FY 2009 LCRA Annual Report

The mission of the Lower Colorado River Authority (LCRA) is to provide reliable, low-cost utility and public services in partnership with our customers and communities and to use our leadership role and environmental authority to ensure the protection and constructive use of the area's natural resources.

LCRA is a Texas conservation and reclamation district operating with no taxing authority.

The Board of Directors is composed of 15 members appointed by the governor. Directors represent counties in the electric and water service areas. The directors meet regularly to set strategic corporate direction for the general manager and staff, to approve projects and large expenditures, and to review progress on major activities and industry issues.

Message from LCRA Leadership

Throughout its 2009 fiscal year, the Lower Colorado River Authority continued to develop and manage its energy, water, and community services to meet the growing needs of the people we serve and protect the resources of the lower Colorado River.

The year brought significant challenges and achievements. Here are some highlights:

Thanks to its diverse generation portfolio and long-term, cost-based contracts, LCRA's electric prices appear to be on par with those in competitive markets within the Electric Reliability Council of Texas region. Thirty-one of our 43 wholesale electric customers have committed to buy electric power from LCRA until 2041.

The record-high temperatures and new peaks in electric demand during the summers of 2008 and 2009 helped demonstrate the need for the natural gas-fired peaking unit LCRA is building to provide reliable and affordable electric power to its customers when electric demand and market prices are high. We are looking forward to bringing the Winchester Power Park in Fayette County on-line in the next several months. Staff also is evaluating proposals to expand LCRA's use of wind power. We continue to evaluate and plan for long-term generation needs, and the coal-fired Sandy Creek Energy Station under construction in McLennan County remains on track to go on-line in 2012.

LCRA Transmission Services Corporation (TSC) is one of several transmission services providers working with the Public Utility Commission of Texas to plan for design and siting of additional transmission lines and facilities as part of the commission's Competitive Renewable Energy Zones projects. In FY 2009 LCRA TSC continued to build and implement projects that will support system reliability needs, ensure capacity for additional electric demand in the region, and enable the connection of new electric generators to LCRA TSC's system.

Severe drought conditions that rivaled those of the Drought of Record more than half a century ago continued to affect our river basin throughout the year. We were successful in managing our water supplies to meet the basin's essential needs, but we continued to plan for the region's current and future needs with the development of a draft Water Supply Resource Plan to ensure our firm water supply through the year 2100.

LCRA took significant steps in completing its Colorado River Trail program. A portion of the Pedernales River Nature Park in Johnson City opened in May for day use, and we will work with the public to determine how best to develop and use the remainder of the 222-acre site. LCRA also has acquired a 36-acre site for a park in San Saba County. These additions will enable LCRA to fulfill the Colorado River Trail's original vision of providing a park and public access to waterways in each of the 10 counties in our statutory service area.

In carrying out our responsibilities, we are fortunate to have a Board of Directors and staff dedicated to using fiscally conservative and cost-effective approaches. We believe that approach exemplifies how LCRA has done business throughout its nearly 75-year history – providing valued public services that benefit the people of Texas and help support the prosperity of the region and the state of Texas.

Rebecca A. Klein, Board Chair

Thomas G. Mason, General Manager

Report of Management

The management's discussion and analysis, the financial statements and related footnotes included herein are the responsibility of LCRA's management as is other information contained in this annual report. The financial statements are prepared in conformity with generally accepted accounting principles applied on a consistent basis and, in some cases, reflect amounts based on the best estimates and judgments of management, giving due consideration to materiality. Financial information contained elsewhere in this annual report is consistent with that in the financial statements.

Management has developed and maintains a system of accounting and controls, including an internal audit program, designed to provide reasonable assurance that LCRA's assets are protected from improper use and that accounting records provide a reliable basis for the preparation of financial statements. This system is continually reviewed, improved and modified in response to changing business conditions and operations and to recommendations made by the independent auditors and LCRA Auditing Services. Due to the inherent limitations of the effectiveness of internal controls, no internal control system can provide absolute assurance that errors and irregularities will not occur. However, management strives to maintain a balance, recognizing that the cost of such a system should not exceed the benefits derived.

LCRA's Board of Directors, appointed by the Governor of Texas, oversees LCRA's financial reporting activities through the Audit Committee and Finance and Administration Committee, which are comprised wholly of Board members. The duties of these committees include keeping informed of the financial condition of LCRA and reviewing its financial policies and procedures, its internal accounting controls, and the objectivity of its financial reporting. Both LCRA's independent auditor and LCRA Auditing Services may meet directly with the Audit Committee without management concurrence.

The Independent Auditors' Report, included herein, does not limit the responsibility of management for information in the financial statements and elsewhere in the annual report.

Brady Edwards
Chief Financial Officer

Craig Sloan
Controller

Thomas G. Mason
General Manager

LOWER COLORADO RIVER AUTHORITY

FINANCIAL STATEMENTS

YEARS ENDED
JUNE 30, 2009 AND 2008

With Independent Auditors' Report

Lower Colorado River Authority
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2009

Overview of the Financial Statements

In accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, LCRA is considered a special-purpose government engaged only in business-type activities. Statement No. 34 requires the following components in a governmental entity's annual report:

Management's Discussion and Analysis
The purpose is to provide an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions or conditions.

Balance Sheets
Assets and liabilities of proprietary funds should be presented to distinguish between current and long-term assets and liabilities.

Statements of Revenues, Expenses and Changes in Equity
This statement provides the operating results broken into the categories of operating revenues and expenses, nonoperating revenues and expenses, costs to be (prior costs) recovered from revenues, capital contributions, and special items.

Statements of Cash Flows
Sources and uses of cash are classified using the direct method as resulting from operating, noncapital financing, capital, and related financing or investing activities.

Notes to the Financial Statements
The notes explain information in the financial statements and provide additional detailed information.

Financial Highlights

Condensed Balance Sheets

	June 30, 2009	June 30, 2008	June 30, 2007	2009 vs 2008	2008 vs 2007
	(Dollars in Thousands)				
Current assets	**$ 482,906**	$ 473,586	$ 397,068	2%	19%
Capital assets, net	**3,138,029**	2,827,370	2,585,662	11%	9%
Other long-term assets	**598,052**	578,361	562,092	3%	3%
Total Assets	**$ 4,218,987**	$ 3,879,317	$ 3,544,822	9%	9%
Current liabilities	**$ 415,959**	$ 467,322	$ 489,989	(11%)	(5%)
Long-term liabilities	**2,931,331**	2,593,228	2,286,941	13%	13%
Total Liabilities	**3,347,290**	3,060,550	2,776,930	9%	10%
Equity - Invested in capital assets, net of related debt	**592,175**	581,694	518,450	2%	12%
Equity - Restricted other	**31,649**	31,873	24,622	(1%)	29%
Equity - Unrestricted	**247,873**	205,200	224,820	21%	(9%)
Total Equity	**871,697**	818,767	767,892	6%	7%
Total Liabilities and Equity	**$ 4,218,987**	$ 3,879,317	$ 3,544,822	9%	9%

2009 Compared to 2008

Compared to fiscal year (FY) 2008, net capital assets increased $310.7 million, or 11 percent, as a result of increases in construction work in progress and utility plant in service primarily related to new generation and transmission assets.

Current liabilities decreased $51.4 million, or 11 percent, primarily resulting from issuing $400.9 million of commercial paper to fund capital costs, offset by refunding $484.8 million of the commercial paper. Conversely, long-term liabilities increased $338.1 million, or 13 percent, due to refunding short-term commercial paper to long-term bonds. Furthermore, the decrease in current liabilities was partially offset by accruals for wages of $10 million and unbilled revenue of $20 million due to a new policy adopted in FY 2009. See Note 1, Cumulative Effect of Accounting Change. The unbilled revenue will be recovered in future rates and thus is reflected as a regulatory liability in FY 2009.

2008 Compared to 2007

In FY 2008, current assets increased $76.5 million, or 19 percent. This increase was due to a $45.4 million increase in net receivables primarily from higher electric billing as a result of higher temperatures in June 2008 compared to June 2007. The variance is also due to a $30.7 million increase in gas and coal inventory balances compared to prior year.

Other long-term assets increased $16.3 million, or 3 percent, compared to June 2007. This variance was caused by a decrease of $33.1 million in unrestricted investments offset by an increase of $43.5 million in deferred charges. The decrease in unrestricted investments results from investment purchases of $268.2 million less investment maturities of $306 million. The increase in deferred charges is primarily due to a $34.9 million increase in costs to be recovered as a result of more costs deferred to future period rate recoveries.

Condensed Statements of Revenues, Expenses and Changes in Equity

	Year Ended June 30,			2009 vs 2008	2008 vs 2007
	2009	**2008**	**2007**	**Favorable/ (Unfavorable)**	**Favorable/ (Unfavorable)**
	(Dollars in Thousands)				
Operating revenues	**$ 1,311,880**	$ 1,187,825	$ 1,091,886	10%	9%
Operating expenses	**(1,097,458)**	(1,036,087)	(943,032)	(6%)	(10%)
Operating income	**214,422**	151,738	148,854	41%	2%
Interest and other income	**15,642**	24,072	32,509	(35%)	(26%)
Interest and other expenses	**(163,572)**	(158,313)	(142,750)	(3%)	(11%)
Costs to be (Prior Costs) recovered from revenues	**(18,802)**	27,761	(5,134)	(168%)	641%
Income before capital contributions and special item	**47,690**	45,258	33,479	5%	35%
Capital contributions	**11,606**	5,617	11,477	107%	(51%)
Special Item - Loss on early defeasance of debt	**-**	-	(1,393)	-	100%
Change in equity	**59,296**	50,875	43,563	17%	17%
Equity, Beginning of Year (See Note 1, Cumulative Effect of Accounting Change)	**812,401**	767,892	724,329	6%	6%
Equity, End of Year	**$ 871,697**	$ 818,767	$ 767,892	6%	7%

2009 Compared to 2008

In FY 2009, there was an increase in operating revenues of $124.0 million, or 10 percent, primarily resulting from an increase in electric revenues due to an increase in rates and fuel costs passed on to customers. There was a corresponding increase of $61.3 million, or 6 percent, in operating expenses compared to FY 2008. This increase is primarily driven by an increase in fuel expense of $84.9 million due to losses in the Energy Price Risk Management program, offset by a decrease in purchased power of $42.9 million.

Interest and other income decreased $8.4 million, or 35 percent, due to falling interest rates and poor market performance during FY 2009.

Prior costs to be recovered from revenues decreased net income $18.8 million in FY 2009 compared to an increase to net income of $27.8 million in FY 2008, for a total decrease of $46.6 million, or 168 percent. The decrease was due to less costs recovered through rates this year compared to prior year.

Capital contributions increased $6.0 million, or 107 percent, in FY 2009 related to recognition of previously deferred revenues for the LCRA-SAWS Water Project, which addresses long-term regional water needs.

In FY 2009, LCRA management adopted a policy to accrue labor charges related to a current fiscal year that is paid in the following fiscal year. This policy change caused a reduction of $6.4 million to FY 2009 beginning equity. In addition, LCRA management adopted a policy to accrue unbilled revenues associated with wholesale electric generation which are billed in the following fiscal year. The unbilled revenues accrued for FY 2009 totaled $20 million. LCRA management had previously considered these accruals to be immaterial to financial statement presentation. As a result, the LCRA Statement of Revenues, Expense, and Changes in Equity has included the effects of this change in accounting method on beginning equity as shown.

2008 Compared to 2007

Operating income remained stable from FY 2007 to FY 2008 due to an increase in rates offset by an increase in fuel expense. Interest and other income decreased $8.4 million, or 26 percent, due to the cancellation of the securities lending program in May 2007. In FY 2008, there was an increase in interest and other expenses of $15.6 million, or 11 percent, primarily due to $10.6 million less interest capitalized to projects in FY 2008 compared to FY 2007. Most of the decrease in capitalized interest is a result of LCRA Transmission Services Corporation (LCRA TSC), a component unit of LCRA, paying for debt service in current rates as a result of an early settlement of the rate case. The increase is also due to $9.2 million of amortization of a loss on refunding recognized in April 2008 related to the refunding of LCRA TSC Series 2003A Bonds offset by a decrease of $8 million due to the cancellation of the securities lending program.

