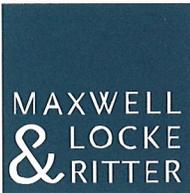


**BRUSHY CREEK
MUNICIPAL UTILITY DISTRICT**

**Financial Statements and
Supplemental Information for the
Year Ended September 30, 2008
and Independent Auditors' Report**

MAXWELL
& LOCKE
RITTER



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Brushy Creek Municipal Utility District:

We have audited the accompanying financial statements of the governmental activities and each major fund of Brushy Creek Municipal Utility District (the "District") as of and for the year ended September 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

The management's discussion and analysis on pages 4 through 9 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Affiliated Companies
ML&R PERSONNEL SOLUTIONS LLC
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This firm is not a CPA firm

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such supplemental information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maxwell Locke + Ritter LLP
January 29, 2009

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis For the Year Ended September 30, 2008

In accordance with Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), the management of Brushy Creek Municipal Utility District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2008. Please read it in connection with the District's financial statements that follow.

For purposes of GASB 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Governmental Funds Total" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Assets and the Statement of Activities.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$11,942,787 (*net assets*). Of this amount, \$6,368,210 (*unrestricted net assets*) may be used to meet the government's ongoing obligations.
- The District passed a \$2,020,000 bond issue in January 2008 to fund purchases of capital assets of the Sendero Springs/Cornerstone Defined Area.
- The District's net property tax values increased by approximately \$106 million or 11.8% from \$899,729,526 to \$1,006,044,477. The increase enabled the District to reduce the District-wide tax rate from \$0.52 to \$0.50 per \$100 of assessed value. Total tax revenue increased approximately by \$779 thousand.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements*
 - *Statement of Net Assets and Governmental Funds Balance Sheet*
 - *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance*
 - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
 - *Statement of Fiduciary Assets and Liabilities*
 - *Notes to Basic Financial Statements*

Other supplementary information is also included.

The *Statement of Net Assets and Governmental Funds Balance Sheet* includes a column (titled "Governmental Funds Total") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net assets will indicate financial health.

The *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance* includes a column (titled “Governmental Funds Total”) that derives the change in fund balances resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund* presents a comparison statement between the District’s adopted budget to its actual results.

The *Statement of Fiduciary Assets and Liabilities* presents information on the District’s fiduciary funds at September 30, 2008. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District’s own programs.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Assets and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance*.

Schedules required by the Texas Commission on Environmental Quality are presented immediately following the notes to basic financial statements.

Comparative Financial Statements

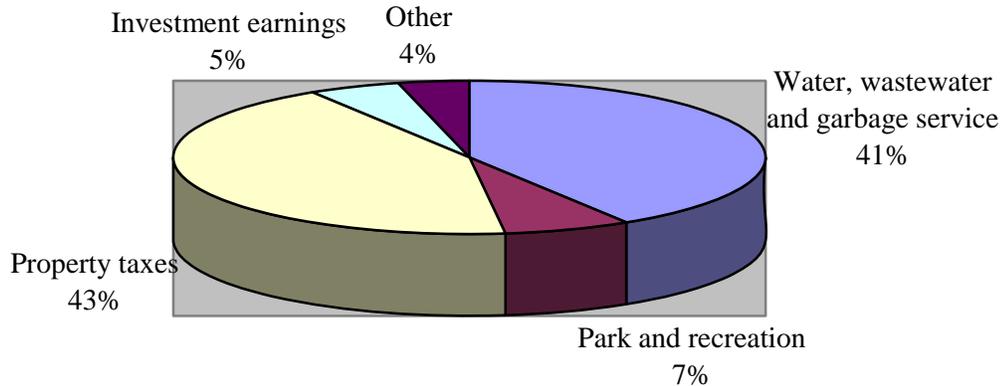
Statement of Net Assets

	Governmental Activities		
	2008	2007	% Change
Current and other assets	\$ 20,573,292	\$ 20,587,581	(0.1%)
Capital and non-current assets	48,147,340	49,136,093	(2.0%)
Total assets	\$ 68,720,632	\$ 69,723,674	(1.4%)
Current liabilities	\$ 5,042,845	\$ 4,194,527	20.2%
Long-term liabilities	51,735,000	52,425,401	(1.3%)
Total liabilities	\$ 56,777,845	\$ 56,619,928	(0.3%)
Invested in capital assets, net of related debt	\$ (896,709)	\$ 1,441,117	(162.2%)
Restricted	6,471,286	5,397,863	19.9%
Unrestricted	6,368,210	6,264,766	1.7%
Total net assets	\$ 11,942,787	\$ 13,103,746	(8.9%)

The District’s total assets were approximately \$68.7 million as of September 30, 2008. Of this amount, approximately \$47.3 million is accounted for by capital assets. The District had outstanding liabilities of approximately \$56.8 million of which approximately \$54.2 million represent bonds and note payable.

The District’s property tax assessed value in 2008 was approximately \$1,066 million compared to approximately \$900 million in 2007. The tax rate is set after reviewing operations and maintenance requirements, interest and sinking fund requirements, and proposed water and wastewater rates. The District’s revenue sources are utility services, property taxes, and recreational fees.

Sources of Revenue



Statement of Activities

	Governmental Activities		
	2008	2007	% Change
Water, wastewater and garbage	\$ 5,379,462	\$ 4,539,752	18.5%
Property taxes	5,551,745	4,773,199	16.3%
Parks and recreational fees	846,664	916,477	(7.6%)
Investment earnings	647,477	1,018,005	(36.4%)
Other	537,783	2,421,678	(77.8%)
Total revenues	12,963,131	13,669,111	(5.2%)
Water, wastewater and garbage	2,186,944	1,254,313	74.4%
Salary and related expenditures	2,546,337	2,349,694	8.4%
Administrative	980,466	1,604,719	(38.9%)
Repairs and maintenance	882,732	354,968	148.7%
Utilities	635,086	469,428	35.3%
Professional fees	284,320	473,636	(40.0%)
Contracted services	214,814	442,863	(51.5%)
Other	301,992	-	100%
Capital outlay	147,456	-	100%
Debt service	2,178,872	2,542,247	(14.3%)
Depreciation	3,749,913	3,703,872	1.2%
Total expenses	14,108,932	13,195,740	7.2%
Proceeds from sale of capital assets	(15,158)	-	100%
Change in net assets	(1,160,959)	473,371	(345.3%)
Beginning net assets	13,103,746	12,630,375	3.7%
Ending net assets	\$ 11,942,787	\$ 13,103,746	(8.9%)

Operating revenues decreased by approximately \$706,000 to approximately \$13 million for the fiscal year ended September 30, 2008. Water, wastewater and garbage service provided approximately \$5.4 million, and property taxes generated approximately \$5.6 million in revenues. Although water revenue increased for the fiscal year, there was a substantial decrease in builder fee revenue from the previous year. Total expenses increased approximately \$945,000 to approximately \$14.1 million for the fiscal year ended September 30, 2008. Net assets decreased approximately \$1.2 million for the fiscal year ended September 30, 2008 compared to an increase of approximately \$473 thousand for the fiscal year ended September 30, 2007.

Analysis of Governmental Funds

	2008	2007
Cash	\$ 2,130,846	\$ 2,990,790
Investments	17,308,251	16,903,308
Receivables	1,128,019	673,151
Interfund receivable	4,910,388	4,070,193
Deposits	6,176	20,332
Total assets	\$ 25,483,680	\$ 24,657,774
Accounts payable	\$ 644,983	\$ 119,243
Refundable deposits	506,213	494,057
Other liabilities	100,641	188,424
Interfund payable	4,910,388	4,070,193
Due to agency fund	458,521	458,521
Deferred revenue	275,725	40,563
Total liabilities	6,896,471	5,371,001
Reserved for debt service	6,326,752	5,368,368
Reserved for capital projects	5,180,269	6,845,425
Unreserved	7,080,188	7,072,980
Total fund balances	18,587,209	19,286,773
Total liabilities and fund balances	\$ 25,483,680	\$ 24,657,774

The *General Fund* pays for daily operating expenses. When comparing actual to budget, water, wastewater and garbage service revenues were higher than budgeted. Also when comparing actual expenditures to budget, capital outlay and administrative expenditures were lower than budget, while other consulting fees, repairs and maintenance, and utilities were higher than budget. More detailed information about the District's budgetary comparison is presented in the *Notes to Basic Financial Statements*.

The *Debt Service Fund* remitted bond and note principal of \$2,276,083 and interest of \$2,120,635. More detailed information about the District's debt is presented in the *Notes to Basic Financial Statements*.

The *Capital Project Fund* purchases primarily the District's infrastructure.

