

**BRUSHY CREEK
MUNICIPAL UTILITY DISTRICT**

**Financial Statements and
Supplemental Information for the
Year Ended September 30, 2009
and Independent Auditors' Report**

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
ANNUAL FILING AFFIDAVIT	1
INDEPENDENT AUDITORS' REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets and Governmental Funds Balance Sheet	10
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	12
Statement of Fiduciary Assets and Liabilities	13
Notes to Basic Financial Statements	14-27
SUPPLEMENTAL INFORMATION:	
Index of Supplemental Schedules Required by Texas Commission on Environmental Quality	28
Supplemental Schedules Required by Texas Commission on Environmental Quality	29-46
OTHER SUPPLEMENTAL INFORMATION:	
Principal Taxpayers	47-48
Assessed Value by Classification	49

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, 2009, 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, 2009, 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.

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 Socha + Pitter LLP

January 28, 2010

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis For the Year Ended September 30, 2009

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, 2009. 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 \$12,587,793 (*net assets*). Of this amount, \$6,545,396 (*unrestricted net assets*) may be used to meet the government's ongoing obligations.
- The District passed a \$2,365,000 bond issue in June 2009 to fund purchases of capital assets of the Sendero Springs/Cornerstone Defined Area.
- The District passed a \$7,975,000 refunding bond issue in August 2009 to make early principal and interest payments on the District's Series 1996, 1997, and 2001 bonds.
- The District's net property tax values increased by approximately \$144 million or 14.3% from \$1,006,044,477 to \$1,149,812,324. The District-wide tax rate remained the same as prior year at \$0.50 per \$100 of assessed value. Total tax revenue increased by approximately \$385,000.

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 Balances*
 - *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 Balances* 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, 2009. 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 Balances*.

Schedules required by the Texas Commission on Environmental Quality are presented immediately following the *Notes to Basic Financial Statements*.

Comparative Financial Statements

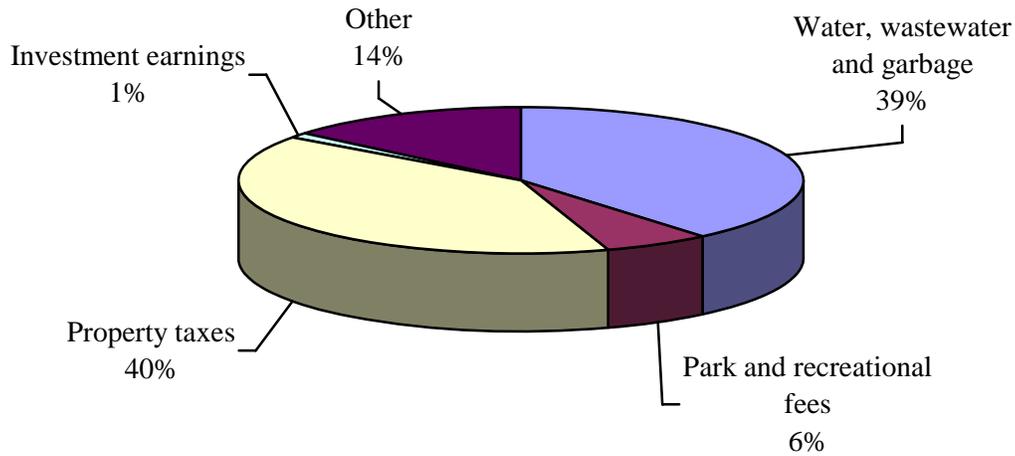
Statement of Net Assets

	Governmental Activities		
	2009	2008	% Change
Current and other assets	\$ 20,453,020	\$ 20,573,292	(0.6%)
Capital and non-current assets	49,497,533	48,147,340	2.8%
Total assets	\$ 69,950,553	\$ 68,720,632	1.8%
Current liabilities	\$ 5,371,106	\$ 5,042,845	6.5%
Long-term liabilities	51,991,654	51,735,000	0.5%
Total liabilities	\$ 57,362,760	\$ 56,777,845	1.0%
Invested in capital assets, net of related debt	\$ (387,480)	\$ (896,709)	56.8%
Restricted	6,429,877	6,471,286	(0.6%)
Unrestricted	6,545,396	6,368,210	2.8%
Total net assets	\$ 12,587,793	\$ 11,942,787	5.4%