Costs to be recovered from revenues increased $32.9 million due to more costs deferred to future period rate recoveries.

Capital contributions decreased $5.9 million, or 51 percent, from prior year primarily resulting from less construction-related contributions for water utilities in FY 2008 compared to FY 2007.

Capital Expansion and Improvement Program

LCRA’s capital improvement and expansion program for FY 2010 through FY 2014 is $2.1 billion, with $1.6 billion, or 76 percent, to be debt funded. The majority of forecasted capital costs is for expansion of transmission services, water and wastewater services, and generation facilities as well as additional corporate infrastructure and facilities. LCRA TSC continues to increase its transmission system investment due to the need for additional electric transmission capability statewide. LCRA will continue its water and wastewater services capital expansion to meet the needs of the region’s growing population.

The capital budget is expected to be applied as follows:

(1) $1.2 billion for transmission projects.

(2) $534 million for generation and system improvements.

(3) $209 million for dam improvements and modernization, and improvements to water and wastewater utilities and facilities.

(4) $155 million for parks and corporate facilities.

LCRA's forecasted capital program includes funds to be used to respond to regulatory requirements and for projects assigned to LCRA TSC by the Public Utility Commission of Texas (PUC) to meet the Competitive Renewable Energy Zones (CREZ) objectives. The capital program also includes funds for the purchase of 100 MW of additional base load power production capacity by 2012 and the installation of sulfur-dioxide (SO_2) scrubbers for two coal-fired generating units jointly owned by LCRA and the City of Austin. The scrubbers must be installed by October 2012, under the provisions of a flexible air quality permit received from the Texas Commission on Environmental Quality in 2002.

The capital program will be funded by cash provided by operating activities and proceeds from long-term bonds (including LCRA bonds and LCRA bonds issued on behalf of LCRA TSC) and commercial paper issuances.

The forecasted capital program is subject to periodic review and revision and could change significantly because of a number of factors including economic conditions and regulatory constraints.

Capital Asset Activity

- $447.5 million was expended for construction activities in FY 2009. The majority of these costs were for purchase and construction of additional generation and transmission facilities and improvements to existing generation facilities.

- $137 million of depreciation expense and asset retirements were recorded in FY 2009 on plant in service.

- For additional detail, see Capital Asset Activity table in Note 7 of the Notes to the Financial Statements.

Debt Activity

- During FY 2009, LCRA issued $400.1 million of tax-exempt commercial paper, of which $104.2 million was on behalf of LCRA TSC. In addition, LCRA issued $0.8 million of taxable commercial paper. The proceeds were used to fund various capital projects and refund debt.

- In FY 2009, LCRA made $111.6 million of scheduled payments and $140 million of interest payments.

- In FY 2009, LCRA repaid $4.9 million of tax-exempt commercial paper.

- On Dec. 18, 2008, LCRA issued $209.6 million of LCRA Series 2008A Refunding Revenue Bonds. The proceeds from the issue were used to refund $205.5 million of tax-exempt commercial paper.

- On June 29, 2009, LCRA issued $171.5 million of LCRA Refunding Revenue Bonds, Series 2009. The proceeds from the bond issuance were used to refund $169.8 million of tax-exempt commercial paper and $0.2 million of taxable commercial paper.

- On June 29, 2009, LCRA TSC issued $118.6 million of LCRA Transmission Contract Refunding Revenue Bonds. The proceeds from the bond issuance were used to refund $109.3 million of tax-exempt commercial paper.

- For additional detail, see Note 3 of the Notes to the Financial Statements.

Subsequent Event

San Antonio Water System (SAWS) has filed a lawsuit against LCRA. The lawsuit claims LCRA is in breach of contract. LCRA entered into an agreement with SAWS in 2002 to study the feasibility of implementing the LCRA-SAWS Water Project. The project addresses long-term water needs in both the lower Colorado River basin and the San Antonio area. LCRA has been managing the study phase of this project for the past several years. The intent of the study phase was to determine feasibility of the project including engineering and environmental impacts. Earlier this year, preliminary study findings indicated that the LCRA-SAWS Water Project would not meet all of the legislative requirements, meaning no water would be available for San Antonio.

LCRA received advances from SAWS to fund this study. Based on the contract, SAWS has the option to cancel the study with a 100 percent refund of unexpended funds and a 50 percent refund of expended funds due to SAWS when cancelled.

Neither SAWS nor LCRA has cancelled the project, but SAWS has publicly announced it is considering cancellation. If the project is cancelled by SAWS, LCRA would be required to refund approximately $19 million based on the balance of unexpended funds and 50 percent of the expended funds as of June 30, 2009.

SAWS is asking for $1.23 billion in the lawsuit, the difference between the estimated project cost and the total cost of acquiring the same amount of water from another source. LCRA believes the chance of a negative result of this lawsuit is remote.

Contacting LCRA's Management

This financial report is designed to provide readers with a general overview of LCRA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Lower Colorado River Authority, P.O. Box 220, Austin, Texas 78767.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lower Colorado River Authority
Austin, Texas

We have audited the accompanying balance sheet of the Lower Colorado River Authority (LCRA) as of June 30, 2009, and the related statements of revenues, expenses, and changes in equity and cash flows for the year then ended. These financial statements are the responsibility of LCRA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Lower Colorado River Authority (LCRA) as of and for the year ended June 30, 2008 were audited by other auditors whose report, dated October 6, 2008, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LCRA as of June 30, 2009, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, LCRA has changed its accounting policy for unbilled revenue and accrued labor charges. In addition, as discussed in Note 5 to the financial statements, LCRA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of LCRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Directors
Lower Colorado River Authority

The Management's Discussion and Analysis and Schedules of Funding Progress information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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.

Baker Tilly Virchow Krause, LLP

September 30, 2009

LOWER COLORADO RIVER AUTHORITY
BALANCE SHEETS
(Dollars in Thousands)

	June 30, 2009	June 30, 2008
Assets		
Current Assets:		
Cash and cash equivalents	$ 99,808	$ 113,209
Investments	93,216	39,703
Receivables, net	177,086	173,482
Accrued interest receivable	1,036	477
Inventories	108,963	132,048
Other	2,797	14,667
Total current assets	482,906	473,586
Long-term Assets:		
Restricted cash and cash equivalents	48,387	23,135
Restricted investments	75,527	66,325
Unrestricted investments	37,087	53,947
Capital assets:		
Utility plant in service	3,927,577	3,775,800
Construction work in progress	571,597	308,223
Oil and gas property	28,158	28,158
Other physical property	58,811	53,591
Less accumulated depreciation	(1,448,114)	(1,338,402)
Capital assets, net	3,138,029	2,827,370
Water rights, net	87,397	87,397
Other	10,277	11,107
Deferred charges:		
Costs to be recovered from future revenues	258,577	251,586
Unamortized debt expense	37,273	35,475
Contract extension settlement with major customers	5,809	6,583
Other	37,718	42,806
Deferred charges, net	339,377	336,450
Total long-term assets	3,736,081	3,405,731
Total Assets	$ 4,218,987	$ 3,879,317

The accompanying notes are an integral part of these financial statements.

LOWER COLORADO RIVER AUTHORITY
BALANCE SHEETS
(Dollars in Thousands)

	June 30, 2009	June 30, 2008
Liabilities		
Current Liabilities:		
Accounts payable	$ 137,876	$ 164,674
Regulatory credits for future recovery	85,540	32,670
Compensated absences	12,595	11,030
Bonds, notes, and loans payable	179,948	258,948
Total current liabilities	415,959	467,322
Long-term Liabilities:		
Accounts payable from restricted assets	40,800	67,208
Bonds, notes, and loans payable	2,740,312	2,358,284
Deferred credits and other	150,219	167,736
Total long-term liabilities	2,931,331	2,593,228
Total liabilities	3,347,290	3,060,550
Equity		
Invested in capital assets, net of related debt	592,175	581,694
Restricted other	31,649	31,873
Unrestricted	247,873	205,200
Total equity	871,697	818,767
Total Liabilities and Equity	$ 4,218,987	$ 3,879,317

LOWER COLORADO RIVER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN EQUITY

(Dollars in Thousands)

	Year Ended June 30, 2009	2008
Operating Revenues		
Electric	$ 1,187,543	$ 1,064,075
Water, wastewater and irrigation	72,924	62,488
Other	51,413	61,262
Total operating revenues	1,311,880	1,187,825
Operating Expenses		
Fuel	555,648	470,184
Purchased power	135,191	178,073
Operations	229,304	221,477
Maintenance	45,676	44,125
Depreciation, depletion and amortization	131,639	122,228
Total operating expenses	1,097,458	1,036,087
Operating income	214,422	151,738
Nonoperating Revenues (Expenses)		
Interest and other income	15,642	24,072
Interest and other expenses	(163,572)	(158,313)
Total nonoperating revenues (expenses)	(147,930)	(134,241)
Income before costs to be (prior costs) recovered from revenues and capital contributions	66,492	17,497
Costs to be (Prior Costs) Recovered from Revenues	(18,802)	27,761
Income before capital contributions	47,690	45,258
Capital Contributions	11,606	5,617
Change in Equity	59,296	50,875
Total Equity, Beginning of Year (See Note 1, Cumulative Effect of Change in Accounting Method)	812,401	767,892
Total Equity, End of Year	$ 871,697	$ 818,767

The accompanying notes are an integral part of these financial statements.

LOWER COLORADO RIVER AUTHORITY
STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Year Ended June 30, 2009	2008
Cash Flows From Operating Activities		
Received from customers	$ 1,280,222	$ 1,162,806
Payments for goods and services	(772,569)	(775,970)
Payments to employees	(163,717)	(162,805)
Other revenues (expenses)	13,097	(9,536)
Net cash provided by operating activities	357,033	214,495
Cash Flows From Noncapital Financing Activities		
Grant proceeds received	4,022	8,210
Other expenses	(1,123)	(1,613)
Net cash provided by noncapital financing activities	2,899	6,597
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant, equipment and water option	(472,095)	(348,552)
Proceeds from sale of capital assets	9,505	6,696
Debt issue costs	(3,574)	(7,019)
Contributed capital received for capital costs	5,038	5,937
Proceeds from bond issues and commercial paper	895,871	699,162
Debt principal payments and commercial paper redemptions	(116,505)	(86,421)
Interest paid	(140,040)	(125,731)
Payments to refund and defease debt	(484,800)	(421,990)
Net cash used in capital and related financing activities	(306,600)	(277,918)
Cash Flows From Investing Activities		
Sale and maturity of investment securities	374,171	306,003
Purchase of investment securities	(423,129)	(268,212)
Interest received	7,343	13,519
Infrastructure financial assistance activity	134	142
Net cash provided by (used in) investing activities	(41,481)	51,452
Net Increase (Decrease) in Cash and Cash Equivalents	11,851	(5,374)
Cash and Cash Equivalents, Beginning of Year	136,344	141,718
Cash and Cash Equivalents, End of Year	$ 148,195	$ 136,344

LOWER COLORADO RIVER AUTHORITY
STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Year Ended June 30, 2009	2008
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 214,422	$ 151,738
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation, depletion and amortization	131,639	122,228
Changes in assets and liabilities:		
Accounts receivable	(3,265)	(45,360)
Inventories	23,085	(30,674)
Other current assets	11,870	(12,623)
Current liabilities	(6,032)	15,699
Other deferred charges and long-term assets	4,775	(6,359)
Deferred credits and other long-term liabilities	(19,461)	19,846
Net cash provided by operating activities	$ 357,033	$ 214,495
Noncash Investing Activities		
Investment market adjustments	$ (3,103)	$ 4,140
Noncash Financing for Property, Plant and Equipment		
Purchase of equipment through short-term trade payables	$ -	$ 28,901

The accompanying notes are an integral part of these financial statements.