Capital Assets

	2008	2007
Land	\$ 2,562,724	\$ 2,562,724
Construction in process	74,278	-
Water, wastewater, and drainage	65,280,748	63,268,128
Easements and rights-of-way	901,891	901,891
Buildings and improvements	4,157,628	4,041,954
Furniture and equipment	1,577,026	1,450,367
Park and recreational facilities	3,799,417	3,456,024
Automobiles and trucks	116,216	116,216
Subtotal	78,469,928	75,797,304
Accumulated depreciation	(31,169,053)	(27,427,377)
Total	\$ 47,300,875	\$ 48,369,927

More detailed information about the District's capital assets is presented in the *Notes to Basic Financial Statements*.

Long-Term Debt Activity

	2008	2007
Series 1996 Bonds	\$ 1,500,000	\$ 1,700,000
Series 1997 Bonds	2,505,000	2,730,000
Series 2001 Bonds	8,840,000	9,525,000
Series 2002 Bonds	775,000	835,000
Series 2003 Bonds	17,955,000	18,680,000
Series 2004 Bonds	3,285,000	3,285,000
Series 2005 Bonds	9,300,000	9,500,000
Series 2007 Bonds	7,820,000	7,840,000
Series 2008 Bonds	2,020,000	-
Note payable	224,318	445,401
Total	\$ 54,224,318	\$ 54,540,401

The District owes \$54 million to bond holders. During the year, the District issued \$2,020,000 in bonds for Sendero Springs/Cornerstone Defined Area. The principal balance of outstanding bonds and the note payable was reduced by approximately \$2,336,000 during the year. More detailed information about the District's long-term debt is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

The District-wide tax rate has been set at \$0.50 per \$100 of assessed valuation. The Sendero Springs/Cornerstone Defined Area has set a tax rate of \$0.36 per \$100 of assessed valuation. The adopted budget for 2009 projects a General Fund fund balance decrease of approximately \$505 thousand. When compared to the 2008 budget, revenues are expected to increase by approximately 6% due to an increase in water, wastewater, and garbage revenue and property tax revenue. Expenses are expected to increase by approximately 3%.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at 16318 Great Oaks Drive, Round Rock, Texas 78681.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET SEPTEMBER 30, 2008

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET ASSETS
ASSETS						
Cash	\$ 588,942	190,721	1,351,183	2,130,846	-	2,130,846
Investments	8,287,952	7,557,856	764,341	16,610,149	-	16,610,149
Receivables:						
Service accounts, net	782,479	-	-	782,479	-	782,479
Taxes	78,139	144,534	-	222,673	-	222,673
Other	122,867	-	-	122,867	-	122,867
Due from other funds	1,387,122	-	3,523,266	4,910,388	(4,910,388)	-
Deposits	6,176	-	-	6,176	-	6,176
Restricted investments for the Defined Area	193,651	-	-	193,651	-	193,651
Restricted investments for customer deposits	504,451	-	-	504,451	-	504,451
Deferred charges - bond issuance costs	-	-	-	-	846,465	846,465
Capital assets (net of accumulated depreciation):						
Land	-	-	-	-	2,562,724	2,562,724
Construction in process	-	-	-	-	74,278	74,278
Easements and rights-of-way	-	-	-	-	797,320	797,320
Water, wastewater and drainage systems	-	-	-	-	37,805,630	37,805,630
Building and improvements	-	-	-	-	3,427,486	3,427,486
Furniture and equipment	-	-	-	-	361,349	361,349
Park and recreational facilities	-	-	-	-	2,193,745	2,193,745
Automobiles and trucks	-	-	-	-	78,343	78,343
Total assets	<u>\$ 11,951,779</u>	<u>7,893,111</u>	<u>5,638,790</u>	<u>25,483,680</u>	<u>43,236,952</u>	<u>68,720,632</u>
LIABILITIES						
Accounts payable	\$ 644,983	-	-	644,983	-	644,983
Customer deposits	506,213	-	-	506,213	-	506,213
Other liabilities	100,641	-	-	100,641	-	100,641
Due to other funds	3,488,563	1,421,825	-	4,910,388	(4,910,388)	-
Due to agency fund	-	-	458,521	458,521	-	458,521
Accrued bond interest payable	-	-	-	-	752,732	752,732
Deferred revenue	131,191	144,534	-	275,725	(222,673)	53,052
Accrued vacation leave	-	-	-	-	37,385	37,385
Long-term liabilities:						
Due within one year	-	-	-	-	2,489,318	2,489,318
Due after one year	-	-	-	-	51,735,000	51,735,000
Total liabilities	<u>4,871,591</u>	<u>1,566,359</u>	<u>458,521</u>	<u>6,896,471</u>	<u>49,881,374</u>	<u>56,777,845</u>
FUND BALANCE/NET ASSETS						
Fund balances:						
Reserved for debt service	-	6,326,752	-	6,326,752	(6,326,752)	-
Reserved for capital projects	-	-	5,180,269	5,180,269	(5,180,269)	-
Designated for parks capital	188,970	-	-	188,970	(188,970)	-
Designated for projects	580,000	-	-	580,000	(580,000)	-
Unreserved	6,311,218	-	-	6,311,218	(6,311,218)	-
Total fund balance	<u>7,080,188</u>	<u>6,326,752</u>	<u>5,180,269</u>	<u>18,587,209</u>	<u>(18,587,209)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 11,951,779</u>	<u>7,893,111</u>	<u>5,638,790</u>	<u>25,483,680</u>		
Net assets:						
Investment in capital assets, net of related debt					(896,709)	(896,709)
Restricted for debt service					6,471,286	6,471,286
Unrestricted					6,368,210	6,368,210
Total net assets					<u>\$ 11,942,787</u>	<u>11,942,787</u>

The notes to the financial statements are an integral part of this statement.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES YEAR ENDED SEPTEMBER 30, 2008

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:						
Service operations:						
Personnel (including benefits)	\$ 2,514,138	-	-	2,514,138	(3,051)	2,511,087
Water and wastewater purchases	1,584,051	-	-	1,584,051	-	1,584,051
Administrative	973,396	7,070	-	980,466	-	980,466
Repairs and maintenance	882,732	-	-	882,732	-	882,732
Utilities	635,086	-	-	635,086	-	635,086
Garbage fees	602,893	-	-	602,893	-	602,893
Contracted services	213,428	1,386	-	214,814	-	214,814
Other consulting	182,263	-	-	182,263	-	182,263
Legal fees	158,453	1,104	-	159,557	-	159,557
Security fees	64,778	-	-	64,778	-	64,778
Insurance	58,257	-	-	58,257	-	58,257
Tax appraisal/collection fees	625	50,607	-	51,232	-	51,232
Audit fees	25,000	8,000	-	33,000	-	33,000
Engineering fees	26,985	-	-	26,985	-	26,985
Director's fees	35,250	-	-	35,250	-	35,250
Other	10,240	-	-	10,240	-	10,240
Capital outlay	709,940	-	2,150,487	2,860,427	(2,712,971)	147,456
Debt service:						
Principal payments	60,000	2,276,083	-	2,336,083	(2,336,083)	-
Interest and fiscal charges	42,550	2,120,635	-	2,163,185	15,687	2,178,872
Bond issuance cost	-	-	122,100	122,100	(122,100)	-
Depreciation	-	-	-	-	3,749,913	3,749,913
Total expenditures/expenses	<u>8,780,065</u>	<u>4,464,885</u>	<u>2,272,587</u>	<u>15,517,537</u>	<u>(1,408,605)</u>	<u>14,108,932</u>
REVENUES:						
Program revenues:						
Water and wastewater service	4,644,809	-	-	4,644,809	-	4,644,809
Garbage collection	734,653	-	-	734,653	-	734,653
Inspection fees	139,889	-	-	139,889	-	139,889
Tap and other connection fees	12,685	-	-	12,685	-	12,685
Recreation center	636,669	-	-	636,669	-	636,669
Park and recreation fees	209,995	-	-	209,995	-	209,995
Capital recovery fees	-	-	312,118	312,118	-	312,118
Total program revenues	<u>6,378,700</u>	<u>-</u>	<u>312,118</u>	<u>6,690,818</u>	<u>-</u>	<u>6,690,818</u>
Net program expense						<u>(7,418,114)</u>
General revenues:						
Property taxes, including penalties and interest	1,842,478	3,527,157	-	5,369,635	182,110	5,551,745
Investment earnings	313,554	269,220	64,703	647,477	-	647,477
Other	73,091	-	-	73,091	-	73,091
Total general revenues	<u>2,229,123</u>	<u>3,796,377</u>	<u>64,703</u>	<u>6,090,203</u>	<u>182,110</u>	<u>6,272,313</u>
Total revenues	<u>8,607,823</u>	<u>3,796,377</u>	<u>376,821</u>	<u>12,781,021</u>	<u>182,110</u>	<u>12,963,131</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from bond issuance	-	-	2,020,000	2,020,000	(2,020,000)	-
Proceeds (loss) from sale of capital assets	-	-	16,952	16,952	(32,110)	(15,158)
Transfers in (out)	179,450	1,424,097	(1,603,547)	-	-	-
Total other financing sources (uses)	<u>179,450</u>	<u>1,424,097</u>	<u>433,405</u>	<u>2,036,952</u>	<u>(2,052,110)</u>	<u>(15,158)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES						
	7,208	755,589	(1,462,361)	(699,564)	699,564	-
INTERFUND FORGIVENESS OF DEBT						
Change in fund balances/net assets	7,208	958,384	(1,665,156)	(699,564)	(461,395)	(1,160,959)
FUND BALANCES/NET ASSETS:						
Beginning of year	<u>7,072,980</u>	<u>5,368,368</u>	<u>6,845,425</u>	<u>19,286,773</u>	<u>(6,183,027)</u>	<u>13,103,746</u>
End of year	<u>\$ 7,080,188</u>	<u>6,326,752</u>	<u>5,180,269</u>	<u>18,587,209</u>	<u>(6,644,422)</u>	<u>11,942,787</u>

