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2008</u>	<u>2007</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 432,398	\$ 399,171	\$ 33,227
Charges for Services	220,318	114,076	106,242
Capital Contributions	99,063		99,063
Other Revenues	<u>1,586</u>	<u>25,263</u>	<u>(23,677)</u>
Total Revenues	\$ 753,365	\$ 538,510	\$ 214,855
Expenses for Services	<u>(561,599)</u>	<u>(483,302)</u>	<u>(78,297)</u>
Change in Net Assets	\$ 191,766	\$ 55,208	\$ 136,558
Net Assets, Beginning of Year	<u>366,874</u>	<u>311,666</u>	<u>55,208</u>
Net Assets, End of Year	<u>\$ 558,640</u>	<u>\$ 366,874</u>	<u>\$ 191,766</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of September 30, 2008, were \$591,288, an increase of \$204,165 from the prior year.

The General Fund fund balance increased by \$189,656, primarily due to service revenues exceeding operating expenditures.

The Debt Service Fund fund balance increased by \$14,509, primarily due to the structure of the District's outstanding debt service requirements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$175,279 more than budgeted revenues. Actual expenditures were \$33,886 less than budgeted expenditures. See budget to actual comparison on page 31.

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

CAPITAL ASSETS

The District's investment in capital assets as of September 30, 2008, amounts to \$5,079,093 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment as well as the water, wastewater and drainage systems.

Significant capital asset events during the current fiscal year included the following:

Completed Projects:

- Waterford on Lake Travis, Section 5 Offsite Waterline
- Waterford on Lake Travis, Sections 5 and 7, Lift Station No. 2
- Waterford on Lake Travis, Sections 5 and 7, Force Main
- Waterford on Lake Travis, Section 6, Water, Wastewater, Drainage Facilities
- Water Plant Disinfection Equipment Control Modifications
- Waterford on Lake Travis, Section 3D, Water, Wastewater, Drainage Facilities and Road Extension

Construction in Progress:

- Waterford on Lake Travis, Section 5, Water, Wastewater, Drainage Facilities
- Waterford on Lake Travis, Section 7, Water, Wastewater, Drainage Facilities
- Waterford on Lake Travis, Section 4A, Water, Wastewater, Drainage Facilities
- Water Stone Distribution System
- Wastewater Treatment Plant, Phase II

Capital Assets At Year-End Net of Accumulated Depreciation

	2008	2007	Net Increase (Decrease)
Capital Assets not Being Depreciated			
Land and Land Improvements	\$ 52,906	\$ 52,906	\$
Construction in Progress	58,050	57,768	282
Capital Assets Net of Depreciation			
Water System	2,245,176	2,010,797	234,379
Wastewater System	2,421,617	1,944,710	476,907
Drainage System	292,344	299,722	(7,378)
Total Net Capital Assets	<u>\$ 5,070,093</u>	<u>\$ 4,365,903</u>	<u>\$ 704,190</u>

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

CAPITAL ASSETS (Continued)

Additional information on the District's capital assets can be found in Note 6 on page 27 of this report.

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$1,775,000.

The changes in the debt position of the District during the fiscal year ended September 30, 2008, are summarized as follows:

Bond Debt Payable, October 1, 2007	\$ 1,815,000
Less: Principal Paid	<u>40,000</u>
Bond Debt Payable, September 30, 2008	<u>\$ 1,775,000</u>

The District's bonds are not rated.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Travis County Municipal Utility District No. 10's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Travis County Municipal Utility District No. 10, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2008

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash, Note 5	\$ 77,474	\$ 32,830
Investments, Note 5	435,727	84,289
Receivables:		
Property Taxes	74	23
Penalty and Interest on Delinquent Taxes		41
Service Accounts (Net of Reserve for Uncollectible Accounts of \$ -0-)	8,725	
Due from Other Funds, Note 12	5,930	
Amortized Bond Issuance Costs		
Land, Note 6		
Construction in Progress, Note 6		
Capital Assets (Net of Accumulated Depreciation), Note 6		
TOTAL ASSETS	<u>\$ 527,930</u>	<u>\$ 117,183</u>
LIABILITIES		
Accounts Payable	\$ 41,060	\$
Due to Other Governmental Units	307	
Accrued Interest Payable		
Due to Developers, Note 8	490	
Due to Other Funds, Note 12		5,930
Security Deposits	5,900	
Deferred Revenue:		
Property Taxes	74	23
Penalty and Interest on Delinquent Taxes		41
Long-Term Liabilities:		
Due Within One Year, Note 3		
Due After One Year, Note 3		
TOTAL LIABILITIES	<u>\$ 47,831</u>	<u>\$ 5,994</u>

The accompanying notes to basic financial
statements are an integral part of this report.