1. Significant Accounting Policies

Reporting Entity: The Lower Colorado River Authority (LCRA) is a conservation and reclamation district created by the Texas Legislature in 1934. It receives no state tax money and cannot levy taxes. It operates on revenues from the sale of wholesale electricity, water, and other services. The LCRA Board of Directors is appointed by the governor of the state of Texas, with Senate approval, to serve six-year terms. The financial condition of LCRA is not controlled by or dependent on the state of Texas or any other political subdivision. Under the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," LCRA considers its relationship to the state to be that of a related organization.

GenTex Power Corporation: The GenTex Power Corporation (GenTex), a nonprofit corporation and wholly owned affiliate of LCRA, is governed by a nine-member board appointed by the LCRA Board. GenTex owns a 500-megawatt (MW) gas-fired combined cycle generating unit that began commercial operation in June 2001.

In FY 2000, LCRA entered into an agreement with a public company to jointly construct the generating unit. Each entity had an undivided 50 percent interest in the generating unit. In FY 2004, GenTex purchased the other entity's 50 percent share.

GenTex's share of the initial construction costs of the facility was entirely funded by an LCRA economic development grant. GenTex entered into contracts with LCRA's wholesale customers to sell energy to the customers at a price recovering only operating expenses, excluding depreciation, over the life of the plant. The contracts provide the customers the right of first refusal to purchase the facility and obtain half interest at a price of $975 per customer. Because the initial cost of the facility was funded by an economic development grant provided by LCRA, there is no debt service to recover, and the expected cash flows are intended to recover only the operating costs. The plant is included in the Balance Sheets at the contractual value plus the purchase price of the 50 percent interest acquired in 2004.

Although it is a separate legal entity, GenTex is reported as part of LCRA because its sole purpose is to provide energy to LCRA's 43 long-term wholesale customers in meeting their demands and operating in a competitive market.

LCRA Transmission Services Corporation (LCRA TSC): LCRA TSC was created under the Texas Non-Profit Corporation Act under the Development Corporation Act of 1979. Although it is a separate legal entity, LCRA TSC is reported as part of LCRA because it is governed by a board of directors that is composed in its entirety of the LCRA Board of Directors.

Fayette Power Project: LCRA's coal-fired generating units are located at the Fayette Power Project (FPP) and operate pursuant to a participation agreement with the City of Austin. LCRA has an undivided 50 percent interest in Units 1 and 2 and wholly owns Unit 3. LCRA's investment is financed with LCRA funds, and its pro-rata share of operations is recorded as if wholly owned. The original cost of LCRA's share of FPP's generation and transmission facilities is recorded in the utility plant accounts of LCRA in accordance with its accounting policies. The equity interest in FPP is calculated pursuant to the participation agreement and is reported in various asset and liability accounts within LCRA's financial statements. Additionally, operation (fuel handling) expense related to unloading, stackout and handling of fuel along with the disposal of ash are considered common to Units 1, 2 and 3, and are allocated to LCRA and Austin according to the number of tons of coal received.

Basis of Accounting: The accompanying financial statements of LCRA, a governmental entity, have been prepared using proprietary fund and accrual basis accounting. LCRA implements all GASB pronouncements, all Financial Accounting Standards Board (FASB) pronouncements issued on or before Nov. 30, 1989, other than those that conflict with GASB, and has elected to implement all FASB pronouncements issued after Nov. 30, 1989, subject to the same restriction. LCRA's accounts are maintained in accordance with the Federal Energy Regulatory Commission's Uniform System of Accounts. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LCRA considers electric revenues and costs that are directly related to the generation, purchase, transmission and distribution of electricity to be operating revenues and expenses. Water and wastewater revenues and other services related to environmental laboratory operations, licensing and recreation, and the costs directly related to these services, are also considered operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as non-operating.

Issued But Not Yet Effective Pronouncements: *GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets:* This statement provides guidance regarding how to identify, account for, and report intangible assets. The statement characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life beyond a single reporting period. Statement 51 requires that intangible assets within the scope of the statement to be classified as capital assets. Examples of intangible assets are easements, water rights, and computer software. This statement is effective beginning in FY 2010. The implementation of Statement 51 is not expected to have a material effect on LCRA's financial position, results of operations, or cash flows.

GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments: This statement is intended to improve how state and local governments report information about derivative instruments in their financial statements. Specifically, Statement 53 requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. In addition, this standard addresses hedge accounting requirements. This statement is effective beginning in FY 2010. The implementation of Statement 53 is not expected to have a material effect on LCRA's financial position, results of operations, or cash flows.

Newly Adopted Standards for FY 2009: *FASB Statement No. 157, Fair Value Measurements:* This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements. This statement was effective for the LCRA's financial assets and liabilities beginning in FY 2009. FASB Staff Position No. FAS 157-2 delays the effective date for Statement No. 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis, to fiscal years beginning after Nov. 15, 2008. Therefore, this statement is effective for the LCRA's nonfinancial assets and liabilities beginning in FY 2010. The implementation of this statement's requirements as related to LCRA financial assets and liabilities did not have a material effect on LCRA's financial position, results of operations or cash flows in FY 2009. The implementation of this FASB statement's requirements as related to LCRA's nonfinancial assets and liabilities beginning in FY 2010 is not expected to have a material effect on LCRA's financial position, results of operations, or cash flows. If there are any conflicts with this statement's requirements and any current or future GASB guidance regarding fair value measurements, LCRA will follow the requirements of the GASB.

Major Customers and Electric Revenues: Sales of electricity to LCRA's two major customers represented approximately 27 percent and 10 percent of total electric revenue for FY 2009, and 25 percent and 9 percent for FY 2008, respectively. No other customer accounts for more than 10 percent of LCRA's total electric revenues in FY 2009.

Electric revenues represented approximately 94 percent of LCRA's operating revenues for both FY 2009 and FY 2008.

ERCOT Settlements Reporting: LCRA reports power balancing transactions, which represent wholesale purchases and sales of power for real-time balancing purposes as measured in 15-minute intervals. These purchases and sales with the Electric Reliability Council of Texas (ERCOT), as the balancing energy clearinghouse agent, are reported net. These amounts have historically represented a net purchase of power to LCRA; however, during FY 2009 and FY 2008, major components of these amounts resulted in net sales of power and ancillary services. These amounts are classified as electric revenues. The amounts included in electric revenues were $9.8 million for FY 2009 and $41.3 million for FY 2008.

Restricted Funds: Restricted funds consist of construction funds derived from debt issues, system revenues that have been designated for specific purposes by the Board, and other funds with legal or contractual constraints.

Utility Plant: Utility plant consists of generating plants, electric transmission and distribution facilities, dams, reservoir land, natural gas production and development, irrigation systems, water and wastewater treatment facilities, telecommunications facilities, and related projects under construction. These assets are recorded at cost, which includes materials, labor, overhead, and interest capitalized during construction. The costs of repairs and minor replacements are charged to operating expense as incurred. Costs of asset replacements and betterments are capitalized. The cost of depreciable plant retired, along with removal expense less salvage value, is charged to non-operating expense on the Statement of Revenues, Expenses and Changes in Equity. Gains and losses upon disposition are recorded in the period incurred.

Water Rights: Water rights are stated at cost, net of accumulated amortization of $7.4 million as of June 30, 2009 and 2008. Beginning in FY 2003, in accordance with accounting and reporting requirements, water rights are no longer being amortized but are evaluated annually to determine whether they are impaired and whether an indefinite life is reasonable.

Inventories: Coal is recorded at cost using the last-in, first-out method. Stored natural gas, fuel oil, and materials and supplies are stated at average cost. All nonfuel inventories are stated at the lower of cost or market.

Investments: LCRA's investments are stated at fair value. Any changes, unrealized and realized, in the fair value of financial investments are recorded as investment income.

Refunding and Defeasance of Debt: For debt refunding, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as a deduction from or an addition to the debt liability. For debt defeasances, the difference between the carrying amount of the debt and the amount of funds needed to retire the debt is recognized immediately in the Statements of Revenues, Expenses and Changes in Equity as interest expense.

Compensated Absences: LCRA records employees' earned vacation leave as a liability and accrues for certain salary-related expenses associated with the payment of compensated absences.

Rates and Regulations: LCRA's electric, water and wastewater rates are set by LCRA's Board at a level sufficient to recover its operating costs, debt service, and debt service coverage requirements. LCRA's bond counsel is of the opinion that a Texas court applying Texas law would ultimately conclude that LCRA's Board has the authority to establish and collect such fees and charges. LCRA's transmission service rates remain regulated by the Public Utility Commission of Texas (PUC). While the LCRA Board has original jurisdiction over its water and wastewater rates, the Texas Commission on Environmental Quality has appellate jurisdiction.

Senate Bill (SB) 7, passed by the Texas Legislature in 1999, provided for retail electric open competition to begin in Jan. 2002, continued electric transmission open access, and fundamentally redefined and restructured the Texas electric industry. Under SB 7, LCRA has structurally unbundled its electric generation business and assets from its electric transmission business and assets. SB 7 also allows retail customers of investor-owned utilities, as well as the retail customers of those municipally owned utilities and electric cooperatives that elect to participate in retail competition, to choose their electric supplier.

The greatest potential impact on LCRA from SB 7 could result from actions of its wholesale electric customers. If LCRA's larger wholesale electric customers open their territories to retail competition, there is a potential that such customers could lose end-user customers to other retail electric providers resulting in a reduced electric load, thus reducing the requirements served by LCRA under the existing wholesale power agreements. On the other hand, if LCRA's wholesale electric customers are successful in retaining existing customers and in growing their customer base, requirements served by LCRA under the existing wholesale power agreements could increase.

Transmission rates within the ERCOT system are determined pursuant to a universal 100 percent "postage stamp" rate that spreads the total annual costs of transmission services among distribution service providers (DSPs) according to their electric loads. The transmission costs are determined pursuant to Transmission Cost of Service (TCOS) rate proceedings required to be filed by all transmission service providers, including LCRA TSC. Every electric end-use consumer in the ERCOT system pays a portion of the total costs of maintaining a reliable statewide transmission system. Transmission charges are calculated by multiplying a DSP's share of the statewide electric load by the statewide "postage stamp" rate of each transmission service provider. The load shares and rates are determined by the PUC through its TCOS regulatory process. Additionally, pursuant to a tariff approved by the PUC, LCRA TSC collects revenues for transformation services, providing transformers that "step down" voltage from levels appropriate for transmission to lower levels for distribution. A monthly charge for each transformation delivery point is authorized under the transformation tariff. LCRA TSC also collects monthly metering service revenues based on a per meter charge according to the PUC-approved tariff.

FY 2008 transmission revenues of $180.2 million are the result of rate changes authorized during the fiscal year. The predominant rate of $3.02 was in place from Oct. 2, 2007 through April 19, 2008. LCRA TSC filed an interim update of wholesale transmission rates with the PUC on July 23, 2007, and the PUC commissioners approved the new rate of $3.02 per kilowatt (kW) on Oct. 2, 2007. On Nov. 15, 2007 LCRA TSC filed a wholesale transmission rate case with the PUC, and the PUC commissioners approved the new rate of $3.51 effective April 20, 2008.

FY 2009 transmission revenues of $217.5 million are the result of rate changes authorized during the fiscal year. The predominant rate of $3.51 was in place from April 20, 2008 to Oct. 22, 2008. LCRA TSC filed an interim update of wholesale transmission rates with the PUC on July 25, 2008, and the PUC commissioners approved the new rate of $3.78 per kW on Oct. 23, 2008.