The notes to the financial statements are an integral part of this statement.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND YEAR ENDED SEPTEMBER 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Water, wastewater and garbage services	\$ 4,550,178	4,550,178	5,379,462	829,284
Property taxes, including penalties	1,821,505	1,821,505	1,842,478	20,973
Recreational fees	798,396	798,396	636,669	(161,727)
Park and recreation fees	89,700	89,700	209,995	120,295
Tap connection/inspection	85,800	85,800	152,574	66,774
Interest	420,000	420,000	313,554	(106,446)
Other	70,720	70,720	73,091	2,371
Total revenues	7,836,299	7,836,299	8,607,823	771,524
EXPENDITURES:				
Service operations:				
Personnel (including benefits)	2,475,687	2,495,990	2,514,138	(18,148)
Water and wastewater purchases	1,567,711	1,567,711	1,584,051	(16,340)
Administrative	1,141,311	1,203,011	973,396	229,615
Repairs and maintenance	490,800	755,800	882,732	(126,932)
Utilities	529,800	529,800	635,086	(105,286)
Garbage fees	585,000	585,000	602,893	(17,893)
Contracted services	380,700	374,000	213,428	160,572
Other consulting	39,848	49,848	182,263	(132,415)
Legal fees	120,000	120,000	158,453	(38,453)
Security fees	63,000	63,000	64,778	(1,778)
Insurance	72,000	72,000	58,257	13,743
Tax appraisal/collection fees	-	-	625	(625)
Audit fees	25,000	25,000	25,000	-
Engineering fees	45,000	45,000	26,985	18,015
Director's fees	-	-	35,250	(35,250)
Other	83,680	83,680	10,240	73,440
Capital outlay	1,243,000	1,285,000	709,940	575,060
Debt service:				
Principal payments	55,000	55,000	60,000	(5,000)
Interest and fiscal charges	42,550	42,550	42,550	-
Total expenditures	8,960,087	9,352,390	8,780,065	572,325
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(1,123,788)	(1,516,091)	(172,242)	1,343,849
TRANSFERS IN	-	-	179,450	179,450
Change in fund balance	(1,123,788)	(1,516,091)	7,208	1,523,299
FUND BALANCES:				
Beginning of year	7,072,980	7,072,980	7,072,980	-
End of year	\$ 5,949,192	5,556,889	7,080,188	1,523,299

The notes to the financial statements are an integral part of this statement.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES SEPTEMBER 30, 2008

ASSETS

Cash and cash equivalents	\$ 434
Investments	264,339
Due from governmental funds, net	<u>458,521</u>
Total assets	<u><u>\$ 723,294</u></u>

LIABILITIES

Other current liabilities	<u>\$ 723,294</u>
Total liabilities	<u><u>\$ 723,294</u></u>

The notes to the financial statements are an integral part of this statement.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brushy Creek Municipal Utility District (the “District”), formerly known as Williamson County Municipal Utility District No. 2, was created, organized and established on October 27, 1977, pursuant to the provisions of Chapter 54 of the Texas Water Code.

The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors which has been elected by District residents or appointed by the Board of Directors. The District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”) Statement No. 14 since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

Government-Wide and Fund Financial Statements - For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the “Governmental Funds Total” column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net assets and the statement of activities.

The government-wide financial statements report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred revenue.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any fund balances are considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due.

The Capital Projects Fund is used to account for financial resources designated to be used for authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund type:

The Agency Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The District established the fund to place proceeds from the collection of Capital Recovery and Prepayment Fees. The funds were held in the agency fund because developers within the District challenged the validity of the fees.

Budgets and Budgetary Accounting - Formal budgetary integration is employed as a management control device for the General Fund. Formal budgetary integration is not employed for the Debt Service Fund and the Capital Projects Fund. The budget is proposed by the District Manager for the fiscal year commencing the following October 1, and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles.

Assets, Liabilities, and Net Assets or Equity

Investments - The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Accounts Receivable - The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance.

Capital Assets - Capital assets, which include land and easements, infrastructure (water, wastewater and drainage systems purchased, constructed or donated), construction in process, buildings and improvements, park and recreational facilities, automobiles and trucks, and furniture and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land and construction in process) are depreciated using the straight line method over the following estimated useful lives: easements - forty years, buildings and improvements - ten to forty years, water, wastewater and drainage system - seven to fifty years, parks and recreational facilities - ten to twenty-two years, furniture and equipment - six to ten years, automobiles and trucks - five years.

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Compensated Absences - Accrued paid time off is earned by each full-time employee at a rate of between 12 and 16 hours per month depending on length of employment. District policy allows for a maximum carry-over from the previous fiscal year. The full amount of accrued paid time off, subject to the maximum accrual limits, is paid upon discontinuance of employment with the District. The District's liability for accrued paid time off at September 30, 2008 is \$37,385.

Designated Fund Balances - Fund balance designated for parks capital represents builder's park fees received at the time a builder purchases a lot within the District for development, which are maintained for capital projects associated with the parks of the District. The designated funds can be used for maintenance and improvement of the District parks as required, but cannot be combined with the District's other operating needs.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds total fund balance	\$ 18,587,209
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	47,300,875
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	222,673
The following liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued vacation payable	(37,385)
Bonds payable, net of discounts	(54,000,000)
Less: Deferred charges for issuance cost	846,465
Bond interest payable	(752,732)
Note payable	(224,318)
Total net assets	<u>\$ 11,942,787</u>

Amounts reported for governmental activities in the statement of activities are different because:

Deficit of revenues under expenditures	\$ (699,564)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	2,672,624
Depreciation	(3,741,676)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	182,110
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Repayment of bond principal	2,115,000
Repayment of note principal	221,083
Bond proceeds	(2,020,000)
Issuance costs	122,100
Amortization of bond issuance costs	(41,801)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued vacation	3,051
Change in bond interest payable	26,114
Change in net assets	<u>\$ (1,160,959)</u>

3. CASH AND TEMPORARY INVESTMENTS

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2008, such deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board of Directors. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

The District is entitled to invest in obligations of the United States, the State of Texas and their agencies or any state, county, city and any other political subdivisions of any state rated by a nationally recognized investment rating firm with a rating not less than A or its equivalent, certificates of deposit of state or national banks or savings and loan associations within the State, prime domestic bankers' acceptances, commercial paper with a stated maturity of 270 days or less from the date of its issuance, fully collateralized repurchase agreements, no-load money market mutual funds regulated by the United States Securities and Exchange Commission and eligible public funds investment pools.

Investments held at September 30, 2008 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Public funds investment pool - TexPool	\$ 11,621,911	1	AAAm
Public funds investment pool - LOGIC	5,950,679	1	AAAm
Total	<u>\$ 17,572,590</u>		

At September 30, 2008, the District had investments in two external local governmental investment pools, Texas Local Governmental Investment Pool ("TexPool") and Local Government Investment Cooperative ("LOGIC").

Although TexPool and LOGIC are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. These investments are stated at fair value which is the same as the value of the pools' shares.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool's investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manage daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

LOGIC is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate LOGIC. LOGIC also has a six member governing board to advise on LOGIC’s investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with LOGIC. First Southwest Asset Management, Inc. and JPMorgan Chase manage daily operations of LOGIC under contract with the Comptroller and are the investment managers for the pool. LOGIC’s investment policy states that it must invest in accordance with the Public Funds Investment Act.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At September 30, 2008, investments were included in local governmental investment pools with ratings from Standard and Poor’s in compliance with the District’s investment policy.

Interest Rate Risk - The District considers the holdings in the local governmental investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value.

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of September 30, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 1,387,122
Capital Projects	General	3,488,563
Capital Projects	Debt Service	<u>34,703</u>
		<u>4,910,388</u>

During the year, the Capital Projects Fund transferred \$1,424,097 and \$179,450 to the Debt Service Fund and the General Fund, respectively, to fund payments for principal and interest and for capital outlay.