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$ 110,304	\$	\$ 110,304
520,016		520,016
97		97
41		41
8,725		8,725
5,930	(5,930)	
	185,765	185,765
	52,906	52,906
	58,050	58,050
	<u>4,959,137</u>	<u>4,959,137</u>
<u>\$ 645,113</u>	<u>\$ 5,249,928</u>	<u>\$ 5,895,041</u>
\$ 41,060	\$	\$ 41,060
307		307
	7,177	7,177
490	3,506,467	3,506,957
5,930	(5,930)	
5,900		5,900
97	(97)	
41	(41)	
	45,000	45,000
	<u>1,730,000</u>	<u>1,730,000</u>
<u>\$ 53,825</u>	<u>\$ 5,282,576</u>	<u>\$ 5,336,401</u>

The accompanying notes to basic financial statements are an integral part of this report.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2008

	<u>General Fund</u>	<u>Debt Service Fund</u>
FUND BALANCES/NET ASSETS		
FUND BALANCES		
Reserved for Future Debt Service Obligations	\$	\$ 111,189
Unreserved - Undesignated	<u>480,099</u>	<u></u>
TOTAL FUND BALANCE	<u>\$ 480,099</u>	<u>\$ 111,189</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 527,930</u>	 <u>\$ 117,183</u>
 NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Restricted for:		
Debt Service		
Unrestricted		
TOTAL NET ASSETS		

The accompanying notes to basic financial
statements are an integral part of this report.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$	\$ 111,189	\$ (111,189)	\$
	<u>480,099</u>	<u>(480,099)</u>	
\$ -0-	\$ 591,288	\$ (591,288)	\$ -0-
<u>\$ -0-</u>	<u>\$ 645,113</u>	<u>\$ 4,639,865</u>	
		\$ (25,609)	\$ (25,609)
		104,076	104,076
		<u>480,173</u>	<u>480,173</u>
		<u>\$ 558,640</u>	<u>\$ 558,640</u>

The accompanying notes to basic financial statements are an integral part of this report.

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TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

Total Fund Balances -- Governmental Funds	\$ 591,288
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Unamortized bond issuance costs in Governmental Activities are not financial resources and therefore are not reported as assets in Governmental Funds.	185,765
Land used in governmental activities is not a financial resource and therefore is not reported as an asset in the governmental funds.	52,906
Construction in progress in governmental activities is not a financial resource and therefore is not reported as an asset in the governmental funds.	58,050
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	4,959,137
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported as a liability in the governmental funds.	(7,177)
Governmental funds do not account for liabilities to the developer for assets financed by the developer. The assets and corresponding liability for the assets accepted for use by the District are included in the Statement of Net Assets.	(3,506,467)
Deferred tax revenues for the 2007 and prior tax levies became part of recognized revenue in the governmental activities of the District.	97
Deferred penalty and interest revenues for the 2007 and prior tax levies became part of recognized revenue in the governmental activities of the District.	41
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:	
Bonds Payable Within One Year	\$ (45,000)
Bonds Payable After One Year	<u>(1,730,000)</u>
	<u>(1,775,000)</u>
Total Net Assets -- Governmental Activities	<u>\$ 558,640</u>

The accompanying notes to basic financial
statements are an integral part of this report.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 291,766	\$ 144,949
Water Service	70,422	
Wastewater Service	17,610	
Grinder Pump Maintenance	12,100	
Penalty and Interest	1,654	1,692
Tap Connections and Inspection Fees	100,912	
Investment Revenues	11,909	4,100
Miscellaneous Revenues	1,586	
Capital Contribution, Note 8		
TOTAL REVENUES	<u>\$ 507,959</u>	<u>\$ 150,741</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 94,779	\$ 190
Contracted Services	78,035	6,259
Purchased Water Service, Note 11	7,534	
Utilities	31,500	
Repairs and Maintenance	60,079	
Depreciation, Note 6		
Other	46,376	1,258
Capital Outlay		
Debt Services:		
Bond Principal		40,000
Bond Interest		88,525
TOTAL EXPENDITURES/EXPENSES	<u>\$ 318,303</u>	<u>\$ 136,232</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 189,656</u>	<u>\$ 14,509</u>
CHANGE IN NET ASSETS		
FUND BALANCES – OCTOBER 1, 2007	<u>290,443</u>	<u>96,680</u>
FUND BALANCES – SEPTEMBER 30, 2008	<u>\$ 480,099</u>	<u>\$ 111,189</u>

The accompanying notes to basic financial
statements are an integral part of this report.