Regulatory Assets and Liabilities: LCRA applies the accounting requirements of FASB Statement of Financial Accounting Standards No. 71 (SFAS 71), "Accounting for the Effects of Certain Types of Regulation." Accordingly, certain costs may be capitalized as a regulatory asset that would otherwise be charged to expense. A regulatory asset is recorded when it is probable that future revenue in an amount at least equal to the capitalized costs will result from inclusion of those costs in future rates. In addition, rate actions of the regulator may impose a liability on LCRA. A regulatory liability occurs when a regulator requires refunds to customers or provides current rates intended to recover costs that are expected to be incurred in the future. Any regulatory asset is amortized over the life of LCRA's outstanding long-term debt, while a regulatory liability is recognized and charged to income when the associated costs are incurred. LCRA's regulatory assets amounted to $268 million and $262.3 million at June 30, 2009 and 2008, respectively. Regulatory liabilities amounted to $85.5 million and $32.7 million at June 30, 2009 and 2008, respectively. The regulatory assets, which are included under deferred charges, consist of depreciation of debt-funded assets and costs related to outstanding debt. Debt-funded costs are deferred pending future recovery through the inclusion of the related debt service in rates. Regulatory liabilities had previously been recorded in the accounts payable and deferred credits line items of the balance sheet, but are now shown as a separate line item.

For the last four years, LCRA has been engaged with its electric wholesale customers in negotiations for the extension of their long-term power supply contracts. Thirty-one of LCRA's existing customers, representing approximately 60 percent of its load, have entered into amended and restated contracts that extend to 2041. LCRA continues to be involved in ongoing negotiations with remaining customers to define their long-term relationship and develop terms of a contract extension.

LCRA has reviewed and will continue to monitor the relevance of SFAS 71 in light of SB 7 and future changes in the Texas electric industry. As of June 30, 2009, and for the foreseeable future, management believes that SFAS 71 will continue to apply and anticipates no material losses from the write-off of regulatory assets.

Capitalized Interest: Interest that is financed by debt proceeds is capitalized as part of the cost of capital assets and deferred charges. During FY 2009 and FY 2008, LCRA capitalized $5.4 million and $7.1 million of interest, respectively.

Fuel Factor: Revenues from the sale of electricity include amounts collected through the fuel factor. LCRA records over- or under-recoveries of fuel costs, including unrealized gains or losses on financial contracts entered into as part of its gas price management program, as a deferred asset or liability. These costs are a component of the fuel factor. Over-recoveries may result in refunds to customers and, correspondingly, under-recoveries may result in additional assessments to customers.

Gas Price Management: Spot prices for natural gas ranged from $2 to more than $13 per mmBtu in FY 2009. In an effort to mitigate the financial and market risk associated with these price fluctuations, LCRA enters into futures contracts, swaps and options for energy price risk management purposes. Derivative instruments are recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings. LCRA is using mark-to-market accounting as a component of the fuel factor for its derivatives, and gains and losses related to the financial contracts are recognized in current earnings.

Fair Value Measurements: Effective FY 2009, LCRA adopted FASB No. 157 as discussed in Newly Adopted Standards for FY 2009 above. FASB No. 157 requires enhanced disclosures about assets and liabilities carried at fair values. LCRA carries derivative contracts (gas swaps, gas futures contracts and gas options) and investments at fair value.

FASB No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB No. 157 establishes a fair value hierarchy, Level 1, 2 and 3, that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority, Level 1, to unadjusted quoted prices in active market for identical assets or liabilities. LCRA's derivative contracts and investments are based on Level 1 market quoted prices.

LCRA derives fair value of its investments from quoted market prices listed on Bloomberg, a real time interactive securities trading and monitoring system linked directly to global markets.

LCRA derives fair value of its derivatives from the natural gas quoted market prices listed on the New York Mercantile Exchange, the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals.

The following fair value hierarchy table presents information about LCRA's assets and liabilities reported at fair value on a recurring basis as of June 30, 2009:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets of Identical Items (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Balance as of June 30, 2009**
	(Dollars in Thousands)			
Assets				
Current Assets:				
Cash and cash equivalent	$ 99,808			$ 99,808
Investments	$ 93,216			$ 93,216
Long-term Assets				
Restricted cash and cash equivalent	$ 48,387			$ 48,387
Restricted investments	$ 75,527			$ 75,527
Unrestricted investments	$ 37,087			$ 37,087
Total at fair value	$ 354,025	$ -	$ -	$ 354,025
Liabilities				
Current Liabilities:				
Energy contracts	$ 26,633	$ -	$ -	$ 26,633

Estimation of Fair Value: The estimated market value of long-term debt, based on current market yields, was $3.1 billion and $2.9 billion at June 30, 2009 and 2008, respectively.

Natural Gas Development and Production: LCRA has adopted the full-cost method of accounting for natural gas development and production. Under this method, all costs directly associated with acquisition and development of oil and gas properties are capitalized and depleted to expense over the life of proved reserves on a units-of-production method. For both years ended June 30, 2009 and 2008, depletion expense totaled approximately $0.4 million.

Contract Extension Settlement with Major Customers: According to the terms of a 1987 settlement with two major customers, their wholesale power contracts were extended to 2016, and in return, LCRA reimbursed the customers for their costs incurred in planning generating facilities. These costs are amortized over the period affected by the contract extension.

Impairment: LCRA evaluates the carrying value of its property, plant and equipment, and other long-lived assets when major events or changes in circumstances indicate a decline in an asset's service capacity. Impairment is measured using methods that isolate the asset's service capacity that has been rendered unusable.

Depreciation, Depletion and Amortization: LCRA depreciates its plant in service on a straight-line basis over the estimated useful lives of the various classes of these assets. Annual depreciation expense, expressed as a percentage of depreciable plant, was approximately 3 percent for both FY 2009 and FY 2008. Depreciation, depletion and amortization expense for FY 2009 and 2008 was $131.6 million and $122.2 million, respectively.

The estimated useful life of property, plant and equipment by major category is as follows:

Hydraulic Production Plant	5 - 50 years
Steam Production Plant	10 - 40 years
Transmission Plant	5 - 58 years
General Plant	4 - 45 years
Irrigation Plant	5 - 70 years
Sewage and Water Treatment Plant	5 - 50 years
Telecommunication Facilities	7 - 45 years

Periodically, LCRA reviews the useful lives of depreciable assets. Changes in useful lives are accounted for as a change in accounting estimate in accordance with Accounting Principles Board Opinion No. 20, *Accounting Changes.* In FY 2008, a change in the estimated life of certain transmission capital assets was necessitated by related technological advances and type of construction material used. The change in the estimated lives of these assets increased depreciation and amortization expense by $0.75 million on the Statement of Revenues, Expenses and Changes in Equity for the year ended June 30, 2008.

Water rights are not amortized but are evaluated annually to determine whether they are impaired and whether an indefinite life is reasonable. Gains or losses created by refunding transactions are amortized over the shorter of the remaining terms of the new issues or the refunded bonds. Amortization of debt discount and premium is computed using the interest method over the life of the related bond issues. Amortization of debt issue cost is computed on the straight-line method over the life of the related bond issues, which approximates the interest method. Other deferred charges are amortized on a straight-line basis ranging from 20 to 40 years.

Statements of Cash Flows: All highly liquid investments (including investments in restricted funds) with a remaining maturity at the time of acquisition of 90 days or less are considered cash equivalents.

Reclassification: Certain amounts in the prior year's financial statements have been reclassified to conform to current year presentation.

Change in Accounting Method: In FY 2009, LCRA management adopted a policy to accrue labor charges related to a current fiscal year that is paid in the following fiscal year. This policy change caused a reduction of $6.4 million to FY 2009 beginning equity. In addition, LCRA management adopted a policy to accrue unbilled revenues associated with wholesale electric generation which are billed in the following fiscal year. The unbilled revenues accrued for FY 2009 totaled $20 million. LCRA management had previously considered these accruals to be immaterial to financial statement presentation. As a result, the LCRA Statement of Revenues, Expenses, and Changes in Equity has included the effects of this change in accounting method on beginning equity as shown (dollars in thousands).

FY 2008 Ending Equity	$ 818,767
Cumulative Change in Accounting Method	(6,366)
FY 2009 Beginning Equity	$ 812,401

2. Financial Instruments

As of June 30, 2009 and 2008, LCRA had the following investments and maturities:

	June 30, 2009		June 30, 2008	
Investments	Market Value[1]	WAM (Years)[2]	Market Value[1]	WAM (Years)[2]
Investments				
U.S. Government Securities	$ 205,829	1.55	$ 134,084	1.24
U.S. Agency Discount Notes	-	-	25,891	0.46
Cash Equivalents				
U.S. Government Securities	-	-	4,986	0.18
U.S. Agency Discount Notes	-	-	17,983	0.11
Commercial Paper	16,000	0.10	46,000	0.10
Money Market Fund	130,413	0.18	66,467	0.22
Total	$ 352,242	0.98	$ 295,411	0.68

Cash and investments as of June 30, 2009 and 2008 consisted of the following:

	2009	2008
Cash	$ 1,783	$ 908
Investments	352,242	295,411
Total Cash and Investments	$ 354,025	$ 296,319

[1] Dollars in Thousands

[2] Weighted Average Maturity

External Investments Pool: LCRA investments included an investment pool with TexPool at June 30, 2009 and 2008. The State Comptroller of Public Accounts oversees TexPool and the pool seeks to maintain a $1 value per share as required by the Texas Public Funds Investment Act. There are no minimum balance requirements for TexPool participants, and there is no limit on the number of accounts per participant.

Interest Risk: LCRA has no formal policy to address exposure to fair value losses resulting from changes in interest rates. However, in accordance with management policy, LCRA manages its exposure to changing interest rates by laddering the investment portfolio, by matching maturities against liabilities, and by holding investments to maturity.

Credit Risk: LCRA investment activities are governed by state statute (Texas Public Funds Investment Act), which specifies the type and ratings of investments governmental entities are allowed to purchase. In addition, LCRA Board policy and internal operating procedures further restrict investment activity. At June 30, 2009 and 2008, LCRA investment in the investment pool was rated AAAm by Standard & Poor's. Investments in commercial paper were rated A-1+ by Standard & Poor's and P-1 by Moody's Ratings. Investments in US Treasuries were rated AAA by Standard & Poor's and Aaa by Moody's Ratings.

Concentration of Credit Risk: At June 30, 2008, LCRA had commercial paper representing 5.08 percent of LCRA investments from a single issuer. LCRA has no formal policy to limit the amount that may be invested in any one issuer. The Texas Public Funds Investment Act requires investments in commercial paper to be rated A-1, P-1, or an equivalent rating. However, LCRA's internal investment strategy requires higher commercial paper ratings of A-1+ or P-1, and management closely monitors the portfolio mix to provide diversity and limit concentration. At June 30, 2008, investments in commercial paper were rated A-1+ by Standards & Poor's and P-1 by Moody's Ratings. There was no concentration of credit risk at June 30, 2009.

Hedging Instruments: LCRA's gas activities subject LCRA's earnings to variability based on fluctuations in the market price of natural gas, as measured by changes in the delivered price of natural gas at various points in the system's natural gas grid. During FY 2009, spot prices for natural gas ranged from about $2 to more than $13 per million British thermal units (mmBtu). In an effort to mitigate the financial and market risk associated with these activities for the customers, LCRA routinely enters into natural gas swaps, futures contracts and options for other than trading purposes. This use of these types of transactions for the purpose of reducing exposure to price risk is generally referred to as hedging, with the results matching the financial impact of these transactions with the cash impact resulting from consummation of the transaction being hedged. These contracts are commitments to either purchase or sell designated quantities of a commodity at a specified price and at a specified date. These contracts may be settled in cash or through delivery of the specified commodity; however, in general, LCRA settles futures contracts in cash. LCRA holds highly liquid contracts with terms in FY 2009 ranging up to 51 months. Initial margin requirements, which are flat fees per contract, and daily margin calls are met in cash or short-term liquid government securities. The financial impact of these futures contracts, the effects of which were substantially offset by the physical gas purchases, was to recognize a loss of approximately $88.2 million during FY 2009 and a gain of approximately $15.5 million during FY 2008. Net income is not affected because this activity is a component of the fuel costs passed through to the customers and is included in the balance sheet fuel over- or under-recovery account.