5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2008, was as follows:

	Balance September 30, 2007	Additions	Retirements and Transfers	Balance September 30, 2008
Capital assets, not being depreciated:				
Land	\$ 2,562,724	-	-	2,562,724
Construction in process	-	74,278	-	74,278
Total capital assets, not being depreciated	<u>2,562,724</u>	<u>74,278</u>	<u>-</u>	<u>2,637,002</u>
Capital assets, being depreciated:				
Water, wastewater and drainage systems	63,268,128	2,012,620	-	65,280,748
Easements and rights-of-way	901,891	-	-	901,891
Building and improvements	4,041,954	142,550	(26,876)	4,157,628
Furniture and equipment	1,450,367	126,659	-	1,577,026
Park and recreational facilities	3,456,024	356,864	(13,471)	3,799,417
Automobiles and trucks	116,216	-	-	116,216
Total capital assets being depreciated	<u>73,234,580</u>	<u>2,638,693</u>	<u>(40,347)</u>	<u>75,832,926</u>
Less accumulated depreciation for:				
Water, wastewater and drainage systems	(24,221,165)	(3,253,953)	-	(27,475,118)
Easements and rights-of-way	(82,023)	(22,548)	-	(104,571)
Building and improvements	(578,754)	(152,609)	1,221	(730,142)
Furniture and equipment	(1,103,122)	(112,555)	-	(1,215,677)
Park and recreational facilities	(1,426,575)	(186,113)	7,016	(1,605,672)
Automobiles and trucks	(15,738)	(22,135)	-	(37,873)
Total accumulated depreciation	<u>(27,427,377)</u>	<u>(3,749,913)</u>	<u>8,237</u>	<u>(31,169,053)</u>
Total capital assets, being depreciated, net	<u>45,807,203</u>	<u>(1,111,220)</u>	<u>(32,110)</u>	<u>44,663,873</u>
Capital assets, net	<u>\$ 48,369,927</u>	<u>(1,036,942)</u>	<u>(32,110)</u>	<u>47,300,875</u>

6. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2008:

	Balance September 30, 2007	Additions	Retirements	Balance September 30, 2008
Bonds payable	\$ 54,095,000	2,020,000	(2,115,000)	54,000,000
Note payable	445,401	-	(221,083)	224,318
Total	<u>\$ 54,540,401</u>	<u>2,020,000</u>	<u>(2,336,083)</u>	<u>54,224,318</u>

Long-term debt at September 30, 2008, is comprised of the following:

	<u>Balance 9/30/2008</u>	<u>Due Within One Year</u>
\$3,700,000, Series 1996, serial bonds due in annual installments of \$125,000 to \$275,000 through June 1, 2014. Interest varies from 5.00% to 5.50% and is payable June 1 and December 1 each year.	\$ 1,500,000	\$ 225,000
\$4,235,000, Series 1997, serial bonds due in annual installments of \$100,000 to \$350,000 through June 1, 2017. Interest varies from 4.25% to 6.25% and is payable June 1 and December 1 each year.	2,505,000	225,000
\$13,250,000, Series 2001, serial bonds due in annual installments of \$190,000 to \$1,025,000 through June 1, 2026. Interest varies from 3.50% to 5.00% and is payable June 1 and December 1 each year.	8,840,000	725,000
\$1,500,000, Series 2002, revenue bonds due in annual installments of \$45,000 to \$95,000 through June 1, 2019. Interest varies from 2.50% to 5.90% and is payable June 1 and December 1 each year.	775,000	60,000
\$27,500,000, Series 2003, serial bonds due in annual installments of \$630,000 to \$1,705,000 through June 1, 2026. Interest varies from 3.125% to 5.50% and is payable June 1 and December 1 each year.	17,955,000	760,000
\$3,285,000, Series 2004, refunding bonds due in annual installments of \$100,000 to \$250,000 through June 1, 2028. Interest varies from 4.00% to 5.00% and is payable June 1 and December 1 each year.	3,285,000	100,000
\$9,500,000, Series 2005, serial bonds due in annual installments of \$100,000 to \$1,215,000 through June 1, 2028. Interest varies from 3.00% to 5.00% and is payable June 1 and December 1 each year.	9,300,000	100,000
\$7,840,000, Series 2007, refunding bonds due in annual installments of \$20,000 to \$1,860,000 through June 1, 2028. Interest varies from 3.75% to 4.00% and is payable June 1 and December 1 each year.	7,820,000	25,000
\$2,020,000, Series 2008, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$45,000 to \$145,000 through June 1, 2031. Interest varies from 3.75% to 4.00% and is payable June 1 and December 1 each year.	2,020,000	45,000
Note payable for the purchase of a pool; principal and interest due in five annual installments of \$126,763 with interest rate of prime plus 1% maturing on December 2008. In addition, the District is obligated to pay up to \$347,778 in quarterly installments upon collection of park fees.	<u>224,318</u>	<u>224,318</u>
Total long-term debt	<u><u>\$ 54,224,318</u></u>	<u><u>\$ 2,489,318</u></u>

Debt service requirements to maturity for District's bonds are summarized as follows:

Fiscal Year	Principal	Interest	Total Requirement
2009	\$ 2,265,000	2,327,158	4,592,158
2010	2,370,000	2,234,039	4,604,039
2011	2,500,000	2,134,459	4,634,459
2012	2,595,000	2,027,861	4,622,861
2013	2,760,000	1,912,515	4,672,515
2014-2018	12,690,000	7,803,594	20,493,594
2019-2023	12,595,000	5,222,913	17,817,913
2024-2028	15,810,000	2,169,881	17,979,881
2029-2031	415,000	43,940	458,940
Total	\$ 54,000,000	25,876,360	79,876,360

The District bonds are collateralized by the levy of an annual ad valorem tax against all taxable property within the District.

Bond covenants for each outstanding issue require that the District maintain utility rates and property tax rates sufficient to operate and maintain the utility system and pay all indebtedness against the system. Covenants also require the District to maintain adequate insurance of the system. The District is in compliance with all significant covenants contained in the debt agreements.

On January 1, 2008, the District issued \$2,020,000 in Sendero Springs/Cornerstone Defined Area Unlimited Tax Bonds with an average interest rate of 6.00%. The net proceeds of approximately \$1,897,900 (after payment of approximately \$122,100 in underwriting fees, insurance, and other costs) was deposited with the District investment account to provide payments for capital assets.

In prior years, the District defeased certain outstanding bonds by placing the proceeds of the new bonds and certain District funds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the defeased bonds are not included in the District's financial statements. At September 30, 2008, no bonds were considered defeased.

At September 30, 2008, unlimited tax bonds of approximately \$24,580,000 were authorized by the District but unissued of which \$22,480,000 is for the Defined Area and \$2,100,000 is for improvements to District water, wastewater and drainage systems.

7. PROPERTY TAXES

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Williamson County Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred revenue. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

The combined tax rate was \$0.5000 per \$100 assessed valuation District-wide, except for the Sendero Springs/Cornerstone Defined Area. Sendero Springs/Cornerstone Defined Area had additional tax rates of \$0.3600 per \$100 assessed valuation. The total 2007 tax levy was \$5,329,747 based on a taxable valuation of \$1,006,044,477.

8. AMOUNTS COLLECTED FOR CAPITAL IMPROVEMENTS

By an agreement dated March 29, 1996, the District and developers of property within the District agreed to the payment of a fee by the developers to the district. The fee has been established by contract between the District and the developers. The agreement also establishes the restrictions for the use of the fees. The fees collected under this agreement totaled \$312,118 for the year ended September 30, 2008 and are within the capital projects fund.

9. COMMITMENTS

The District has entered into several utility development agreements with developers of property within the District. Under the terms of the agreements, a developer funds the cost of construction water, wastewater and drainage facilities for a specified project which has been approved by the District. The District agrees to purchase the facilities at a price to be determined by the Texas Commission on environmental Quality, but not to exceed the amount actually expended by the developer plus interest from the dates of expenditure to the date of payment by the District.

In August, 1998, the Board of Directors authorized the District to enter into a contract with the Brazos River Authority (“BRA”) for participation in the Williamson County Raw Water Line Project. The project is for the construction and maintenance of facilities capable of transporting water from Lake Stillhouse Hollow to Lake Georgetown. The BRA expects to issue approximately \$40,000,000 of debt to finance construction of the project for which total debt service payments are anticipated to be approximately 10%, and the District’s average annual payment to cover its share of the debt service would be approximately \$210,000.