The District’s total assets were approximately \$70.0 million as of September 30, 2009. Of this amount, approximately \$48.2 million is accounted for by capital assets. The District had outstanding liabilities of approximately \$57.4 million of which approximately \$54.0 million represent bonds and note payable.

The District’s property tax assessed value in 2009 was approximately \$1,150 million compared to approximately \$1,066 million in 2008. 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		
	2009	2008	% Change
Water, wastewater and garbage	\$ 5,870,807	\$ 5,379,462	9.1%
Property taxes	5,936,963	5,551,745	6.9%
Parks and recreational fees	933,378	846,664	10.2%
Investment earnings	195,341	647,477	(69.8%)
Contributed capital assets	1,453,897	-	100%
Other	543,088	537,783	1%
Total revenues	14,933,474	12,963,131	15.2%
Water, wastewater and garbage	2,491,189	2,186,944	13.9%
Salary and related expenditures	2,721,030	2,546,337	6.9%
Administrative	1,120,910	980,466	14.3%
Repairs and maintenance	704,841	882,732	(20.2%)
Utilities	645,605	635,086	1.7%
Professional fees	340,797	284,320	19.9%
Contracted services	161,886	214,814	(24.6%)
Other	336,898	301,992	11.6%
Capital outlay	44,347	147,456	(69.9%)
Debt service	2,318,509	2,178,872	6.4%
Depreciation	3,402,456	3,749,913	(9.3%)
Total expenses	14,288,468	14,108,932	1.3%
Loss from sale of capital assets	-	(15,158)	(100%)
Change in net assets	645,066	(1,160,959)	155.6%
Beginning net assets	11,942,787	13,103,746	(8.9%)
Ending net assets	\$ 12,587,793	\$ 11,942,787	5.4%

Operating revenues increased by approximately \$2.0 million to approximately \$14.9 million for the fiscal year ended September 30, 2009. Water, wastewater and garbage service provided approximately \$5.9 million, and property taxes generated approximately \$5.9 million in revenues. Along with the water revenue increase for the fiscal year, there was an increase in builder fee revenue from the previous year. Total expenses increased approximately \$180,000 to approximately \$14.3 million for the fiscal year ended September 30, 2009. Salary and related expenditures increased approximately \$175,000 due to the addition of three new positions within the District – two new water operators and one new IT position. Net assets increased approximately \$645,000 for the fiscal year ended September 30, 2009 compared to a decrease of approximately \$1.2 million for the fiscal year ended September 30, 2008.

Analysis of Governmental Funds

	2009	2008
Cash	\$ 863,787	\$ 2,130,846
Investments	18,699,763	17,308,251
Receivables	881,708	1,128,019
Interfund receivable	5,228,796	4,910,388
Deposits	7,762	6,176
Total assets	\$ 25,681,816	\$ 25,483,680
Accounts payable	\$ 675,185	\$ 644,983
Refundable deposits	529,050	506,213
Other liabilities	403,802	100,641
Interfund payable	5,228,796	4,910,388
Due to agency fund	458,521	458,521
Deferred revenue	101,576	275,725
Total liabilities	7,396,930	6,896,471
Reserved for debt service	7,140,989	6,326,752
Reserved for capital projects	4,565,781	5,180,269
Designated fund balance	708,107	768,970
Unreserved	5,870,009	7,080,188
Total fund balances	18,284,886	18,587,209
Total liabilities and fund balances	\$ 25,681,816	\$ 25,483,680

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, engineering fees, and repairs and maintenance were higher than budget. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

The *Debt Service Fund* includes property taxes collected to retire bond principal and to pay interest due.