All derivative instruments are recorded on the balance sheet at their fair value, which generally reflects the estimated amounts that LCRA would receive or pay to terminate the contracts. Hedging assets are reported as other current assets on the balance sheets, while hedging liabilities are reported under current liabilities as accounts payable. At June 30, 2009, LCRA held $26.6 million of hedging liabilities and no hedging assets. At June 30, 2008, LCRA held hedging assets of $10.1 million and no liabilities. Changes in the fair value of the derivatives are recorded in current earnings as a component of the fixed-fuel factor. LCRA has not designated any of the derivatives as hedging instruments, as allowed by FASB Statement No, 133, *Accounting for Derivative Instruments and Hedging Activities*.

Counterparties expose LCRA to credit-related losses in the event of nonperformance, but LCRA monitors and adjusts the counterparty's limits of exposure using an internal review process and external research sources.

3. Long-Term Debt and Commercial Paper

Changes during FY 2009 and FY 2008, of long-term debt, including current portions as follows (dollars in thousands):

Series	Balance June 30, 2007	Increase	(Decrease)	Balance June 30, 2008	Increase	(Decrease)	Balance June 30, 2009	Amount Due in FY 2010
LCRA TSC 2003A	$ 50,000	$	$ (50,000)	$ -	$	$	$ -	$
LCRA TSC 2003B	229,550			229,550		(7,690)	221,860	7,690
LCRA TSC 2003C	120,995		(1,470)	119,525		(4,515)	115,010	4,515
LCRA TSC 2004	117,235			117,235		(4,170)	113,065	4,185
LCRA TSC 2005	126,095		(4,175)	121,920		(4,190)	117,730	4,200
LCRA TSC 2006	131,655			131,655		(4,485)	127,170	4,540
LCRA TSC 2006A	133,585			133,585		(4,490)	129,095	4,490
LCRA TSC 2008	-	165,205		165,205			165,205	
LCRA TSC 2009	-			-	118,550		118,550	
LCRA 2009	-			-	171,455		171,455	2,330
LCRA 2008A	-			-	209,645	(1,920)	207,725	4,780
LCRA 2008	-	195,960		195,960		(3,560)	192,400	2,965
LCRA 2006	78,695		(1,675)	77,020		(1,760)	75,260	1,830
LCRA 2004	97,390		(2,990)	94,400		(3,065)	91,335	3,180
LCRA 2004D	48,080		(840)	47,240		(845)	46,395	590
LCRA 2003	81,975		(4,225)	77,750		(1,860)	75,890	1,925
LCRA 2002	115,030		(2,725)	112,305		(2,010)	110,295	2,110
LCRA 2001A	134,665		(3,035)	131,630		(3,270)	128,360	3,280
LCRA 2001	95,020		(1,350)	93,670		(1,250)	92,420	1,380
LCRA 1999A	347,480		(565)	346,915			346,915	
LCRA 1999B	299,385		(43,150)	256,235		(58,710)	197,525	47,270
LCRA 1999E	20,655		(1,945)	18,710			18,710	1,795
LCRA 1999F	97,905		(11,520)	86,385			86,385	13,320
LCRA 1999G	35,980		(2,400)	33,580		(2,700)	30,880	3,035
LCRA 1999H	2,865		(1,205)	1,660		(950)	710	700
LCRA 1999I	3,300		(145)	3,155		(165)	2,990	230
LCRA TWDB Note Payable	10,500			10,500			10,500	
LCRA TWDB Note Payable	14,040			14,040			14,040	
Add: Unamortized Net Premium	32,454	18,121	(6,203)	44,372		(11,694)	32,678	724
Subtotal	$ 2,424,534	$ 379,286	$ (139,618)	$ 2,664,202	$ 499,650	$ (123,299)	$ 3,040,553	$ 121,064
Unamortized Net Losses (4)	(232,945)		22,875	(210,070) (2)		15,477	(194,593) (3)	(15,416)
Taxable Commercial Paper	20,300	1,600		21,900	800	(400)	22,300	22,300
Tax-Exempt Commercial Paper	197,800	317,900	(374,500)	141,200	400,100	(489,300)	52,000	52,000
Total	$ 2,409,689	$ 698,786	$ (491,243)	$ 2,617,232	$ 900,550	$ (597,522)	$ 2,920,260	$ 179,948 (1)

(1) Total amount due in FY 2009 is $258.9 million.

(2) $167,986 is associated with LCRA 1999 A-I refunding bonds and $42,084 is associated with LCRA TSC 2003A and 2003B refunding bonds.

(3) $153,918 is associated with LCRA 1999 A-I refunding bonds and $40,675 is associated with LCRA TSC 2003A and 2003B refunding bonds.

(4) Represents unamortized net losses on refunded debt.

Interest rates and maturity dates for bonds, notes and commercial paper are as follows as of June 30, 2009:

	May 15,	
Series	**From**	**To**
LCRA TSC 2003A (Auction Rate) (1)	2030	2032
LCRA TSC 2003B (5.00%-5.375%)	2010	2031
LCRA TSC 2003C (5.00%-5.25%)	2010	2033
LCRA TSC 2004 (3.50%-5.00%)	2010	2034
LCRA TSC 2005 (4.50%-5.00%)	2010	2035
LCRA TSC 2006 (4.50%-5.00%)	2010	2036
LCRA TSC 2006A (4.00%-5.00%)	2010	2036
LCRA TSC 2008 (5.00%-5.25%)	2011	2035
LCRA TSC 2009 (3.75%-5.5%)	2016	2036
LCRA 2009 (3.00%-5.625%)	2010	2039
LCRA 2008A (4.00%-7.25%)	2010	2037
LCRA 2008 (5.00%-5.75%)	2010	2037
LCRA 2006 (4.00%-5.00%)	2010	2036
LCRA 2004 (4.00%-5.00%)	2010	2029
LCRA 2004D (4.00%-5.00%)	2010	2034
LCRA 2003 (3.50%-5.25%)	2010	2033
LCRA 2002 (4.75%-5.00%)	2010	2031
LCRA 2001A (5.00%-5.375%)	2010	2032
LCRA 2001 (5.00%-8.00%)	2010	2031
LCRA 1999A (5.50%-5.875%)	2014	2020
LCRA 1999B (5.875%-6.00%)	2010	2014
LCRA 1999E (5.25%-5.75%)	2010	2011
LCRA 1999F (5.50%-5.75%)	2010	2012
LCRA 1999G (4.10%-4.85%) (2) (3)	2009	2016
LCRA 1999H (3.30%-3.65%) (2) (4)	2010	2011
LCRA 1999I (3.55%-4.15%) (4)	2010	2020
LCRA TWDB Note Payable (6.10%-6.10%)	2020	2034
LCRA TWDB Note Payable (5.58%-5.83%)	2022	2038
Taxable Commercial Paper (5)		
Tax-Exempt Commercial Paper (5)		

(1) Auction Rate debt was redeemed in full on April 22, 2008.

(2) Represents coupon rate of Current Interest Bonds and yield rate of Capital Appreciation Bonds.

(3) Maturity Date is July 1.

(4) Maturity Date is January 1.

(5) Commercial paper rates are variable. Outstanding notes are issued with maturities of 270 days or less from their respective issue dates.

LCRA's debt as of June 30, 2009, has been rated by Fitch, Moody's and Standard & Poor's, respectively, as follows:

FITCH, MOODY'S AND STANDARD & POOR'S

Refunding and Improvement Revenue Bonds: A+, A1 and A (Uninsured)
Commercial Paper: F-1+, P-1, A-1
LCRA Transmission Services Corporation Contract Refunding Revenue Bonds: A+, A2, A (Uninsured)
LCRA Transmission Services Corporation Commercial Paper: F-1+, P-1, A-1+

Bond and note debt payments, excluding commercial paper, are as follows (dollars in thousands):

Ending June 30	Principal	Interest	Total
2010	120,340	155,999	276,339
2011	127,195	151,656	278,851
2012	132,675	144,834	277,509
2013	137,405	138,334	275,739
2014	149,930	131,312	281,242
2015-2019	666,995	540,177	1,207,172
2020-2024	522,770	382,231	905,001
2025-2029	468,050	257,015	725,065
2030-2034	471,855	130,824	602,679
2035-2039	210,660	24,197	234,857
	$ 3,007,875	$ 2,056,579	$ 5,064,454
Unamortized Net Premium	32,678		32,678
Total	$ 3,040,553	$ 2,056,579	$ 5,097,132

New and Refunding Bonds: During FY 2009, LCRA issued $0.8 million of taxable commercial paper and $295.9 million of tax-exempt commercial paper. In addition, LCRA on behalf of TSC issued $104.2 million of tax-exempt commercial paper. The commercial paper was used to fund capital projects.

On Dec. 18, 2008, LCRA issued $209.6 million of LCRA Refunding Revenue Bonds, Series 2008A. The proceeds from the bond issuance were used to refund $205.5 million of tax-exempt commercial paper.

On June 29, 2009, LCRA issued $171.5 million of LCRA Refunding Revenue Bonds, Series 2009. The proceeds from the bond issuance were used to refund $169.8 million of tax-exempt commercial paper and $0.2 million of taxable commercial paper.

On June 29, 2009, LCRA on behalf of LCRA TSC issued $118.6 million of LCRA Transmission Contract Refunding Revenue Bonds. The proceeds from the bond issuance were used to refund $109.3 million of tax-exempt commercial paper.

During FY 2008, LCRA issued $1.6 million of taxable commercial paper and $207.8 million of tax-exempt commercial paper. In addition, LCRA on behalf of LCRA TSC issued $110.1 million of tax-exempt commercial paper.

During FY 2008, LCRA deposited funds into an escrow account to defease debt early. On Jan. 3, 2008, LCRA defeased approximately $2.5 million from LCRA Series 1999 A, 1999 B, 1999 E, 1999 F, 2001, 2002, 2003, and 2004 D bonds. Pursuant to the stipulations of the Revenue Bonds and in the opinion of LCRA's bond counsel, the repayment of these obligations constitutes a legal defeasance. These defeasances reduce future debt service requirements.

On April 22, 2008, LCRA TSC used $50 million of tax-exempt commercial paper proceeds to refund $50 million of TSCorp 2003A Auction Rate bonds.

On June 11, 2008, LCRA issued $196 million of LCRA Refunding Revenue Bonds, Series 2008. The proceeds from the bond issuance were used to refund $204.4 million of tax-exempt commercial paper. Also on June 11, 2008, LCRA on behalf of LCRA TSC issued $165.2 million of LCRA Transmission Contract Revenue Bonds, Series 2008. The proceeds from the bond issuance were used to refund $158.6 million of tax-exempt commercial paper, which included the $50 million issued to refund the TSCorp 2003A Auction Rate bonds.

The principal associated with the bonds that have been previously refunded by LCRA but remain outstanding at June 30, 2009 and 2008, totals $305 million and $329 million, respectively. Proceeds from these refunding bond issues were escrowed to purchase U.S. government obligations which will mature at such time and yield interest at such amounts so that sufficient monies are available for payment of principal, premium, if any, and interest on the refunded bonds when due. None of these refunded bonds are included in LCRA's outstanding long-term debt at June 30, 2009 and 2008.

Optional Redemption: The following bonds are redeemable at the option of LCRA according to the schedule presented below.