In October, 2000, the Board of Directors authorized the District to enter into a contract with the BRA and the Lower Colorado River Authority (“LCRA”) for participation in the Sub Regional Wastewater Collection, Treatment and Disposal System. The LCRA will utilize its reserved capacity in the system to receive wastewater from the District’s wastewater collection system. The BRA will operate and maintain the system in order to receive wastewater from the customers’ wastewater collection systems and to treat and dispose of such wastewater. The District will pay charges on the system, their annual estimates for sub regional operation and maintenance expenses and the resulting estimates of sub regional capital charges and sub regional flow charges. The District’s average annual payment would be approximately \$1,900,000 over a period of 40 years.

10. PENSION PLAN

The District provides retirement, disability, and death benefits for all of its non temporary full-time employees through a nontraditional defined benefit pension plan in statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 506 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (“CAFR”) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

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

Funding Policy - The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The District contributed using the actuarially determined rate of 4.28% for 2008. The contribution rate payable by the employee members for calendar years 2007 and 2006 was 4.87% and 4.91%, respectively, as adopted by the governing body of the District. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

Annual Pension Costs - For the District’s accounting year ending September 30, 2008, the annual pension cost for the TCDRS plan for its employees was \$82,380 and the actual contributions were \$82,380.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations, the basis for determining the contribution rates for calendar years 2006, 2007 and 2008. The December 31, 2007 actuarial valuation is the most recent valuation.

Actuarial Valuation Information:

Actuarial valuation date	12/31/2005	12/31/2006	12/31/2007
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period	20.0 years	30.0 years	20 years
Asset valuation method	Long term appreciation with adjustment	Ten year smoothed value and fund value	Ten year smoothed value and fund value

Actuarial Assumptions:

Investment return	8.0%	8.0%	8.0%
Projected salary increases	5.3%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Trend information for the retirement plan for the employees of the District:

<u>Accounting Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2006	\$ 54,388	100%	-
September 30, 2007	84,813	100%	-
September 30, 2008	82,380	100%	-

The following is a schedule of funding progress for the retirement plan for the employees of the District for the three calendar years ended December 31, 2007:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded/Overfunded AAL (U/OAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll* (c)</u>
December 31, 2005	\$ 584,530	\$ 664,729	\$ (80,199)	87.94%	6.48%
December 31, 2006	720,798	728,489	(7,691)	98.94%	0.63%
December 31, 2007	921,827	847,963	73,864	108.71%	5.11%

*The annual covered payroll is based on the employee contributions paid to TCDRS for the year ending with the valuation date.

11. DESIGNATED FUND BALANCE

The Board designated \$188,970 of fund balance to pay for parks capital. In addition, the Board designated fund balance for the purpose of funding projects to pay future costs to third parties that arise.

The amounts designated for funding projects as of September 30, 2008 are:

Disc golf parking lot	\$ 78,000
Parks master plan	30,000
Scanning software	15,000
Phase II of signs	80,000
Walsh Ranch Trail	15,000
New servers and server room	95,000
WTF upgrades/repairs	<u>267,000</u>
Total designated fund balance	<u>\$ 580,000</u>

12. RISK MANAGEMENT

The District’s risk management program includes coverage through third party insurance providers for commercial general liability, property, boiler and machinery, inland marine, pollution, automobile, public officials’ liability, public officials’ bond, and workers’ compensation. During the year ended September 30, 2008, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

13. INTER-FUND DEBT FORGIVENESS

In fiscal year 2008, the District’s Board passed a resolution forgiving debt between the Capital Projects Fund and the Debt Service Fund. The \$202,795 debt owed to the Capital Projects Fund from the Debt Service Fund represented an error in posting of inter-fund transactions related to bond proceeds.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED BY TEXAS COMMISSION ON ENVIRONMENTAL QUALITY YEAR ENDED SEPTEMBER 30, 2008

SCHEDULE INCLUDED

YES NO

<u>X</u>	<u> </u>	TSI-0 Notes Required by the Water District Accounting Manual
<u>X</u>	<u> </u>	TSI-1 Schedule of Services and Rates
<u>X</u>	<u> </u>	TSI-2 Schedule of General Fund Expenditures
<u>X</u>	<u> </u>	TSI-3 Schedule of Temporary Investments
<u>X</u>	<u> </u>	TSI-4 Analysis of Taxes Levied and Receivable
<u>X</u>	<u> </u>	TSI-5 Long-Term Debt Service Requirements by Years
<u>X</u>	<u> </u>	TSI-6 Analysis of Changes in Long-Term Bonded Debt
<u>X</u>	<u> </u>	TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Years
<u>X</u>	<u> </u>	TSI-8 Board Members, Key Personnel and Consultants

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-0 NOTES REQUIRED BY THE WATER DISTRICT ACCOUNTING MANUAL YEAR ENDED SEPTEMBER 30, 2008

The notes which follow are not necessarily required for fair presentation of the audited basic financial statements of the District which are contained in the preceding section of this report. They are presented in conformity with requirements of the Texas Commission on Environmental Quality to assure disclosure of specifically required facts.

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

Not applicable.

(C) Pension Coverage

See Note 10 to basic financial statements.

(D) Pledge of Revenues

See Note 5 to basic financial statements.

(E) Compliance with Debt Service Requirements

See Note 5 to basic financial statements.

(F) Redemption of Bonds

See Note 5 to basic financial statements.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-1 SCHEDULE OF SERVICES AND RATES
YEAR ENDED SEPTEMBER 30, 2008**

1. Services Provided by the District:

- | | | |
|---|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input checked="" type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
- Participates in joint venture, regional system and or wastewater service (other than emergency interconnect)
- Other (specify): N/A

2. Retail Service Providers:

a. Retail Rates for a 5/8" Meter (or equivalent):

	(1) Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum	Usage Levels
WATER	\$ <u>14</u>	<u>-</u>	<u>Y</u>	\$ <u>2.10</u> winter \$ <u>2.75</u> summer	<u>Sept 15 – May 15</u> <u>May 15 – Sept 15</u>
WASTEWATER	\$ <u>8</u>	<u>-</u>	<u>N</u>	\$ <u>1.90</u>	<u>Per 1,000</u>
SURCHARGE	\$ <u>None</u>				

District employs winter averaging for wastewater usage? Yes No

(1) Basic charge for residents age 65 or older is \$18.66.

Total charges per 10,000 gallons usage: Water: \$ 35.00 winter Wastewater: \$ 27.00
\$ 41.50 summer

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-1 SCHEDULE OF SERVICES AND RATES (continued)
YEAR ENDED SEPTEMBER 30, 2008**

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
<=3/4"	4,951	4,920	x 1.0	4,920
1"	25	25	x 2.5	62.5
1 1/2"	14	14	x 5.0	70
2"	22	22	x 8.0	176
3"	11	11	x 15.0	165
4"	2	2	x 25.0	50
6"	1	1	x 50.0	50
8"	4	4	x 80.0	320
10"	-	-	x 115.0	-
Total Water	5,030	4,999		5,813.5
Total Wastewater	4,728	4,728	x 1.0	4,728

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system:	<u>1,039,051,000</u>	Water Accountability Ratio: (Gallons billed/Gallons pumped) <u>97.04%</u>
Gallons billed to customers:	<u>1,008,258,000</u>	

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent Commission Order: _____

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

If yes, Date of the most recent Commission Order: _____

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-1 SCHEDULE OF SERVICES AND RATES (continued)
YEAR ENDED SEPTEMBER 30, 2008**

5. Location of District:

County(ies) in which district is located:

Williamson

Is the District located entirely within one county?

Yes No

Is the District located within a city?

Entirely Partly Not at all

City(ies) in which District is located:

N/A

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

Entirely Partly Not at all

ETJ's in which district is located:

City of Round Rock

Are Board members appointed by an office outside the District?

Yes No

If yes, by whom?