Total	Adjustments	Statement of Activities
\$ 436,715	\$ (4,317)	\$ 432,398
70,422		70,422
17,610		17,610
12,100		12,100
3,346	(81)	3,265
100,912		100,912
16,009		16,009
1,586		1,586
	99,063	99,063
<u>\$ 658,700</u>	<u>\$ (94,665)</u>	<u>\$ 753,365</u>
\$ 94,969	\$	\$ 94,969
84,294		84,294
7,534		7,534
31,500		31,500
60,079		60,079
	138,464	138,464
47,634		47,634
40,000	(40,000)	
88,525	8,600	97,125
<u>\$ 454,535</u>	<u>\$ 107,064</u>	<u>\$ 561,599</u>
\$ 204,165	\$ (204,165)	\$
	191,766	191,766
387,123	(20,249)	366,874
<u>\$ 591,288</u>	<u>\$ (32,648)</u>	<u>\$ 558,640</u>

The accompanying notes to basic financial statements are an integral part of this report.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Change in Fund Balances-Governmental Funds	\$ 204,165
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(4,317)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when the penalties and interest are assessed.	(81)
In the Statement of Activities, the District recorded a capital contribution for assets financed by the developer that will not be reimbursed.	99,063
Governmental funds do not account for depreciation. However, in the Statement of Activities, capital assets are depreciated and depreciation expense is recorded.	(138,464)
Governmental funds report bond principal payments as expenditures. In the Statement of Net Assets, bond principal payments decrease long-term liabilities and the Statement of Activities is not affected.	40,000
Governmental funds report bond interest payments as expenditures in the year paid. However, in the Statement of Activities, interest is accrued on bonds through fiscal year end and the amortized portion of bond issuance costs is added to bond interest expense.	(8,600)
Change in Net Assets-Governmental Activities.	<u>\$ 191,766</u>

The accompanying notes to basic financial
statements are an integral part of this report.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1. CREATION OF DISTRICT

Point Venture II Municipal Utility District, located in Travis County, Texas (the "District"), was created effective May 17, 1989, by an Order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the "Commission"). On November 20, 1998, the District received approval from the Commission to change its name to Travis County Municipal Utility District No. 10. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on June 9, 1989.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The District was created as an independent municipality. The District does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the District's basic financial statements.

Financial Statement Presentation

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34-Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

GASB Statement No. 34 established standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components: Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

- Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Assets – This component of net assets consists of external constraints placed on the use of net assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets – This component of net assets consists of net assets that do not meet the definition of “Restricted” or “Invested in Capital Assets, Net of Related Debt.”

When both restricted and unrestricted resources are available for use, generally it is the District’s policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. The District’s Statement of Net Assets and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Assets is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Assets.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three (3) governmental funds and considers these funds to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources accumulated for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources segregated for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within sixty (60) days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as another financing source or use. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost of \$10,000 or more and a useful life of at least two (2) years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that the directors are considered to be "employees" for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net assets.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances are included on the Balance Sheet as follows:

Reserved:

To indicate fund equity which is legally segregated for a specific future use.

Unreserved:

Designated - To indicate fund equity for which the District has made tentative plans.

Undesignated - To indicate fund equity which is available for use in future periods.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. BONDS PAYABLE

	<u>Series 2004</u>
Amount Outstanding – September 30, 2008	\$ 1,775,000
Interest Rates	4.30% - 6.00%
Maturity Dates – Beginning/Ending	September 1, 2009/2018, 2021, 2024, 2026, 2029
Interest Payment Dates	March 1/ September 1
Callable Dates	September 1, 2012*

* Or on any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2004 term bonds maturing September 1, 2021, September 1, 2024, September 1, 2026, and September 1, 2029, are subject to mandatory redemption beginning September 1, 2019, September 1, 2022, September 1, 2025, and September 1, 2027, respectively.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2008:

Bond Debt Payable – October 1, 2007	\$ 1,815,000
Less: Bond Principal Payment – Series 2004	<u>40,000</u>
Bond Debt Payable – September 30, 2008	<u>\$ 1,775,000</u>

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 3. BONDS PAYABLE (Continued)

Bond Debt Payable -	
Due Within One Year	\$ 45,000
Due After One Year	<u>1,730,000</u>
Bond Debt Payable – September 30, 2008	<u>\$ 1,775,000</u>
Original Bonds Voted	<u>\$ 20,300,000</u>
Original Bonds Approved	<u>\$ 3,900,000</u>
Original Bonds Issued	<u>\$ 1,920,000</u>
Refunding Bonds Voted	<u>\$ 13,200,000</u>

As of September 30, 2008, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 45,000	\$ 86,125	\$ 131,125
2010	45,000	83,425	128,425
2011	50,000	81,490	131,490
2012	55,000	79,340	134,340
2013	55,000	76,975	131,975
2014-2018	335,000	345,080	680,080
2019-2023	450,000	255,000	705,000
2024-2028	600,000	128,500	728,500
2029	<u>140,000</u>	<u>7,000</u>	<u>147,000</u>
	<u>\$ 1,775,000</u>	<u>\$ 1,142,935</u>	<u>\$ 2,917,935</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended September 30, 2008, the District levied an ad valorem debt service tax rate of \$0.25 per \$100 of assessed valuation, which resulted in a tax levy of \$144,133 on the adjusted taxable valuation of \$57,653,051 for the 2007 tax year. The bond order requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 3. BONDS PAYABLE (Continued)

The District's tax calendar is as follows:

Levy Date	-	October 1, as soon thereafter as practicable.
Lien Date	-	January 1.
Due Date	-	Upon receipt but not later than January 31.
Delinquent Date	-	February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

- A. The bond resolution states that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. This information, along with the audited annual financial statements, is to be provided within six (6) months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$110,304 and the bank balance was \$108,586. All of the bank balance was covered by federal depository insurance.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at September 30, 2008, as listed below:

GENERAL FUND	\$ 77,474
DEBT SERVICE FUND	<u>32,830</u>
TOTAL DEPOSITS	<u>\$ 110,304</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to and yield, sixth. The District's investments must be made "with judgment and care, under liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

All investments are recorded at cost, which the District considers to be fair value. The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors manages the daily operations of the pool under a contract with the Comptroller. The fair value of the District's position in the pool is the same as the value of pool shares.