Series	Redeemable on or after…	In increments of…	At a redemption price of…	Maturing on and after…
LCRA TSC 2003B	May 15, 2012	$ 5,000	100 + accrued interest	May 15, 2013
LCRA TSC 2003C	May 15, 2013	5,000	100 + accrued interest	May 15, 2014
LCRA TSC 2004	May 15, 2011	5,000	100 + accrued interest	May 15, 2012
LCRA TSC 2005	May 15, 2011	5,000	100 + accrued interest	May 15, 2012
LCRA TSC 2006	May 15, 2011	5,000	100 + accrued interest	May 15, 2012
LCRA TSC 2006A	May 15, 2016	5,000	100 + accrued interest	May 15, 2017
LCRA TSC 2008	May 15, 2018	5,000	100 + accrued interest	May 15, 2019
LCRA TSC 2009	May 15, 2019	5,000	100 + accrued interest	May 15, 2020
LCRA 2009	May 15, 2019	5,000	100 + accrued interest	May 15, 2020
LCRA 2008A	May 15, 2018	5,000	100 + accrued interest	May 15, 2019
	May 15, 2015	5,000	100 + accrued interest	May 15, 2037
LCRA 2008	May 15, 2015	5,000	100 + accrued interest	May 15, 2016
LCRA 2006	May 15, 2011	5,000	100 + accrued interest	May 15, 2012
LCRA 2004	May 15, 2011	5,000	100 + accrued interest	May 15, 2012
LCRA 2004D	May 15, 2011	5,000	100 + accrued interest	May 15, 2012
LCRA 2003	May 15, 2013	5,000	100 + accrued interest	May 15, 2014
LCRA 2002	May 15, 2013	5,000	100 + accrued interest	May 15, 2014
LCRA 2001A	May 15, 2011	5,000	100 + accrued interest	May 15, 2012
LCRA 2001	May 15, 2010	5,000	101 + accrued interest	May 15, 2011
	May 15, 2011	5,000	100 + accrued interest	
LCRA 1999A	May 15, 2009	5,000	101 + accrued interest	May 15, 2010
	May 15, 2010	5,000	100 + accrued interest	
LCRA 1999B	May 15, 2009	5,000	101 + accrued interest	May 15, 2010
	May 15, 2010	5,000	100 + accrued interest	
LCRA 1999E	May 15, 2009	5,000	101 + accrued interest	May 15, 2010
	May 15, 2010	5,000	100 + accrued interest	
LCRA 1999F	May 15, 2009	5,000	101 + accrued interest	May 15, 2010
	May 15, 2010	5,000	100 + accrued interest	

The LCRA bonds outstanding as of June 30, 2009 and 2008, are parity debt under the Master Resolution and are collateralized by a lien on and pledge of the pledged revenues. Pledged revenues are defined to include all amounts received pursuant to contractual commitments and all lawfully available funds of LCRA. The LCRA Transmission Contract Revenue Bonds Series 2003B, 2003C, 2004, 2005, 2006, 2006A, 2008 and 2009 are solely secured by the obligation of LCRA TSC to make installment payments to LCRA from the net revenues of LCRA TSC (subordinate to first lien on gross revenues securing the purchase price payments under the initial contractual commitment). Net revenues are defined as gross revenues less any purchase price payments due to LCRA and less the operating and maintenance expenses during the period.

Commercial Paper: LCRA is authorized to issue up to $350 million in short-term tax-exempt obligations and $350 million in short-term taxable obligations to provide system improvements, acquire fuel reserves and facilities, refund outstanding debt, and pay interest on outstanding debt. Outstanding notes were issued in denominations of $100,000 or more with maturities of 270 days or less from their respective issue dates. The commercial paper program expires on May 15, 2020. It is management's intent to periodically renew outstanding commercial paper upon maturity, and to periodically convert the commercial paper balances to long-term bonds.

LCRA maintains credit facilities with banks that provide available borrowings sufficient to pay the principal of the notes. LCRA has entered into a revolving credit agreement with a bank that is obligated to lend LCRA amounts of up to $287.5 million for the tax-exempt series. Of the $287.5 million, $175 million of this agreement expires on June 21, 2011; $75 million expires Oct. 13, 2010; and the remaining $37.5 million expires on Oct. 13, 2011. LCRA has an additional revolving credit agreement with banks that are obligated to lend LCRA aggregate amounts of up to $40 million for the taxable series, which expires on Nov. 1, 2011. Failure by LCRA to meet certain restrictive covenants could result in the withdrawal of the banks' commitments for the unused lines of credit. There were no borrowings under any of the agreements as of June 30, 2009.

LCRA TSC is authorized to issue tax-exempt commercial paper notes in an aggregate amount of principal and interest not to exceed $250 million under its commercial paper program. The commercial paper program expires on May 15, 2042. It is management's intent to periodically renew outstanding commercial paper upon maturity, and to periodically convert the commercial paper balances to long-term bonds.

LCRA TSC maintains credit facilities with banks that provide available borrowing sufficient to pay the principal and interest on the notes. A $120 million credit agreement is available to pay $109.3 million of principal and $10.7 million of interest. This agreement expires on April 29, 2012. Failure by LCRA or LCRA TSC to meet certain restrictive covenants could result in the withdrawal of the banks' commitments for the unused line of credit. There were no borrowings under either credit facility agreement as of June 30, 2009.

Conduit Debt: At June 30, 2008, there were two series of Pollution Control Revenue Bonds outstanding with an aggregate principal amount payable of $50 million. The bonds were to mature in April 2027 and 2030, $25 million each year. The bonds were issued to finance the costs of acquiring, constructing and improving certain solid waste and sewage disposal facilities of a private-sector entity. LCRA executed an installment sale agreement with the entity whereby the proceeds of the bonds were used to finance a portion of the project. In turn, the entity agreed to make payments sufficient to pay, when due, the principal and interest on the bonds. The bonds did not constitute a debt or pledge by LCRA, and accordingly, were not reported in the accompanying financial statements. These bonds were called and redeemed during FY 2009, and therefore no balance is outstanding at June 30, 2009.

Mandatory Redemption: A number of LCRA's term bonds are subject to mandatory sinking fund redemption at the redemption price, which equals the principal amount thereof plus accrued interest to the redemption date. The particular bonds or portions thereof to be redeemed are to be selected and designated by LCRA (provided that a portion of a bond may be redeemed only in an integral multiple of $5,000). The mandatory sinking fund redemption dates range from May 15, 2020 to May 15, 2039.

Other Long-Term Liabilities: In October 1999, LCRA entered into a long term water supply agreement with the City of Austin. LCRA used the proceeds related to the agreement to pay down debt related to the acquisition of water rights, purchase additional water rights, and help fund other programs related to its river management operations. LCRA had deferred revenue related to this agreement of $81 million and $83 million at June 30, 2009 and 2008, respectively.

Changes during FY 2009 and FY 2008 of other long-term liabilities were as follows (dollars in thousands):

Description	Balance June 30, 2007 (5)	Increase	(Decrease)	Balance June 30, 2008 (5)	Increase	(Decrease)	Balance June 30, 2009 (5)
Deferred Revenues - City of Austin (1)	$ 85,522	$	$ (2,383)	$ 83,139	$	$ (2,527)	$ 80,612
Payables Related to Debt Funded Capital (2)	16,696	169,181	(118,669)	67,208	136,342	(163,758)	39,792
Study Period Advances - SAWS Project (3)	27,455	6,748	(500)	33,703	3,000	(7,820)	28,883
Accrued Interest Payable on TWDB Note (4)	5,268	615		5,883	419		6,302
Other Long Term Liabilities	28,772	53,622	(42,540)	39,854	10,820	(25,641)	25,033
Total	$ 163,713	$ 230,166	$ (164,092)	$ 229,787	$ 150,581	$ (199,746)	$ 180,622

(1) City of Austin water agreement liability (see above paragraph.)
(2) Vendor and sales tax payables related to debt funded capital spending.
(3) Feasibility study with San Antonio Water System to address the long term water needs in region. See Note 6 - Commitments and Contingencies.
(4) This payable was reclassed from current liabilities to long term at year end.
(5) Balances exclude Other Postemployment Benefits (OPEB) payable. See Note 5 - Other Postemployment Benefits.

4. Retirement and 401(k) Plan Benefits

Retirement Plan: The LCRA Retirement Plan is a single-employer defined benefit pension plan and is administered by the LCRA Retirement Plan Board of Trustees. The plan issues a stand-alone financial report that is available from the Board of Trustees. The plan has received a favorable determination letter from the Internal Revenue Service, and is exempt from federal income taxes under the appropriate section of the Internal Revenue Code.

The plan provides retirement, death, and disability benefits. Employees are not required to contribute to the plan although the plan retains employee contributions and associated liabilities for years prior to April 1, 1984, when the plan did require employee contributions. Amendments to the plan are made only with the authority of the LCRA Board of Directors.

Effective Jan. 1, 2002, the plan was amended to provide cash balance benefit features. Active employees as of Dec. 31, 2001, were given the opportunity to remain participants under the pension provisions (Retirement Program A) or to elect to become participants under the cash balance provisions (Retirement Program B). Employees hired prior to Jan. 1, 2002, who elected Program A and who worked at least 1,000 hours per annum were eligible plan participants in the plan upon completion of six months of service and became 100 percent vested after three complete years of service. An employee who was employed by LCRA prior to Jan. 1, 2002, and who elected Program B was eligible to participate in the cash balance benefit plan as of Jan. 1, 2002, and became 100 percent vested after three complete years of service. Any employee hired after Jan. 1, 2002, who works at least 1,000 hours per annum is automatically enrolled in Program B and is eligible to participate in the plan after three consecutive months of service and is 100 percent vested after three complete years of service.

Under Program A, employees may retire with unreduced accrued benefits at age 65 with five years of service, or when the total of their age and service equals 80. Retirement benefits are based on years of service and salary levels at retirement. Under Program B, the value of the employee’s account will be adjusted by increasing the balance by 4 percent of the employee’s compensation paid per year. The value of the account earns an annual interest rate of 7 percent. The retirement benefit for an employee who has reached his or her normal retirement date is a single lump sum payment equal to the participant’s accrued balance or monthly payments as provided by the plan.

Funding Policy: LCRA makes annual contributions to the plan that are actuarially determined as of each valuation date and consist of a normal cost contribution and an amortization of the unfunded actuarial accrued liability (UAAL) using the entry age normal actuarial cost method. In FY 2008, LCRA began a fixed rate funding policy for the plan under which LCRA will contribute 9.7 percent of biweekly payroll for 10 fiscal years and 5.7 percent thereafter toward funding its pension plan. The rates are meant to fund the plan's normal cost and to amortize the plan's UAAL, which at April 1, 2007 was $107.6 million, over a reasonable period time.

The 9.7 percent contributed amount is first applied to pay the normal cost, approximately 3.3 percent of payroll. A portion of the remaining amount, approximately 4 percent of payroll, is used to amortize $51.2 million of the UAAL as of April 1, 2007, over a closed 10-year period with a level percent of payroll. After funding the normal cost percent of payroll and the level percent of payroll amortization of the $51.2 million of the UAAL, the remaining contribution rate is used to amortize the remainder of the UAAL over a period that is recalculated in each annual actuarial valuation. Because actual experience may differ from actuarial assumptions, the amortization period for the remainder of the UAAL may be longer or shorter than expected. For required disclosures, the weighted average amortization period for the total UAAL is calculated in each annual actuarial valuation. The costs of administering the plan and of investing the plan assets paid by the plan are considered in the determination of the investment return assumption.

In the April 1, 2009 actuarial valuation, the balance of the original $51.2 million of the UAAL was $46 million, and it will be amortized over the remaining closed eight-year period. The remainder of the UAAL increased from $56.4 million to $115.1 million due to a significant actuarial investment loss. To reduce the amortization period for the $115.1 million, the funding policy will continue to be 9.7 percent of payroll for 10 fiscal years as scheduled; however, the subsequent contribution rate increases to 8.6 percent of payroll from 5.7 percent. With this change in funding policy, the remainder of the UAAL is expected to be amortized in 25 years. The weighted average amortization period for the total UAAL is 20 years.