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

Capital Assets

	2009	2008
Land	\$ 2,562,724	\$ 2,562,724
Construction in process	97,151	74,278
Water, wastewater, and drainage systems	69,594,506	65,280,748
Easements and rights-of-way	901,891	901,891
Buildings and improvements	4,157,628	4,157,628
Furniture and equipment	1,577,026	1,577,026
Park and recreational facilities	3,799,417	3,799,417
Automobiles and trucks	129,996	116,216
Subtotal	82,820,339	78,469,928
Accumulated depreciation	(34,571,509)	(31,169,053)
Total	\$ 48,248,830	\$ 47,300,875

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

Long-Term Debt Activity

	2009	2008
District-wide:		
Series 1996 Bonds	\$ 225,000	\$ 1,500,000
Series 1997 Bonds	230,000	2,505,000
Series 2001 Bonds	3,070,000	8,840,000
Series 2002 Bonds	715,000	775,000
Series 2003 Bonds	17,195,000	17,955,000
Series 2004 Bonds	3,185,000	3,285,000
Series 2005 Bonds	9,200,000	9,300,000
Series 2007 Bonds	7,795,000	7,820,000
Series 2009 Refunding Bonds	7,975,000	-
Note payable	74,140	224,318
Total District-wide	49,664,140	52,204,318
Defined Area:		
Series 2008 Bonds	1,975,000	2,020,000
Series 2009 Bonds	2,365,000	-
Total Defined Area	4,340,000	2,020,000
Total	\$ 54,004,140	\$ 54,224,318

The District owes \$54 million to bond holders. During the year, the District issued \$2,365,000 in bonds for Sendero Springs/Cornerstone Defined Area and \$7,975,000 in refunding bonds to pay principal and interest on Series 1996, 1997, and 2001 bonds. The principal balance of outstanding bonds and the note payable was reduced by approximately \$10,560,000 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 2010 projects a General Fund fund balance decrease of approximately \$53,000. When compared to the 2009 budget, revenues are expected to increase by approximately 4% due to an increase in water, wastewater, and garbage revenue and property tax revenue. Expenses are expected to decrease by approximately 7%.