As of September 30, 2008, the District had the following investments and maturities.

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND -</u> TexPool	\$ 435,727	\$ 435,727	\$	\$	\$
<u>DEBT SERVICE FUND -</u> TexPool	84,289	84,289			
Total Investments	<u>\$ 520,016</u>	<u>\$ 520,016</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2008, the District's investments in TexPool were rated AAAM by Standard and Poor's.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008:

	<u>October 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2008</u>
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 52,906	\$	\$	\$ 52,906
Construction in Progress	<u>57,768</u>	<u>791,231</u>	<u>790,949</u>	<u>58,050</u>
Total Capital Assets Not Being Depreciated	<u>\$ 110,674</u>	<u>\$ 791,231</u>	<u>\$ 790,949</u>	<u>\$ 110,956</u>
Capital Assets at Historical Cost Subject to Depreciation				
Water System	\$ 2,297,366	\$ 308,389	\$	\$ 2,605,755
Wastewater System	2,145,100	533,983		2,679,083
Drainage System	<u>331,078</u>	<u></u>	<u></u>	<u>331,078</u>
Total Capital Assets at Historical Cost Subject to Depreciation	<u>\$ 4,773,544</u>	<u>\$ 842,372</u>	<u>\$ -0-</u>	<u>\$ 5,615,916</u>
Less Accumulated Depreciation				
Water System	\$ 286,569	\$ 74,010	\$	\$ 360,579
Wastewater System	200,390	57,076		257,466
Drainage System	<u>31,356</u>	<u>7,378</u>	<u></u>	<u>38,734</u>
Total Accumulated Depreciation	<u>\$ 518,315</u>	<u>\$ 138,464</u>	<u>\$ -0-</u>	<u>\$ 656,779</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,255,229</u>	<u>\$ 703,908</u>	<u>\$ -0-</u>	<u>\$ 4,959,137</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,365,903</u>	<u>\$ 1,495,139</u>	<u>\$ 790,949</u>	<u>\$ 5,070,093</u>

NOTE 7. MAINTENANCE TAX

On August 12, 1989, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. During the year ended September 30, 2008, the District levied an ad valorem maintenance tax at the rate of \$0.50 per \$100 of assessed valuation, which resulted in a tax levy of \$288,265 on the adjusted taxable valuation of \$57,653,051 for the 2007 tax year. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 7. MAINTENANCE TAX (Continued)

Levy Date - October 1, as soon thereafter as practicable.
Lien Date - January 1.
Due Date - Not later than January 31.
Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 8. DUE TO DEVELOPERS AND UNREIMBURSED COSTS

The District has entered into development financing agreements whereby the District's developers agreed to fund costs associated with water, wastewater and drainage facilities, utilities construction and operating advances until such time as the District can sell bonds. As of September 30, 2008, it was estimated that the developers have advanced \$3,506,467 on behalf of the District in connection with water, wastewater and drainage facilities to serve Waterford on Lake Travis, Sections 1, 2, 3, 4, and 6; a water plant and intake barge; a wastewater treatment plant permit; cluster septic system; Lower Colorado Water Authority fees; creation costs; and operating expenses. These costs are to be funded from a future bond issue and are subject to regulatory approvals prior to the sale of bonds. Of this amount \$3,396,994 was added to capital assets and is being depreciated.

In addition, the District's Engineer indicated at September 30, 2008 that approximately \$166,749 had been billed to the developers for construction administration in Sections 7, 4A, 6 and 3D and Lift Station No. 2. A liability for the completed projects was included in the estimates above. The remaining liability of \$105,738 was not recorded in the Statement of Net Assets since the facilities were not completed.

The District also recorded a capital contribution in the amount of \$99,063 that will not be reimbursed per the development financing agreements for engineering fees for the construction of Waterford on Lake Travis, Sections 5, 6, and 7, and Lift Station No. 2.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District participates in the Texas Municipal League Intergovernmental Risk Pool ("TML") to provide coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. During the fiscal year ended September 30, 2008, the District contributed \$5,335 to the fund for this insurance coverage. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 10. ECONOMIC DEPENDENCY

The District's developers own a substantial portion of the taxable property within the District. The developers' ability to make full and timely payment of taxes will directly affect the District's ability to meet its financial obligations.