N/A

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-2 SCHEDULE OF GENERAL FUND EXPENDITURES YEAR ENDED SEPTEMBER 30, 2008

Personnel Expenditures (including benefits)	\$	2,514,138
Professional Fees:		
Auditing		25,000
Legal		158,453
Engineering		26,985
Financial Advisor		-
Purchased Services For Resale-		
Bulk Water and Wastewater Service Purchases		1,584,051
Contracted Services:		
Bookkeeping		-
Utility Manager		-
Appraisal District/Tax Collector		625
Other Contracted Services		213,428
Utilities		635,086
Repairs and Maintenance		882,732
Administrative Expenditures:		
Director's Fees		35,250
Office Supplies		39,309
Insurance		58,257
Other Administrative Expenses		934,087
Capital Outlay:		
Capitalized Assets		709,940
Expenditures not Capitalized		-
Tap Connection Expenditures		103,254
Solid Waste Disposal		602,893
Fire Fighting		-
Parks and Recreation		(a)
Other Expenditures		256,577
TOTAL EXPENDITURES	\$	<u>8,780,065</u>

Number of persons employed by the District: 40 Full-Time 57 Part-Time
(Does not include independent contractors or consultants)

(a) Parks and recreation costs are included within the various General Fund expenditures above. For the year ended September 30, 2008, parks and recreation expenditures were \$2,396,173.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS YEAR ENDED SEPTEMBER 30, 2008

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at September 30, 2008	Accrued Interest Receivable at September 30, 2008
<u>General Fund</u>					
Investment in LOGIC	742006801003	Variable	N/A	\$ 69,231	\$ -
Investment in LOGIC	742006801012	Variable	N/A	375,283	-
Investment in LOGIC	742006801002	Variable	N/A	504,451	-
Investment in TexPool	2461600008	Variable	N/A	7,952,575	-
Investment in TexPool	2461600001	Variable	N/A	84,514	-
Totals				8,986,054	-
<u>Debt Service Fund</u>					
Investment in LOGIC	742006801001	Variable	N/A	4,237,197	-
Investment in TexPool	2461600004	Variable	N/A	3,320,659	-
Totals				7,557,856	-
<u>Capital Projects Fund</u>					
Investment in LOGIC	742006801007	Variable	N/A	855	-
Investment in LOGIC	742006801009	Variable	N/A	528,695	-
Investment in TexPool	2461600007	Variable	N/A	234,791	-
Totals				764,341	-
TOTAL GOVERNMENTAL FUNDS (includes restricted investments)				17,308,251	-
<u>Agency Fund</u>					
Investment in LOGIC	742006801008	Variable	N/A	13,614	-
Investment in LOGIC	742006801010	Variable	N/A	6,613	-
Investment in LOGIC	742006801011	Variable	N/A	214,740	-
Investment in TexPool	2461600003	Variable	N/A	29,372	-
TOTAL AGENCY FUND				264,339	-
TOTAL ALL FUNDS				\$ 17,572,590	\$ -

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-4 ANALYSIS OF TAXES LEVIED AND RECEIVABLE YEAR ENDED SEPTEMBER 30, 2008

	Maintenance Taxes	Debt Service Taxes		
TAXES RECEIVABLE, SEPTEMBER 30, 2007	\$ 11,068	29,495		
2007 Tax Roll	1,831,636	3,498,111		
Adjustments	70,794	128,413		
Total to be accounted for	<u>1,913,498</u>	<u>3,656,019</u>		
Tax collections:				
Current year	1,822,900	3,481,841		
Prior years	12,459	29,644		
Total collections	<u>1,835,359</u>	<u>3,511,485</u>		
TAXES RECEIVABLE, SEPTEMBER 30, 2008	<u>\$ 78,139</u>	<u>144,534</u>		
TAXES RECEIVABLE, BY YEARS:				
2007	\$ 8,024	15,617		
2006	68,018	117,011		
2005	708	3,027		
2004	857	2,877		
2003 and prior	<u>532</u>	<u>6,002</u>		
TAXES RECEIVABLE, SEPTEMBER 30, 2008	<u>\$ 78,139</u>	<u>144,534</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
PROPERTY VALUATIONS -				
Net assessed property valuation	\$ 1,006,044,477	899,729,526	857,515,305	777,650,144
TAX RATES PER \$100 VALUATION:				
Debt service tax rates	\$ 0.3400	0.3900	0.4700	0.4700
Maintenance tax rates	<u>0.1600</u>	<u>0.1300</u>	<u>0.1100</u>	<u>0.1400</u>
District-wide	0.5000	0.5200	0.5800	0.6100
Defined Area	0.3600	0.3600	0.3600	-
ORIGINAL TAX LEVY	<u>\$ 5,329,747</u>	<u>4,678,593</u>	<u>4,931,927</u>	<u>4,743,666</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.6%</u>	<u>96.0%</u>	<u>99.9%</u>	<u>99.9%</u>

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS

SEPTEMBER 30, 2008

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX SERIES 1996			UNLIMITED TAX SERIES 1997			UNLIMITED TAX SERIES 2001		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
	2009	\$ 225,000	76,200	301,200	225,000	106,806	331,806	725,000	394,110
2010	225,000	63,938	288,938	230,000	95,856	325,856	770,000	362,341	1,132,341
2011	250,000	50,875	300,875	250,000	84,156	334,156	810,000	328,766	1,138,766
2012	250,000	37,125	287,125	250,000	71,969	321,969	855,000	293,385	1,148,385
2013	275,000	22,688	297,688	275,000	60,031	335,031	915,000	255,086	1,170,086
2014	275,000	7,563	282,563	300,000	47,813	347,813	960,000	213,356	1,173,356
2015	-	-	-	300,000	35,063	335,063	1,025,000	166,131	1,191,131
2016	-	-	-	325,000	21,781	346,781	190,000	135,756	325,756
2017	-	-	-	350,000	7,438	357,438	200,000	126,006	326,006
2018	-	-	-	-	-	-	210,000	115,756	325,756
2019	-	-	-	-	-	-	225,000	104,881	329,881
2020	-	-	-	-	-	-	235,000	93,381	328,381
2021	-	-	-	-	-	-	250,000	81,256	331,256
2022	-	-	-	-	-	-	265,000	68,381	333,381
2023	-	-	-	-	-	-	275,000	54,709	329,709
2024	-	-	-	-	-	-	295,000	40,103	335,103
2025	-	-	-	-	-	-	310,000	24,600	334,600
2026	-	-	-	-	-	-	325,000	8,328	333,328
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-
	<u>\$ 1,500,000</u>	<u>258,389</u>	<u>1,758,389</u>	<u>2,505,000</u>	<u>530,913</u>	<u>3,035,913</u>	<u>8,840,000</u>	<u>2,866,332</u>	<u>11,706,332</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS (continued)

SEPTEMBER 30, 2008

DUE DURING FISCAL YEARS ENDING 9/30	REVENUE SERIES 2002			UNLIMITED TAX SERIES 2003			UNLIMITED TAX SERIES 2004		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2009	\$ 60,000	39,970	99,970	760,000	753,651	1,513,651	100,000	149,630	249,630
2010	65,000	37,270	102,270	800,000	730,851	1,530,851	105,000	144,630	249,630
2011	65,000	34,215	99,215	835,000	705,851	1,540,851	110,000	139,380	249,380
2012	70,000	31,063	101,063	875,000	677,461	1,552,461	115,000	133,880	248,880
2013	70,000	27,598	97,598	920,000	645,743	1,565,743	120,000	128,130	248,130
2014	75,000	24,063	99,063	965,000	611,243	1,576,243	130,000	122,130	252,130
2015	80,000	20,200	100,200	1,010,000	573,608	1,583,608	135,000	115,630	250,630
2016	85,000	16,000	101,000	1,060,000	533,208	1,593,208	140,000	109,724	249,724
2017	90,000	11,410	101,410	1,115,000	489,218	1,604,218	150,000	104,124	254,124
2018	95,000	6,460	101,460	1,165,000	441,830	1,606,830	155,000	97,974	252,974
2019	20,000	1,140	21,140	1,225,000	391,153	1,616,153	165,000	91,464	256,464
2020	-	-	-	1,285,000	337,253	1,622,253	170,000	84,369	254,369
2021	-	-	-	1,345,000	279,428	1,624,428	180,000	76,889	256,889
2022	-	-	-	1,410,000	217,558	1,627,558	185,000	68,789	253,789
2023	-	-	-	1,480,000	151,288	1,631,288	195,000	60,279	255,279
2024	-	-	-	-	80,988	80,988	205,000	51,260	256,260
2025	-	-	-	-	80,988	80,988	215,000	41,625	256,625
2026	-	-	-	1,705,000	80,988	1,785,988	225,000	31,950	256,950
2027	-	-	-	-	-	-	235,000	21,825	256,825
2028	-	-	-	-	-	-	250,000	11,250	261,250
2029	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-
	<u>\$ 775,000</u>	<u>249,389</u>	<u>1,024,389</u>	<u>17,955,000</u>	<u>7,782,308</u>	<u>25,737,308</u>	<u>3,285,000</u>	<u>1,784,932</u>	<u>5,069,932</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS (continued)