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, 2009

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET ASSETS
ASSETS						
Cash	\$ 547,882	131,707	184,198	863,787	-	863,787
Investments	8,701,895	8,443,927	1,027,839	18,173,661	-	18,173,661
Receivables:						
Service accounts, net	793,724	-	-	793,724	-	793,724
Taxes	9,195	18,159	-	27,354	-	27,354
Other	60,630	-	-	60,630	-	60,630
Due from other funds	1,416,531	-	3,812,265	5,228,796	(5,228,796)	-
Deposits	7,762	-	-	7,762	-	7,762
Restricted investments for customer deposits	526,102	-	-	526,102	-	526,102
Deferred charges - bond issuance costs	-	-	-	-	1,248,703	1,248,703
Capital assets (net of accumulated depreciation):						
Land	-	-	-	-	2,562,724	2,562,724
Construction in process	-	-	-	-	97,151	97,151
Easements and rights-of-way	-	-	-	-	774,774	774,774
Water, wastewater and drainage systems	-	-	-	-	39,231,053	39,231,053
Building and improvements	-	-	-	-	3,273,447	3,273,447
Furniture and equipment	-	-	-	-	243,853	243,853
Park and recreational facilities	-	-	-	-	1,997,318	1,997,318
Automobiles and trucks	-	-	-	-	68,510	68,510
Total assets	<u>\$ 12,063,721</u>	<u>8,593,793</u>	<u>5,024,302</u>	<u>25,681,816</u>	<u>44,268,737</u>	<u>69,950,553</u>
LIABILITIES						
Accounts payable	\$ 675,185	-	-	675,185	-	675,185
Customer deposits	529,050	-	-	529,050	-	529,050
Other liabilities	403,802	-	-	403,802	-	403,802
Due to other funds	3,794,151	1,434,645	-	5,228,796	(5,228,796)	-
Due to agency fund	-	-	458,521	458,521	-	458,521
Accrued bond interest payable	-	-	-	-	729,271	729,271
Deferred revenue	83,417	18,159	-	101,576	(27,354)	74,222
Accrued vacation leave	-	-	-	-	41,915	41,915
Long-term liabilities:						
Due within one year	-	-	-	-	2,459,140	2,459,140
Due after one year	-	-	-	-	51,991,654	51,991,654
Total liabilities	<u>5,485,605</u>	<u>1,452,804</u>	<u>458,521</u>	<u>7,396,930</u>	<u>49,965,830</u>	<u>57,362,760</u>
FUND BALANCES/NET ASSETS						
Fund balances:						
Reserved for debt service	-	7,140,989	-	7,140,989	(7,140,989)	-
Reserved for capital projects	-	-	4,565,781	4,565,781	(4,565,781)	-
Designated for parks capital	403,107	-	-	403,107	(403,107)	-
Designated for projects	305,000	-	-	305,000	(305,000)	-
Unreserved	5,870,009	-	-	5,870,009	(5,870,009)	-
Total fund balance	<u>6,578,116</u>	<u>7,140,989</u>	<u>4,565,781</u>	<u>18,284,886</u>	<u>(18,284,886)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 12,063,721</u>	<u>8,593,793</u>	<u>5,024,302</u>	<u>25,681,816</u>		
Net assets:						
Investment in capital assets, net of related debt					(387,480)	(387,480)
Restricted for debt service					6,429,877	6,429,877
Unrestricted					6,545,396	6,545,396
Total net assets					<u>\$ 12,587,793</u>	<u>12,587,793</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, 2009

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:						
Service operations:						
Personnel (including benefits)	\$ 2,681,137	-	-	2,681,137	4,530	2,685,667
Water and wastewater purchases	1,660,739	-	-	1,660,739	-	1,660,739
Administrative	1,120,910	-	-	1,120,910	-	1,120,910
Repairs and maintenance	704,841	-	-	704,841	-	704,841
Utilities	645,605	-	-	645,605	-	645,605
Garbage fees	830,450	-	-	830,450	-	830,450
Contracted services	161,886	-	-	161,886	-	161,886
Other consulting	174,075	-	-	174,075	-	174,075
Legal fees	182,600	-	952	183,552	-	183,552
Security fees	58,811	-	-	58,811	-	58,811
Insurance	66,750	-	-	66,750	-	66,750
Tax appraisal/collection fees	66	52,443	-	52,509	-	52,509
Audit fees	56,075	9,000	-	65,075	-	65,075
Engineering fees	33,359	-	-	33,359	-	33,359
Directors' fees	35,363	-	-	35,363	-	35,363
Other	43,564	-	-	43,564	-	43,564
Capital outlay	601,532	-	2,339,329	2,940,861	(2,896,514)	44,347
Debt service:						
Principal payments	60,000	10,350,000	-	10,410,000	(10,410,000)	-
Interest and fiscal charges	39,970	2,408,978	-	2,448,948	(130,439)	2,318,509
Bond issuance cost	-	280,377	166,685	447,062	(447,062)	-
Depreciation	-	-	-	-	3,402,456	3,402,456
Total expenditures/expenses	9,157,733	13,100,798	2,506,966	24,765,497	(10,477,029)	14,288,468
REVENUES:						
Program revenues:						
Water and wastewater service	4,950,110	-	-	4,950,110	-	4,950,110
Garbage collection	920,697	-	-	920,697	-	920,697
Inspection fees	41,236	-	-	41,236	-	41,236
Tap and other connection fees	90,519	-	-	90,519	-	90,519
Recreation center	692,629	-	-	692,629	-	692,629
Park and recreation fees	240,749	-	-	240,749	-	240,749
Capital recovery fees	-	-	371,568	371,568	-	371,568
Contributed capital assets	-	-	-	-	1,453,897	1,453,897
Total program revenues	6,935,940	-	371,568	7,307,508	1,453,897	8,761,405
Net program expense						(5,527,063)
General revenues:						
Property taxes, including penalties and interest	2,020,456	4,111,826	-	6,132,282	(195,319)	5,936,963
Investment earnings	93,057	93,848	8,436	195,341	-	195,341
Other	39,765	-	-	39,765	-	39,765
Total general revenues	2,153,278	4,205,674	8,436	6,367,388	(195,319)	6,172,069
Total revenues	9,089,218	4,205,674	380,004	13,674,896	1,258,578	14,933,474
OTHER FINANCING SOURCES (USES):						
Proceeds from bond issuance	18,113	8,154,287	2,167,600	10,340,000	(10,340,000)	-
Premium on bonds issued	-	448,278	-	448,278	(448,278)	-
Transfers in (out)	(451,670)	1,106,796	(655,126)	-	-	-
Total other financing sources (uses)	(433,557)	9,709,361	1,512,474	10,788,278	(10,788,278)	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES						
	(502,072)	814,237	(614,488)	(302,323)	302,323	-
Change in net assets					947,329	645,006
FUND BALANCES/NET ASSETS:						
Beginning of year	7,080,188	6,326,752	5,180,269	18,587,209	(6,644,422)	11,942,787
End of year	\$ 6,578,116	7,140,989	4,565,781	18,284,886	(5,697,093)	12,587,793