NOTE 11. WATER SUPPLY CONTRACT

The District has entered into a contract with the Lower Colorado River Authority (LCRA) for the right to divert up to 17.921 million gallons (the maximum annual quantity) of raw water per annum from the Colorado River/Lake Travis in Travis County, Texas. The term of the contract is twenty-five (25) years, ending on January 12, 2025.

On a monthly basis, the District agrees to pay an amount equal to the water rate determined by the Board of Directors of LCRA to then be in effect for all sales of water for municipal purposes times the amount of water diverted during the previous month. On a calendar year basis, the District agrees to pay an amount equal to the water rate times fifty percent (50%) of the "reserved water", which is the difference between the maximum annual quantity and the amount of water actually diverted. In addition, the District agrees to pay, on a calendar basis, an amount equal to the rate determined by the Board of Directors of LCRA, to then be in effect for diversion of water in amounts in excess of the maximum annual quantity. During the current fiscal year, the District recorded expenditures of \$7,534 related to this agreement.

NOTE 12. INTERFUND PAYABLES AND RECEIVABLES

The Debt Service Fund recorded a payable to the General Fund in the amount of \$5,930 for maintenance tax collections.

NOTE 13. PENDING LITIGATION

Subsequent to year end, the District was named in a lawsuit in Case No. 08-003893, Colby Bandow, et al. vs. Travis County Municipal Utility District No. 10, Clyde G. Pederson, Jr., and Michael R. Pederson, in the 345th Judicial Court of Travis County, Texas. The Plaintiffs have claimed that the District has blocked or otherwise interfered with the use of the road over which the Plaintiffs claim to have an implied easement of ingress and egress to reach their lots in Point Venture Section 1. As of the date of this report, the outcome of this case is unknown. The District is represented by the law firm Watt, Beckworth, Thompson & Henneman, LLP of Houston, Texas.

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TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2008

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 274,860	\$ 291,766	\$ 16,906
Water Service	21,420	70,422	49,002
Wastewater Service	18,360	17,610	(750)
Grinder Pump Maintenance	12,240	12,100	(140)
Penalty and Interest	800	1,654	854
Tap Connection and Inspection Fees		100,912	100,912
Investment Revenues	5,000	11,909	6,909
Miscellaneous Revenues		1,586	1,586
TOTAL REVENUES	<u>\$ 332,680</u>	<u>\$ 507,959</u>	<u>\$ 175,279</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 102,500	\$ 94,779	\$ 7,721
Contracted Services	74,400	78,035	(3,635)
Purchased Water Service	10,000	7,534	2,466
Utilities	21,000	31,500	(10,500)
Repairs and Maintenance	53,000	60,079	(7,079)
Other	91,289	46,376	44,913
TOTAL EXPENDITURES	<u>\$ 352,189</u>	<u>\$ 318,303</u>	<u>\$ 33,886</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (19,509)</u>	<u>\$ 189,656</u>	<u>\$ 209,165</u>
FUND BALANCE – OCTOBER 1, 2007	<u>290,443</u>	<u>290,443</u>	
FUND BALANCE – SEPTEMBER 30, 2008	<u>\$ 270,934</u>	<u>\$ 480,099</u>	<u>\$ 209,165</u>

See accompanying independent auditor's report.

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TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2008

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

2. RETAIL SERVICE PROVIDERS

Based on the rate order effective June 3, 2008.

District employs winter averaging for wastewater usage?

Total charges per 10,000 gallons usage: Water: \$35.00 Wastewater: \$30.00 Surcharge: \$20.00 Total: \$85.00

- 33 -

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>53</u>	<u>53</u>	x 1.0	<u>53</u>
1"	<u>4</u>	<u>4</u>	x 2.5	<u>10</u>
1½"	<u>1</u>	<u>1</u>	x 5.0	<u>5</u>
2"	<u>1</u>	<u>1</u>	x 8.0	<u>8</u>
3"	<u>3</u>	<u>3</u>	x 15.0	<u>45</u>
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>62</u>	<u>62</u>		<u>121</u>
Total Wastewater Connections	<u>50</u>	<u>50</u>	x 1.0	<u>50</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	-0-	Water Accountability Ratio: 94.26% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	15,795,000	
Gallons purchased:	16,757,000	From: Lower Colorado River Authority

See accompanying independent auditor's report.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County or Counties in which District is located:

Travis County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which District is located:

City of Lago Vista, Texas.