Annual Pension Cost: The required contribution was based on the annual required contributions for the last nine months of the plan year ending March 31, 2009 (based on the April 1, 2008, actuarial valuation) plus the annual required contributions for the first three months of the plan year ending March 31, 2010 (based on the April 1, 2009, actuarial valuation), using the entry age normal actuarial cost method. The actuarial assumptions for both valuations included (a) 7.75 percent investment rate of return, net of administrative expenses, and (b) projected salary increases of 4.5 percent to 12.5 percent varying by entry age and years of service. Both (a) and (b) reflect an inflation component of 4 percent.

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets[2]	(2) Actuarial Accrued Liability Entry Age	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll[1]	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
April 1, 2007	$ 296,039,961	$ 403,626,660	73.3%	$107,586,699	$ 147,840,508	72.8%
April 1, 2008	317,407,521	426,749,406	74.4	109,341,885	153,614,048	71.2
April 1, 2009	293,189,164	454,306,114	64.5	161,116,950	159,319,626	101.1

[1] Based on projected payroll as of valuation date.
[2] Actuarial value approximates market value.

Three-Year Annual Pension Cost (APC) Trend Information

Fiscal Year Ending	APC	Percentage of APC Contributed	Net Pension Obligation (NPO)[1]
June 30, 2007	$14,268,341	100%	$ -
June 30, 2008	15,286,263	100	-
June 30, 2009	15,780,879	100	-

[1] NPO is zero since employer contributions have been equivalent to actuarially determined funding requirements for all fiscal years beginning December 15, 1986.

401(k) Plan: LCRA's Retirement Benefits Board of Trustees administers this single-employer defined contribution plan. The plan is accounted for on the accrual basis and all assets are recorded at fair value. The plan offers the choice of making pretax contributions, Roth (after taxes) contributions or a combination of both. The plan has received a favorable determination letter from the Internal Revenue Service and is exempt from federal income taxes, under the appropriate section of the Internal Revenue Code.

Employees are eligible to participate in the plan immediately upon employment. Eligible employees who elect to participate in the plan may contribute a minimum of 1 percent of their annual compensation, not to exceed $16,500 in 2009. Employees age 50 or older may contribute an additional $5,500 in 2009. Effective Jan. 1, 2002, employees under Program A of the pension plan receive an LCRA matching contribution equal to 25 percent of the first 4 percent of compensation that the employee had elected to contribute to the plan. Under Program B of the pension plan, LCRA provides matching contributions equal to 100 percent of the first 4 percent of compensation and 50 percent of the next 2 percent of compensation that the employee has elected to contribute to the plan. Contributions made by both the employer and employee are vested immediately. Amendments to the plan are made only with the authority of the LCRA Board.

Contributions by the LCRA and its employees for the years ended June 30, 2009 and 2008 are presented below:

	2009	2008
	(Dollars in Thousands)	
Employer contributions	$ 3,262	$3,000
Employee contributions	$10,438	$9,896

5. Other Postemployment Benefits

Plan Description: The LCRA Employees' Post Retirement Health Benefits Program (OPEB Plan) is a single-employer defined benefit healthcare plan administrated by the LCRA Board. The OPEB Plan provides postemployment healthcare benefits to retirees and terminated employees eligible for such benefits. The OPEB Plan does not issue a stand-alone financial report. Amendments to the OPEB Plan are made only with the authority of the Board.

In FY 2008, LCRA implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Prior to GASB Statement No. 45, governments reported the cost of other postemployment benefits on a "pay-as-you-go" basis. The annual cash paid for these benefits was the annual expense. Under GASB Statement No. 45, state and local government employers must account for, and report, the annual cost of other postemployment benefits (OPEB) in the same way they report costs related to pensions. As a result, the annual OPEB cost for government employers is based on an actuarially determined contribution amount rather than on the "pay-as-you-go" method.

Funding Policy: The LCRA funding policy pays only for current cost premiums. LCRA contributes a portion of health plan premiums for retirees, but makes no contribution for terminated employees. LCRA may contribute up to 80 percent of the total healthcare plan premium amount (cost share amount) depending on the retiree's retirement option choice (see Note 4). For option A retirees, LCRA contributes 100 percent of the cost-share amount. For option B retirees, LCRA may contribute 0, 25, 50, 75 or 100 percent of the cost-share amount based on the retiree's length of service.

Annual OPEB Cost and Net OPEB Obligation: The annual required contribution (ARC) to the OPEB Plan is actuarially determined as of each valuation date. Actuarial valuations are performed on the OPEB Plan every two years. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The LCRA funding policy pays only for current cost-share premiums, which means no assets were set aside for future benefits. Therefore, a net OPEB obligation exists at year-end. The following represents the ARC, OPEB cost, contributions made, and changes in the net OPEB obligation for fiscal years 2008 and 2009:

Year Ended June 30,	2009	2008
Annual required contribution	$ 10,724,183	$ 10,262,376
Interest on net OPEB obligation, beginning of year	257,860	-
Adjustment to annual required contribution	(184,069)	-
Annual OPEB cost (expense)	10,797,974	10,262,376
Contributions made	(5,557,520)	(5,105,185)
Increase in net OPEB obligation	5,240,454	5,157,191
Net OPEB obligation, beginning of year	5,157,191	-
Net OPEB obligation, end of year	$ 10,397,645	$ 5,157,191

LCRA annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation for FY 2008 and FY 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	$10,262,376	50%	$ 5,157,191
June 30, 2009	$10,797,974	52%	$10,397,645

Funded Status and Funding Progress: The required Schedule of Funding Progress presented below and immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date [1]	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability Entry Age	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll [2]	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
July 1, 2007	$ -	$170,075,954	0.00%	$170,075,954	$138,863,719	122.5%
July 1, 2009	$ -	$181,172,802	0.00%	$181,172,802	$139,270,831	130.1%

[1] Per GASB 45, actuarial valuations are only required on a biennial basis.
[2] Based on projected payroll as of valuation date.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include, but are not limited to, assumptions about future employment, mortality, and future health care costs. Actuarially determined amounts are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members), the included types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2009, actuarial valuation the Entry Age Normal cost method was used. The actuarial assumptions included a 5 percent discount rate, a 4 percent inflation rate, and a projected annual healthcare cost trend rate of 9 percent for FY 2010 reduced by decrements of 0.5 percent to an ultimate rate of 6 percent after six years. As of the July 1, 2009, valuation, the UAAL is being amortized on an open basis as a level 4.64 percent of projected payroll over a 30-year amortization period.

6. Commitments and Contingencies

Construction: LCRA's construction budget provides for capital improvement projects with cash requirements through FY 2014 of approximately $2.1 billion, including $518.4 million in FY 2010.

LCRA’s forecasted capital program includes LCRA’s share of the remaining cost of SO_2 scrubbers for two coal-fired generating units jointly owned by LCRA and the City of Austin. The cost of the scrubbers is subject to revision upon the completion of technology evaluations and detailed engineering studies. The scrubbers must be installed by October 2012, under the provisions of a flexible air quality permit received from the Texas Commission on Environmental Quality in 2002.

LCRA’s forecasted capital program also includes phase 2 of the peaker project for equipment purchase, detailed engineering, construction, and commissioning. The peaker project should be completed in FY 2010. The objective of the project is to add peaking capacity to LCRA’s system that will offset costs and risks associated with increasing dependence on market purchases to meet peak demand. The new peaking capacity will reduce cost to LCRA’s wholesale customers by being available to generate during periods of peak energy prices.

Finally, LCRA’s forecasted capital program also includes $256.8 million for CREZ and Non-CREZ transmission projects for FY 2010. A total of $1.2 billion in capital spending is planned for the FY 2010-2014 period to support system reliability requirements, load growth, new generation connections and ERCOT system needs.

Sandy Creek Project: LCRA has signed an agreement to participate as a power purchaser and equity partner in the Sandy Creek Energy Station, a coal electric generation plant located near Waco, Texas. The facility has received an air permit from the Texas Commission on Environmental Quality and other necessary permits. The unit is under construction and scheduled to be operational in 2012. LCRA’s associated capital expenses are included in LCRA’s construction budget. LCRA’s purchases of power from the facility are expected to begin in FY 2013 and are estimated to be approximately $60-$70 million annually.

Leases: LCRA leases and operates certain transmission facilities and equipment owned by eleven of LCRA’s wholesale electric customers. The leases are the basis for LCRA to provide the same service to all of its customers and for the cost of such service to be shared by all customers on a consistent basis. Payments for the leased facilities vary from year to year and are based on the original cost of the facilities, adjusted for depreciation, and are updated annually to reflect additions, retirements and depreciation. The terms of the leases are perpetual but may be terminated by LCRA or the lessors upon five years written notice. In addition, LCRA leases towers and related space to provide shared communications with a number of public entities and leases a portion of its office facilities. LCRA has leases totaling approximately $15.1 million in FY 2009. Leases associated with transmission facilities comprise approximately 81 percent of total LCRA leases for FY 2009.

The following is a schedule by years of current and future minimum rental payments required under these operating leases for the remaining noncancellable lease terms as of June 30, 2009 (in thousands).

Fiscal Year	Minimum Lease Payments
2009	$ 15,134
2010	16,947
2011	16,730
2012	15,126
2013	15,246
2014	15,538

Coal and Rail Contracts: For FY 2010, approximately 58 percent of the fuel requirements for the Fayette Power Project Units 1 and 2 (FPP 1 & 2) will be supplied by four multi-year contracts with mines in Wyoming. The first contract, which ends in the second quarter of FY 2010, will provide coal at a fixed price for its entire term with a fixed volume for each calendar year. Starting in the third quarter of FY 2009, three new multi-year contracts will supply part of FPP 1 & 2's fuel requirements. These new multi-year contracts each have separate fixed prices per calendar year and an annual fixed volume for the entire term. During FY 2009 and 2008, LCRA's share of FPP 1 & 2's multi-year contract purchases totaled $12.3 million and $14.4 million, respectively.

For FY 2010, approximately 37 percent of the fuel requirements for Fayette Power Project Unit 3 (FPP 3) will be supplied by one multi-year contract with mines in Wyoming. The contract, which ends in the second quarter of FY 2011, will provide coal at a fixed price for its entire term with a fixed volume for each calendar year. During FY 2010 and 2009, LCRA's multi-year contract purchases totaled $12.2 million and $20.3 million, respectively.

LCRA and Austin Energy have a multi-year transportation contract with one rail carrier to ship Powder River Basin coal to all three units at FPP. FPP committed to ship a specific, minimum volume of coal from the Powder River Basin under a common carrier tariff with a second rail carrier. Freight costs incurred by LCRA were approximately $113.5 million and $95.8 million in FY 2009 and FY 2008, respectively.

Natural Gas: LCRA has several long-term contracts to provide a portion of the natural gas requirements to its gas-fired generation units, through April 2014. LCRA is committed to buy a fixed amount of gas annually. LCRA's gas purchases under these contracts totaled $111.8 million for FY 2009 and $126.8 million for FY 2008, based on price indices. LCRA also pays approximately $3.4 million per year for firm transportation rights on intrastate pipelines, which deliver gas from other supply points.

Purchased Power: LCRA has 14 contracts with power marketers who provide firm electric energy ranging from 100 MW to 300 MW per month, for the period July 2009 through October 2009. The total minimum commitment from these contracts is more than $3.2 million plus energy payments.

Wind Power: LCRA is committed to purchase 35 MW of wind power capacity from Texas' first commercial wind power plant, the Texas Wind Power Project. LCRA in turn sells 10 MW of this capacity to Austin Energy. During FY 2009, LCRA purchased 30 MW of wind power capacity from the Delaware Mountain Wind Farm. In FY 2009, LCRA also purchased 51 MW of wind power capacity from the Indian Mesa Wind Farm. Total wind power capacity is 116 MW, of which 106 MW is for LCRA and its customers. LCRA expects to pay approximately $9.4 million in FY 2010 for purchases from all wind power plants, decreasing to approximately $6.3 million in FY 2017 as the result of the expiration of contracts.