SEPTEMBER 30, 2008

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX SERIES 2005			UNLIMITED TAX REFUNDING SERIES 2007			DEFINED AREA UNLIMITED TAX SERIES 2008		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
	2009	\$ 100,000	388,398	488,398	25,000	312,413	337,413	45,000	105,980
2010	100,000	384,398	484,398	25,000	311,475	336,475	50,000	103,280	153,280
2011	100,000	380,398	480,398	25,000	310,538	335,538	55,000	100,280	155,280
2012	100,000	376,398	476,398	25,000	309,600	334,600	55,000	96,980	151,980
2013	100,000	370,898	470,898	25,000	308,663	333,663	60,000	93,680	153,680
2014	100,000	365,398	465,398	30,000	307,725	337,725	60,000	90,080	150,080
2015	100,000	359,898	459,898	325,000	306,600	631,600	65,000	86,480	151,480
2016	100,000	354,398	454,398	325,000	293,600	618,600	70,000	82,580	152,580
2017	190,000	348,898	538,898	20,000	280,600	300,600	70,000	79,080	149,080
2018	555,000	339,398	894,398	20,000	279,800	299,800	75,000	75,580	150,580
2019	570,000	311,648	881,648	25,000	279,000	304,000	80,000	71,830	151,830
2020	595,000	294,548	889,548	25,000	278,000	303,000	85,000	67,830	152,830
2021	620,000	276,698	896,698	25,000	277,000	302,000	90,000	63,580	153,580
2022	650,000	251,278	901,278	25,000	276,000	301,000	90,000	59,080	149,080
2023	685,000	224,628	909,628	25,000	275,000	300,000	95,000	54,580	149,580
2024	715,000	195,858	910,858	1,570,000	274,000	1,844,000	100,000	49,830	149,830
2025	755,000	165,828	920,828	1,635,000	211,200	1,846,200	105,000	44,830	149,830
2026	790,000	134,118	924,118	1,785,000	145,800	1,930,800	110,000	39,580	149,580
2027	1,160,000	100,938	1,260,938	1,860,000	145,800	2,005,800	120,000	34,080	154,080
2028	1,215,000	51,638	1,266,638	-	74,400	74,400	125,000	28,080	153,080
2029	-	-	-	-	-	-	130,000	21,580	151,580
2030	-	-	-	-	-	-	140,000	14,820	154,820
2031	-	-	-	-	-	-	145,000	7,540	152,540
	<u>\$ 9,300,000</u>	<u>5,675,660</u>	<u>14,975,660</u>	<u>7,820,000</u>	<u>5,257,214</u>	<u>13,077,214</u>	<u>2,020,000</u>	<u>1,471,240</u>	<u>3,491,240</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued) SEPTEMBER 30, 2008

DUE DURING FISCAL YEARS ENDING 9/30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Principal Due	Interest Due	Total
2009	\$ 2,265,000	2,327,158	4,592,158
2010	2,370,000	2,234,039	4,604,039
2011	2,500,000	2,134,459	4,634,459
2012	2,595,000	2,027,861	4,622,861
2013	2,760,000	1,912,517	4,672,517
2014	2,895,000	1,789,371	4,684,371
2015	3,040,000	1,663,610	4,703,610
2016	2,295,000	1,547,047	3,842,047
2017	2,185,000	1,446,774	3,631,774
2018	2,275,000	1,356,798	3,631,798
2019	2,310,000	1,251,116	3,561,116
2020	2,395,000	1,155,381	3,550,381
2021	2,510,000	1,054,851	3,564,851
2022	2,625,000	941,086	3,566,086
2023	2,755,000	820,484	3,575,484
2024	2,885,000	692,039	3,577,039
2025	3,020,000	569,071	3,589,071
2026	4,940,000	440,764	5,380,764
2027	3,375,000	302,643	3,677,643
2028	1,590,000	165,368	1,755,368
2029	130,000	21,580	151,580
2030	140,000	14,820	154,820
2031	145,000	7,540	152,540
	<u>\$ 54,000,000</u>	<u>25,876,377</u>	<u>79,876,377</u>

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-6 ANALYSIS OF CHANGES IN LONG-TERM DEBT SEPTEMBER 30, 2008

	Unlimited Tax Series 1996	Unlimited Tax Series 1997	Unlimited Tax Series 2001	Revenue Series 2002	Unlimited Tax Series 2003	Unlimited Tax Series 2004	Unlimited Tax Series 2005	Refunding Series 2007	Defined Area Unlimited Tax Series 2008
Interest rate	5.00 to 5.50%	4.25 to 6.25%	3.35 to 5.00%	2.50 to 5.90%	3.125 to 5.50%	4.00 to 5.00%	3.00 to 5.00%	3.75 to 4.00%	3.75 to 4.00%
Dates interest payable	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1
Maturity dates	6/1/14	6/1/17	6/1/26	12/1/19	6/1/26	6/1/28	6/1/28	6/1/28	6/1/31
Bonds outstanding, beginning of year	\$ 1,700,000	2,730,000	9,525,000	835,000	18,680,000	3,285,000	9,500,000	7,840,000	-
Bonds issued during current year	-	-	-	-	-	-	-	-	2,020,000
Bonds retired during current year	<u>(200,000)</u>	<u>(225,000)</u>	<u>(685,000)</u>	<u>(60,000)</u>	<u>(725,000)</u>	-	<u>(200,000)</u>	<u>(20,000)</u>	-
Bonds outstanding, end of year	<u>\$ 1,500,000</u>	<u>2,505,000</u>	<u>8,840,000</u>	<u>775,000</u>	<u>17,955,000</u>	<u>3,285,000</u>	<u>9,300,000</u>	<u>7,820,000</u>	<u>2,020,000</u>
Interest paid during current year	<u>\$ 92,875</u>	<u>122,556</u>	<u>440,341</u>	<u>42,550</u>	<u>779,026</u>	<u>149,630</u>	<u>396,398</u>	<u>313,163</u>	<u>44,158</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-6 ANALYSIS OF CHANGES IN LONG-TERM DEBT (continued)

SEPTEMBER 30, 2008

	<u>Grand Totals</u>
Bonds outstanding, beginning of year \$	54,095,000
Bonds issued during current year	2,020,000
Bonds retired during current year	<u>(2,115,000)</u>
Bonds outstanding, end of year	<u>\$ 54,000,000</u>
Interest paid during current year	<u>\$ 2,380,697</u>

Paying agent's name & address: Series 2001, 2003, 2004,
2005, 2007 and 2008

Wells Fargo Bank
608 2nd Avenue
Minneapolis, Minnesota 55479

Series 1996 and 1997 JP Morgan Chase Bank of Texas
P.O. Box 2320
Dallas, Texas 75221-2320

Series 2002 JP Morgan Chase Bank of Texas
P.O. Box 710380
Columbus, Ohio 43271-0380

	<u>Tax Bonds*</u>	<u>Defined Area</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Bond authority:				
Amount authorized	\$ 74,100,000	24,500,000	-	31,209,998
Amount issued	72,000,000	2,020,000	-	31,209,998
Remaining to be issued	<u>\$ 2,100,000</u>	<u>22,480,000</u>	<u>-</u>	<u>-</u>

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

Debt Service Fund cash and temporary investments balances
as of September 30, 2008: \$ 7,748,577

Average annual debt service payments (principal & interest)
for remaining term of debt: \$ 3,472,886

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND AND DEBT SERVICE FUND FIVE YEARS ENDED SEPTEMBER 30, 2008

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004
GENERAL FUND										
REVENUES:										
Water and wastewater service	\$ 4,644,809	3,833,371	4,169,008	3,850,979	3,763,033	54.0 %	50.3	56.0	46.0	58.6
Garbage collection	734,653	706,381	654,702	561,363	521,347	8.5	9.3	8.8	6.7	8.1
Inspection fees	139,889	211,706	124,664	92,375	50,175	1.6	2.8	1.7	1.2	0.8
Tap and other connection fees	12,685	61,206	125,386	188,073	101,147	0.1	0.8	1.7	2.2	1.6
Recreation center	636,669	755,982	666,742	594,358	423,920	7.4	9.9	9.0	7.1	6.6
Park and recreation fees	209,995	160,495	143,955	121,415	117,962	2.4	2.1	1.9	1.5	1.8
Property taxes, including penalties and interest	1,842,478	1,313,384	988,237	1,097,818	1,313,457	21.4	17.2	13.3	13.1	20.4
Investment earnings	313,554	354,634	177,135	136,325	47,805	3.7	4.7	2.4	1.6	0.7
Other	73,091	222,883	379,739	335,411	87,279	0.9	2.9	5.1	4.0	1.4
Note payable proceeds	-	-	-	1,131,595	-	-	-	-	13.5	-
Developer contributions	-	-	12,204	260,000	-	-	-	0.1	3.1	-
Total revenues and other sources	8,607,823	7,620,042	7,441,772	8,369,712	6,426,125	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Current:										
Personnel (including benefits)	2,549,388	2,335,935	1,868,188	1,943,562	1,761,537	29.6	30.7	25.1	23.2	27.4
Purchased services for resale	2,186,944	1,254,313	2,108,286	2,860,854	2,656,137	25.4	16.5	28.3	34.2	41.3
Administrative	1,106,671	953,384	504,991	342,000	618,505	12.8	12.5	6.8	4.1	9.6
Repairs and maintenance	882,732	354,968	261,900	253,886	223,680	10.3	4.7	3.5	3.0	3.5
Utilities	635,086	469,428	479,494	325,908	246,067	7.4	6.2	6.4	3.9	3.8
Professional services	393,326	416,205	210,094	178,644	211,092	4.6	5.5	2.8	2.2	3.3
Contracted services	213,428	364,461	201,852	249,058	256,870	2.5	4.8	2.7	3.0	4.0
Capital outlay	709,940	128,889	96,222	1,532,379	1,709,142	8.2	1.7	1.3	18.3	26.6
Principal payments	60,000	591,763	230,240	384,189	-	0.7	7.8	3.1	4.6	-
Interest and fiscal charges	42,550	94,274	107,112	19,015	-	0.5	1.2	1.4	0.2	-
Total expenditures and other uses	8,780,065	6,963,620	6,068,379	8,089,495	7,683,030	102.0	91.4	81.5	96.7	119.6
TRANSFERS IN (OUT)	179,450	-	-	-	50,000	2.1	-	-	-	0.8
INTERFUND FORGIVENESS OF DEBT	-	1,678,212	-	-	-	-	22.0	-	-	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 7,208	2,334,634	1,373,393	280,217	(1,206,905)	0.1 %	30.6	18.5	3.3	(18.8)