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

PERSONNEL (Including Benefits)	\$ <u>-0-</u>
PROFESSIONAL FEES:	
Legal	\$ 29,171
Auditing	7,200
Engineering	<u>58,408</u>
TOTAL PROFESSIONAL FEES	\$ <u>94,779</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ <u>7,534</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 11,450
Operations and Billing	<u>66,585</u>
TOTAL CONTRACTED SERVICES	\$ <u>78,035</u>
UTILITIES - Electricity	\$ <u>31,500</u>
REPAIRS AND MAINTENANCE	\$ <u>60,079</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 7,500
Dues	550
Insurance	5,335
Office Supplies and Postage	5,372
Payroll Taxes	344
Travel and Meetings	36
Other	<u>1,017</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>20,154</u>

See accompanying independent auditor's report.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

CAPITAL OUTLAY:	
Capitalized Assets	\$
Expenditures Not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY	\$ <u>-0-</u>
 TAP CONNECTION EXPENDITURES	 \$ <u>-0-</u>
 SOLID WASTE DISPOSAL	 \$ <u>-0-</u>
 FIRE FIGHTING	 \$ <u>-0-</u>
 PARKS AND RECREATION	 \$ <u>-0-</u>
 SECURITY	 \$ <u>-0-</u>
 OTHER EXPENDITURES:	
Chemicals	\$ 8,800
Inspection Fees	1,541
Laboratory Fees	12,348
Permit Fees	1,150
Regulatory Assessment	460
Sludge Disposal	<u>1,923</u>
TOTAL OTHER EXPENDITURES	\$ <u>26,222</u>
 TOTAL EXPENDITURES	 \$ <u>318,303</u>

See accompanying independent auditor's report.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
INVESTMENTS
SEPTEMBER 30, 2008

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	79000600002	2.4068%	Daily	\$ 435,727	\$ -0-
<u>DEBT SERVICE FUND</u>					
TexPool	79000600001	2.4068%	Daily	\$ 59,214	\$
TexPool	79000600003	2.4068%	Daily	25,075	
				\$ 84,289	\$ -0-
TOTAL - ALL FUNDS				\$ 520,016	\$ -0-

See accompanying independent auditor's report.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Maintenance Tax</u>		<u>Debt Service Tax</u>	
TAXES RECEIVABLE –				
OCTOBER 1, 2007	\$ 3,575		\$ 839	
Adjustments to Beginning Balance	<u> </u>	\$ 3,575	<u> </u>	\$ 839
Original 2007 Tax Levy	\$ 261,436		\$ 130,718	
Adjustment to 2007 Tax Levy	<u>26,829</u>	<u>288,265</u>	<u>13,415</u>	<u>144,133</u>
TOTAL TO BE ACCOUNTED FOR		\$ 291,840		\$ 144,972
TAX COLLECTIONS:				
Prior Years	\$ 3,508		\$ 820	
Current Year	<u>288,258</u>	<u>291,766</u>	<u>144,129</u>	<u>144,949</u>
TAXES RECEIVABLE –				
SEPTEMBER 30, 2008		<u>\$ 74</u>		<u>\$ 23</u>
TAXES RECEIVABLE BY YEAR:				
2007		\$ 7		\$ 4
2006		23		5
2005		15		14
2004		<u>29</u>		<u> </u>
TOTAL TAXES RECEIVABLE BY YEAR		<u>\$ 74</u>		<u>\$ 23</u>

See accompanying independent auditor's report.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
PROPERTY VALUATIONS:				
Land	\$ 33,263,804	\$ 29,036,186	\$ 18,467,258	\$ 18,052,709
Improvements	26,761,497	25,730,616	25,768,191	25,585,520
Personal Property	188,835	188,350	202,709	193,825
Exemptions	<u>(2,561,085)</u>	<u>(3,824,808)</u>	<u>(246,288)</u>	<u>(269,879)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 57,653,051</u>	<u>\$ 51,130,344</u>	<u>\$ 44,191,870</u>	<u>\$ 43,562,175</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.25000	\$ 0.15000	\$ 0.38000	\$ 0.00000
Maintenance **	<u>0.50000</u>	<u>0.64140</u>	<u>0.42000</u>	<u>0.80000</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.75000</u>	<u>\$ 0.79140</u>	<u>\$ 0.80000</u>	<u>\$ 0.80000</u>
ADJUSTED TAX LEVY*	<u>\$ 432,398</u>	<u>\$ 404,645</u>	<u>\$ 353,535</u>	<u>\$ 348,497</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.99%</u>	<u>98.99%</u>	<u>99.99%</u>	<u>99.99%</u>

* Based upon adjusted tax at time of audit for the period in which the tax was levied.

** Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on August 12, 1989.

See accompanying independent auditor's report.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2008

S E R I E S - 2 0 0 4

Due During Fiscal Years Ending August 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2009	\$ 45,000	\$ 86,125	\$ 131,125
2010	45,000	83,425	128,425
2011	50,000	81,490	131,490
2012	55,000	79,340	134,340
2013	55,000	76,975	131,975
2014	60,000	74,610	134,610
2015	65,000	72,030	137,030
2016	65,000	69,170	134,170
2017	70,000	66,245	136,245
2018	75,000	63,025	138,025
2019	80,000	59,500	139,500
2020	85,000	55,500	140,500
2021	90,000	51,250	141,250
2022	95,000	46,750	141,750
2023	100,000	42,000	142,000
2024	105,000	37,000	142,000
2025	115,000	31,750	146,750
2026	120,000	26,000	146,000
2027	125,000	20,000	145,000
2028	135,000	13,750	148,750
2029	140,000	7,000	147,000
TOTAL	<u>\$ 1,775,000</u>	<u>\$ 1,142,935</u>	<u>\$ 2,917,935</u>