Water Project Study: LCRA has entered into an agreement with the San Antonio Water System (SAWS) to study the feasibility of implementing the LCRA-SAWS Water Project. The project addresses long-term water needs in both the lower Colorado River basin and the San Antonio area. As proposed, the project would conserve and develop water in the region through the use of off-channel storage facilities, the conjunctive use of groundwater for agriculture, and agricultural conservation. The project would provide up to 150,000 acre-feet of water per year for the San Antonio region, provide a more reliable water supply for agricultural needs in the lower Colorado River basin, address rural water needs upstream of the LCRA Highland Lakes and would increase lake levels in lakes Buchanan and Travis over those expected without the project.

The study phase includes engineering feasibility and environmental studies and costs to obtain necessary permits for development and transfer of water. LCRA, in its role as project manager, receives advances from SAWS to fund this study. SAWS has the option to cancel the study with a 100 percent refund of unexpended funds and a 50 percent refund of expended funds due to SAWS when cancelled.

Neither SAWS nor LCRA has cancelled the project, but SAWS has publicly announced it is considering cancellation. If the project is cancelled by SAWS, LCRA would be required to refund approximately $19 million based on the balance of unexpended funds and 50 percent of the expended funds as of June 30, 2009.

On Aug. 24, 2009, SAWS filed a lawsuit against LCRA. The lawsuit claims LCRA is in breach of contract. SAWS is asking for $1.23 billion, the difference between the estimated project cost and the total cost of acquiring the same amount of water from another source. LCRA believes the chance of a negative result of this lawsuit is remote.

As of June 30, 2009, LCRA has received $35.3 million from SAWS, as well as grants of $0.6 million from U. S. Fish and Wildlife Service and $0.3 million from U. S. Department of Agriculture. Study projects costs through June 30, 2009, totaled $35.3 million.

Insurance Self-Funding: In addition to the purchase of commercial insurance, LCRA has established a self-insurance program to finance risk of loss. LCRA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. LCRA self-funds each worker's compensation claim up to $400,000 and each general liability claim up to a maximum of $2 million depending on the insurance policy deductible. Self-funding of property damage varies from $100,000 to $2.5 million depending on the insurance deductible. Any claims or damages above self-funded amounts are covered by commercial general insurance. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. Based on an insurance risk analysis, LCRA carries no commercial insurance on transmission lines.

Accrued Liability: The accrued liability presented in the table below is associated with obligations resulting from environmental regulations established by federal, state, and local authorities. Although the effect of future environmental regulations upon existing and proposed facilities and operations cannot be determined, LCRA monitors proposed changes and takes actions necessary to mitigate adverse impacts to its operations. At the present, no materially adverse impacts are anticipated.

Changes in the accrued liability amount for FY 2008 and 2009 were as follows:

	Balance Beginning of Year	Changes in Estimates	Payments	Balance End of Year
FY 2008	$ 1,877,000	$ 227,000	$ 302,000	$ 1,802,000
FY 2009	$ 1,802,000	$ (108,000)	$ 313,000	$ 1,381,000

Litigation: There are various lawsuits in which LCRA is involved. LCRA's management, including its general counsel, estimates that, other than the litigation described in the Water Project Study note above, the potential claims against LCRA not covered by insurance resulting from such litigation would not materially affect LCRA's financial position, results of operations and cash flows.

7. Capital Asset Activity

Capital asset activity for the year ended June 30, 2009 was as follows (dollars in thousands):

	Beginning Balance	Additions	Transfers from Construction in Progress	Retirements	Depreciation/ Depletion	Ending Balance
Utility plant in service:						
Depreciable assets	$ 3,709,253	$ 125	$ 172,799	$ (25,231)		$ 3,856,946
Non-depreciable assets	66,547		4,130	(46)		70,631
Total utility plant in service	3,775,800	125	176,929	(25,277)	-	3,927,577
Construction work in progress:						
Non-depreciable assets	308,223	447,506	(184,110)	(22)		571,597
Oil and gas property:						
Depletable assets	28,158					28,158
Other physical property:						
Depreciable assets	33,338		2,164	(151)		35,351
Non-depreciable assets	20,253		5,017	(1,810)		23,460
Total other physical property	53,591	-	7,181	(1,961)	-	58,811
Less accumulated depreciation	(1,338,402)			19,895	(129,607)	(1,448,114)
Capital assets, net	$ 2,827,370	$ 447,631	$ -	$ (7,365)	$ (129,607)	$ 3,138,029

Capital asset activity for the year ended June 30, 2008, was as follows (dollars in thousands):

	Beginning Balance	Additions	Transfers from Construction in Progress	Retirements	Depreciation/ Depletion	Ending Balance
Utility plant in service:						
Depreciable assets	$ 3,483,918		$ 250,803	$ (25,468)		$ 3,709,253
Non-depreciable assets	54,145		12,407	(5)		66,547
Total utility plant in service	3,538,063	-	263,210	(25,473)	-	3,775,800
Construction work in progress:						
Non-depreciable assets	200,272	373,727	(265,207)	(569)		308,223
Oil and gas property:						
Depletable assets	28,158					28,158
Other physical property:						
Depreciable assets	31,772		1,967	(401)		33,338
Non-depreciable assets	20,223		30			20,253
Total other physical property	51,995	-	1,997	(401)		53,591
Less accumulated depreciation	(1,232,826)			14,619	(120,195)	(1,338,402)
Capital assets, net	$ 2,585,662	$ 373,727	$ -	$ (11,824)	$ (120,195)	$ 2,827,370

8. Segment Reporting

Governments that use enterprise fund accounting and reporting standards to report their activities are required to present segment information. A segment is an identifiable activity reported as or within an enterprise fund or another stand-alone entity that has one or more bonds outstanding with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately. An external party should impose the requirements for separate accounting. LCRA TSC qualifies as a segment.

Segment information for LCRA TSC:

LCRA TRANSMISSION SERVICES CORPORATION-SEGMENT INFORMATION
BALANCE SHEETS
(Dollars in Thousands)

	June 30, 2009	June 30, 2008
Assets		
Current Assets	$ 81,206	$ 78,755
Long-Term Assets		
Restricted cash and cash equivalents	16,330	54
Restricted investments	18	72
Accounts receivable from LCRA - restricted	57,471	51,166
Capital assets:		
Utility plant in service	1,533,413	1,457,870
Construction work in progress	73,381	36,997
Less accumulated depreciation	(311,239)	(277,435)
Capital assets, net	1,295,555	1,217,432
Other	15	-
Deferred charges:		
Costs to be recovered from future revenues	63,654	68,234
Unamortized debt expense	20,867	21,037
Deferred charges, net	84,521	89,271
Total long-term assets	1,453,910	1,357,995
Total Assets	$ 1,535,116	$ 1,436,750
Liabilities		
Current Liabilities	$ 63,818	$ 69,712
Long-Term Liabilities		
Accounts payable to LCRA from Construction Fund	9,542	12,878
Accounts payable from restricted assets	2,455	7,270
Bonds, notes and loans payable	1,237,407	1,162,842
Deferred credits	403	397
Total long-term liabilities	1,249,807	1,183,387
Total liabilities	1,313,625	1,253,099
Equity		
Invested in capital assets, net of related debt	160,700	126,502
Unrestricted	60,791	57,149
Total equity	221,491	183,651
Total Liabilities and Equity	$ 1,535,116	$ 1,436,750

LCRA TRANSMISSION SERVICES CORPORATION - SEGMENT INFORMATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN EQUITY
(*Dollars in Thousands*)

	Year Ended June 30, 2009	2008
Operating Revenues		
Transmission	$ 217,509	$ 180,164
Transformation	12,906	9,753
Other	1,840	822
Total operating revenues	232,255	190,739
Operating Expenses		
Operations	68,078	66,631
Maintenance	7,672	9,372
Depreciation and amortization	38,025	38,661
Total operating expenses	113,775	114,664
Operating income	118,480	76,075
Nonoperating Revenues (Expenses)		
Interest and other income	1,734	4,539
Interest and other expenses	(78,334)	(81,531)
Total nonoperating revenues (expenses)	(76,600)	(76,992)
Income (loss) before costs to be (prior costs) recovered from revenues, capital contributions, and transfers in	41,880	(917)
Costs To Be (Prior Costs) Recovered from Revenues	(4,581)	25,397
Capital Contributions	315	1,132
Income before transfers in	37,614	25,612
Transfers In	226	726
Change in Equity	37,840	26,338
Total Equity, Beginning of Year	183,651	157,313
Total Equity, End of Year	$ 221,491	$ 183,651

LCRA TRANSMISSION SERVICES CORPORATION - SEGMENT INFORMATION
STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Year Ended June 30, 2009	Year Ended June 30, 2008
Cash Flows From Operating Activities		
Received from customers	$ 228,062	$ 186,281
Payments for goods and services	(75,772)	(76,236)
Net cash provided by operating activities	152,290	110,045
Cash Flows From Noncapital Financing Activities		
Other expenses	(6,773)	(5,482)
Net cash used in noncapital financing activities	(6,773)	(5,482)
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant and equipment	(138,542)	(112,717)
Proceeds from sale of capital assets	147	4
Debt issue costs	(755)	(5,489)
Contributed capital received for capital costs	315	1,132
Proceeds from bond issues and commercial paper	220,518	283,502
Debt principal payments and commercial paper redemptions	(57,964)	(36,090)
Interest paid	(47,205)	(43,111)
Payments to refund and defease debt	(109,300)	(215,000)
Net cash used in capital and related financing activities	(132,786)	(127,769)
Cash Flows From Investing Activities		
Sale and maturity of investment securities	96,826	79,994
Purchase of investment securities	(95,266)	(72,808)
Interest received	2,654	3,964
Net cash provided by investing activities	4,214	11,150
Net Increase (Decrease) in Cash and Cash Equivalents	16,945	(12,056)
Cash and Cash Equivalents, Beginning of Year	17,922	29,978
Cash and Cash Equivalents, End of Year	$ 34,867	$ 17,922

LCRA TRANSMISSION SERVICES CORPORATION - SEGMENT INFORMATION
STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Year Ended June 30, 2009	2008
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 118,480	$ 76,075
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	38,025	38,661
Changes in assets and liabilities:		
Accounts receivable	(3,899)	(6,991)
Inventories	(476)	112
Other current assets	-	-
Other deferred charges and long-term assets	(15)	-
Current liabilities	175	2,188
Net cash provided by operating activities	$ 152,290	$ 110,045
Noncash Investing Activities		
Investment market adjustments	$ 1,122	$ 504
Noncash Financing for Property, Plant and Equipment		
Purchase of equipment through short-term trade payables	$ 9,159	$ 41

Schedule of Funding Progress – Retirement Plan

Actuarial Valuation Date	(1) Actuarial Value of Assets[2]	(2) Actuarial Accrued Liability Entry Age	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll[1]	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
April 1, 2007	$ 296,039,961	$ 403,626,660	73.3%	$ 107,586,699	$ 147,840,508	72.8%
April 1, 2008	317,407,521	426,749,406	74.4%	109,341,885	153,614,048	71.2%
April 1, 2009	293,189,164	454,306,114	64.5%	161,116,950	159,319,626	101.1%

[1] Based on projected payroll as of valuation date.
[2] Actuarial value approximates market value.

Schedule of Funding Progress – Other Postemployment Benefits

Actuarial Valuation Date	(1) Actuarial Value of Assets[2]	(2) Actuarial Accrued Liability Entry Age	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll[1]	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
July 1, 2007	$ -	$170,075,954	0.00%	$170,075,954	$138,863,719	122.5%
July 1, 2009	$ -	$181,172,802	0.00%	$181,172,802	$139,270,831	130.1%

[1] Per GASB 45, actuarial valuations are only required on a biennial basis.
[2] Based on projected payroll as of valuation date.

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