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND AND DEBT SERVICE FUND (continued) FIVE YEARS ENDED SEPTEMBER 30, 2008

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004
<u>DEBT SERVICE FUND</u>										
REVENUES:										
Property taxes, including penalties and interest	\$ 3,527,157	3,544,987	3,899,431	3,675,913	3,374,655	92.9	% 29.9	50.4	97.7	94.1
Investment earnings	269,220	539,765	230,259	87,756	57,612	7.1	4.6	3.0	2.3	1.6
Proceeds from the sale of capital assets	-	-	3,600,000	-	-	-	-	46.6	-	-
Bond proceeds	-	7,840,000	-	-	154,202	-	66.2	-	-	4.3
Discount on refunding debt	-	(87,585)	-	-	-	-	(0.7)	-	-	-
Total revenues and other sources	<u>3,796,377</u>	<u>11,837,167</u>	<u>7,729,690</u>	<u>3,763,669</u>	<u>3,586,469</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES:										
Principal payments	2,276,083	12,454,333	4,802,906	4,654,345	3,321,229	60.0	105.2	62.2	123.7	92.6
Interest and fiscal charges	2,120,635	-	-	-	-	55.9	-	-	-	-
Tax appraisal and collection	50,607	-	-	-	-	1.3	-	-	-	-
Administrative expenditures	7,070	1,091	19,049	41,426	7,626	0.2	-	0.2	1.1	0.2
Professional fees	9,104	17,340	-	-	-	0.2	0.1	-	-	-
Contract services	1,386	43,400	-	-	-	-	0.4	-	-	-
Bond issuance costs	-	244,091	-	-	-	-	2.1	-	-	-
Total expenditures and other uses	<u>4,464,885</u>	<u>12,760,255</u>	<u>4,821,955</u>	<u>4,695,771</u>	<u>3,328,855</u>	<u>117.6</u>	<u>107.8</u>	<u>62.4</u>	<u>124.8</u>	<u>92.8</u>
TRANSFERS IN (OUT)	<u>1,424,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,411,503</u>	<u>37.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67.2</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 755,589</u>	<u>(923,088)</u>	<u>2,907,735</u>	<u>(932,102)</u>	<u>2,669,117</u>	<u>19.9</u>	<u>% (7.8)</u>	<u>37.6</u>	<u>(24.8)</u>	<u>74.4</u>
TOTAL ACTIVE RETAIL WATER AND/OR WASTEWATER CONNECTIONS	<u>\$ 4,999</u>	<u>4,931</u>	<u>4,767</u>	<u>4,625</u>	<u>4,495</u>					

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS SEPTEMBER 30, 2008

Complete District Mailing Address: 16318 Great Oaks Drive
Round Rock, Texas 78681

District Business Telephone Number: (512) 255-7871

Submission date of the most recent District Registration Form: March 19, 2008
(TWC Sections 36.054 and 49.054)

Limit on fees of office that a director may receive during a fiscal y \$7,200
(Set by Board Resolution - TWC Sections 49.060)

<u>Name and Address</u>	<u>Term of Office Elected & Expires or Date Hired</u>	<u>Fees</u>	<u>Expense Reimbursements 9/30/08</u>	<u>Title at Year End</u>
<u>Board Members:</u>				
Paul J. Tisch	5/06-5/10	\$7,050	\$50	President
Cristine A. Yackle	5/06-5/10	\$7,200	\$655	Vice President
Russ Shermer	5/08-5/12	\$6,600	-	Secretary
Rebecca B. Tullos	5/06-5/10	\$7,200	-	Treasurer
Bob Grahl	5/08-5/12	\$7,200	\$50	Assistant Treasurer and Assistant Secretary

Note: No director is disqualified from serving on this board under the Texas Water Code.

Key Administrative Personnel:

Tom Clark	2006	\$125,615	\$7,080	General Manager
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BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (continued) SEPTEMBER 30, 2008

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements 9/30/08</u>	<u>Title at Year End</u>
<u>Consultants:</u>			
Freeman & Corbett, L.L.P.	2002	\$145,281	Attorney
Judy Osborn	2004	\$11,430	Attorney
Padgett & Stratemann, Co., L.L.P.	1999	\$33,000	Auditor
K. Friese & Nichols	2007	\$92,956	Engineer
Carter Burgess	2007	\$71,778	Engineer
PBS&J	2007	\$11,264	Engineer
Williamson Central Appraisal District	1981	\$50,607	Tax Appraiser
Williamson County Tax Office	1981	\$1,386	Tax Collector
Ray and Associates	2007	\$21,372	Employment Consultant

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-1. PRINCIPAL TAXPAYERS SEPTEMBER 30, 2008

Taxpayer	Type of Property	Tax Roll Year		
		2008	2007	2006
Amaravathi LTD Partnership & Amaravathi Keerthi LLC	Land & Improvements	\$ 69,872,300	\$ 72,388,459	\$ -
HE Butt Inc.	Land & Improvements	7,978,433	7,978,433	7,516,098
The Park at Brushy Creek LTD	Land & Improvements	6,763,528	3,286,601	-
Highland 620 Land Investment LTD	Land & Improvements	5,064,900	5,064,900	-
MGP, XXII LLC	Land & Improvements	4,549,089	4,471,982	4,367,197
Kopels Peter A & Henry Aratow	Land & Improvements	4,464,812	4,729,145	3,919,891
Laquinta Medical Partners LP & Bruce & M. Voedean Simpson Tr of Simpson Fam Trust	Land & Improvements	4,020,237	-	-
KC 3 Cat Hollow LP	Land & Improvements	3,795,329	-	-
Hy-Land North Joint Venture	Land & Improvements	3,622,127	4,053,500	4,009,206
Atmos Energy/Mid-Tex Distribution	Land & Improvements	3,569,960		
Wessington Properties LLP	Land & Improvements	-	3,559,193	-
HEB Grocery Company LP	Land & Improvements	-	3,160,952	4,327,910
Highland Six Twenty Residential LTD	Land & Improvements	-	3,149,726	-
Western RIM Investors 2000-1 & Perley Mansions on the Green & Howard & R Perley	Land & Improvements	-	-	31,376,660
Western RIM Investors 2000-1 LP & Cliffbrook Partners 19991-1 LP	Land & Improvements	-	-	23,713,505
TWE-Andvance/Newhouse Partnership	Land & Improvements	-	-	3,004,690
Streetman Homes LTD LLP	Land & Improvements	-	-	2,213,645
Boardwalk Creek LLC	Land & Improvements	-	-	2,074,042
Total		\$ 113,700,715	\$ 111,842,891	\$ 86,522,844
Percent of Assessed Valuation		10.5%	10.9%	9.8%

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-2. ASSESSED VALUE BY CLASSIFICATION SEPTEMBER 30, 2008

Type of Property	Tax Roll Year					
	2008		2007		2006	
	Amount	%	Amount	%	Amount	%
Real, Single Family	\$ 933,261,233	85.9%	\$ 870,154,260	85.0%	\$ 758,022,865	86.2%
real, Multi Family	71,412,162	6.6%	73,949,687	7.2%	54,911,207	6.2%
Real, Vacant Platted Lots/Tracts	8,040,378	0.7%	5,328,417	0.5%	12,272,851	1.4%
Real, Acreage (Land Only)	10,364,402	1.0%	12,059,395	1.2%	7,110,260	0.8%
Real, Farm and Ranch Improvement	-	0.0%	-	0.0%	-	0.0%
Real, Commercial	46,760,544	4.3%	45,186,517	4.4%	34,012,107	3.9%
Real & Intangible Personal, Utilities	8,515,608	0.8%	6,812,997	0.7%	6,402,219	0.7%
Tangible Personal business	5,306,451	0.5%	5,970,585	0.6%	2,105,232	0.2%
Real Inventory	2,233,848	0.2%	4,225,922	0.4%	4,905,062	0.6%
Total	\$1,085,894,626	100%	\$ 1,023,687,780	100%	\$ 879,741,803	100%