See accompanying independent auditor's report.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Description	Original Bonds Issued	Bonds Outstanding October 1, 2007
Travis County Municipal Utility District No. 10 Unlimited Tax and Revenue Bonds – Series 2004	<u>\$ 1,920,000</u>	<u>\$ 1,815,000</u>

Bond Authority:	New Issue Bonds*	Refunding Bonds*
Amount Authorized by Voters	\$ 20,300,000	\$ 13,200,000
Amount Issued	<u>1,920,000</u>	<u> </u>
Remaining to be Issued	<u>\$ 18,380,000</u>	<u>\$ 13,200,000</u>

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

Debt Service Fund cash and investment balances as of September 30, 2008: \$ 117,119

Average annual debt service payment (principal and interest) for remaining term of all bond debt: \$ 138,949

For interest rates, interest payment dates and maturity dates, see Footnote 3.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2008</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
<u>\$ -0-</u>	<u>\$ 40,000</u>	<u>\$ 88,525</u>	<u>\$ 1,775,000</u>	The Bank Of New York Trust Company, N.A. Dallas, TX

See accompanying independent auditor's report.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	<u>Amounts</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
REVENUES			
Property Taxes	\$ 291,766	\$ 319,974	\$ 183,948
Water Revenues	70,422	45,441	50,625
Wastewater Revenues	17,610	16,050	11,640
Grinder Pump Maintenance	12,100	10,762	7,725
Penalty and Interest	1,654	829	1,090
Tap Connection and Inspection Fees	100,912	35,800	13,575
Investment Revenues	11,909	14,740	14,699
Miscellaneous Revenues	<u>1,586</u>	<u>2,939</u>	<u>5,822</u>
TOTAL REVENUES	<u>\$ 507,959</u>	<u>\$ 446,535</u>	<u>\$ 289,124</u>
EXPENDITURES			
Professional Fees	\$ 94,779	\$ 46,055	\$ 83,765
Contracted Services	78,035	69,418	71,058
Purchased Water	7,534	6,622	6,544
Utilities	31,500	17,560	19,841
Repairs and Maintenance	60,079	66,195	27,725
Other	46,376	56,210	36,413
Parks and Recreation			
Capital Outlay	<u> </u>	<u>71,155</u>	<u>411,375</u>
TOTAL EXPENDITURES	<u>\$ 318,303</u>	<u>\$ 333,215</u>	<u>\$ 656,721</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 189,656</u>	<u>\$ 113,320</u>	<u>\$ (367,597)</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	<u>\$ -0-</u>	<u>\$ 668</u>	<u>\$ -0-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ 189,656</u>	<u>\$ 113,988</u>	<u>\$ (367,597)</u>
BEGINNING FUND BALANCE	<u>290,443</u>	<u>176,455</u>	<u>544,052</u>
ENDING FUND BALANCE	<u>\$ 480,099</u>	<u>\$ 290,443</u>	<u>\$ 176,455</u>

(1) Tax account balance was split due to sale of Series 2004 Bonds.

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2005</u>	<u>2004</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 406,121	\$ 330,089	57.4%	71.6	63.6%	87.5%	84.3%
36,543	40,693	13.9	10.2	17.5	7.9	10.4
5,647	6,072	3.5	3.6	4.0	1.2	1.6
3,523	3,795	2.4	2.4	2.7	0.8	1.0
927	5,916	0.3	0.2	0.4	0.2	1.5
		19.9	8.0	4.7		
9,257	4,642	2.3	3.3	5.1	2.0	1.2
1,814		0.3	0.7	2.0	0.4	
<u>\$ 463,832</u>	<u>\$ 391,207</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 108,608	\$ 115,465	18.7%	10.3%	29.0%	23.4%	29.5%
78,482	62,860	15.3	15.5	24.6	16.9	16.1
5,489	4,656	1.5	1.5	2.2	1.2	1.2
9,106	9,283	6.2	3.9	6.9	2.0	2.4
24,279	35,360	11.8	14.8	9.6	5.2	9.0
33,331	29,666	9.1	12.6	12.6	7.2	7.6
	20,000					5.1
<u>107,659</u>			<u>15.9</u>	<u>142.3</u>	<u>23.2</u>	
<u>\$ 366,954</u>	<u>\$ 277,290</u>	<u>62.6%</u>	<u>74.5%</u>	<u>227.2%</u>	<u>79.1%</u>	<u>70.9%</u>
<u>\$ 96,878</u>	<u>\$ 113,917</u>	<u>37.4%</u>	<u>25.5%</u>	<u>(127.2)%</u>	<u>20.9%</u>	<u>29.1%</u>
<u>\$ -0-</u>	<u>\$ -0-</u>					
\$ 96,878	\$ 113,917					
<u>447,174</u>	<u>339,801</u>					
<u>\$ 544,052</u>	<u>\$ 453,718</u>					

(1)

(1)

See accompanying independent auditor's report.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	<u>Amounts</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
REVENUES			
Property Taxes	\$ 144,949	\$ 74,945	\$ 167,866
Penalty and Interest	1,692	5,072	3,302
Interest on Investment	4,100	7,327	4,848
Miscellaneous Revenues	<u>248</u>	<u>248</u>	<u>1,106</u>
TOTAL REVENUES	<u>\$ 150,741</u>	<u>\$ 87,592</u>	<u>\$ 177,122</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 7,407	\$ 11,027	\$ 6,410
Debt Service Principal	40,000	35,000	35,000
Debt Service Interest and Fees	<u>88,825</u>	<u>90,925</u>	<u>93,025</u>
TOTAL EXPENDITURES	<u>\$ 136,232</u>	<u>\$ 136,952</u>	<u>\$ 134,435</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 14,509</u>	<u>\$ (49,360)</u>	<u>\$ 42,687</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ 14,509</u>	<u>\$ (49,360)</u>	<u>\$ 42,687</u>
BEGINNING FUND BALANCE	<u>96,680</u>	<u>146,040</u>	<u>103,353</u>
ENDING FUND BALANCE	<u>\$ 111,189</u>	<u>\$ 96,680</u>	<u>\$ 146,040</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>62</u>	<u>53</u>	<u>48</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>50</u>	<u>47</u>	<u>44</u>

(1) Tax account balance was split due to sale of Series 2004 Bonds.

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2005</u>	<u>2004</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$	\$	96.2%	85.5%	94.8%	%	%
28,910		1.1	5.8	1.9	93.6	
1,978		2.7	8.4	2.7	6.4	
			<u>0.3</u>	<u>0.6</u>		
<u>\$ 30,888</u>	<u>\$ -0-</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>0.0%</u>
\$ 21,536	\$	4.9%	12.6%	3.6%	69.7%	%
35,000		26.5	40.0	19.8	113.3	
<u>64,043</u>		<u>58.9</u>	<u>103.8</u>	<u>52.5</u>	<u>207.3</u>	
<u>\$ 120,579</u>	<u>\$ -0-</u>	<u>90.3%</u>	<u>156.4%</u>	<u>75.9%</u>	<u>390.3%</u>	<u>0.0%</u>
<u>\$ (89,691)</u>	<u>\$ -0-</u>	<u>9.7%</u>	<u>(56.4)%</u>	<u>24.1%</u>	<u>(290.3)%</u>	<u>0.0%</u>
<u>\$ 186,500</u>	<u>\$ -0-</u>					
\$ 96,809	\$					
<u>6,544</u>	<u>-0-</u>					
<u>\$ 103,353</u>	<u>\$ -0-</u>					
(1)						
<u>43</u>	<u>43</u>					
<u>43</u>	<u>43</u>					

See accompanying independent auditor's report.

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TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2008

District Mailing Address - Travis County Municipal Utility District No. 10
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2008	Expense Reimbursements for the year ended September 30, 2008	Title
Harvey Reiter	05/06 05/10 (Elected)	\$ 1,500	\$ 36	President
Jerry McAhren	05/06 05/10 (Elected)	\$ 1,500	\$ -0-	Vice President
Robert Ernst	06/08 05/12 (Elected)	\$ 1,350	\$ -0-	Assistant Vice President
Jack McMahon	06/08 05/12 (Elected)	\$ 1,500	\$ -0-	Secretary
Vance Taylor	06/08 05/12 (Elected)	\$ 1,650	\$ -0-	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): June 3, 2008.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on September 9, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2008

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2008</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027	07/28/03	\$ 29,171	Attorney
McCall, Gibson & Company, PLLC 13831 Northwest Freeway, Suite 610 Houston, TX 77040-5216	09/12/00	\$ 7,200	Auditor
Myrtle Cruz, Inc. 1621 Milam, 3rd Floor Houston, TX 77002	08/11/98	\$ 15,060	Bookkeeper
Travis County Central Appraisal District P. O. Box 149012 Austin, TX 78714-9012	Legislative Action	\$ 2,359	Central Appraisal District
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, TX 77008	03/14/00	\$ 190	Delinquent Tax Attorney
Jones & Carter, Inc. 1701 Directors Blvd., Suite 400 Austin, TX 78744	02/12/02	\$ 58,408	Engineer

See accompanying independent auditor's report.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2008

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2008</u>	<u>Title</u>
Rathmann & Associates, L.P. 1331 Lamar, Suite 1050 Houston, TX 77010	04/21/03	\$ -0-	Financial Advisor
AWR Services, Inc. 500 Capital of Texas Highway, Bldg. 1 Suite 125 Austin, TX 78746	05/01/05	\$ 168,276	Operator
Tommy Lee, R.T.A. Assessments of the Southwest P. O Box 1368 Friendswood, TX 77549	10/01/01	\$ 4,629	Tax Assessor/ Collector
Mary Jarmon 1621 Milam, 3 rd Floor Houston, TX 77002	03/09/04	\$ -0-	Investment Officer

See accompanying independent auditor's report.