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, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Water, wastewater and garbage services	\$ 5,139,907	5,429,907	5,870,807	440,900
Property taxes, including penalties	1,866,866	1,866,866	2,020,456	153,590
Recreation center	813,300	837,800	692,629	(145,171)
Park and recreation fees	101,360	130,091	240,749	110,658
Tap connection/inspection fees	61,502	61,502	131,755	70,253
Investment earnings	270,000	270,000	93,057	(176,943)
Other	21,220	21,220	39,765	18,545
Total revenues	8,274,155	8,617,386	9,089,218	471,832
EXPENDITURES:				
Service operations:				
Personnel (including benefits)	2,849,297	2,854,958	2,681,137	173,821
Water and wastewater purchases	1,714,052	1,714,052	1,660,739	53,313
Administrative	1,884,329	1,570,604	1,120,910	449,694
Repairs and maintenance	1,026,520	703,415	704,841	(1,426)
Utilities	561,400	715,800	645,605	70,195
Garbage fees	842,400	842,400	830,450	11,950
Contracted services	255,600	250,600	161,886	88,714
Other consulting	52,525	94,025	174,075	(80,050)
Legal fees	150,000	185,000	182,600	2,400
Security fees	65,500	65,500	58,811	6,689
Insurance	65,600	66,600	66,750	(150)
Tax appraisal/collection fees	1,000	1,000	66	934
Audit fees	43,000	58,000	56,075	1,925
Engineering fees	25,000	25,000	33,359	(8,359)
Directors' fees	39,060	39,060	35,363	3,697
Other	8,950	43,450	43,564	(114)
Capital outlay	505,000	803,000	601,532	201,468
Debt service:				
Principal payments	60,000	60,000	60,000	-
Interest and fiscal charges	39,970	39,970	39,970	-
Total expenditures	10,189,203	10,132,434	9,157,733	974,701
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(1,915,048)	(1,515,048)	(68,515)	1,446,533
OTHER FINANCING SOURCES (USES):				
Proceeds from bond issuance	-	-	18,113	18,113
Transfers in (out)	1,915,049	1,515,049	(451,670)	(1,966,719)
Total other financing sources (uses)	1,915,049	1,515,049	(433,557)	(1,948,606)
Change in fund balance	1	1	(502,072)	(502,073)
FUND BALANCES:				
Beginning of year	7,080,188	7,080,188	7,080,188	-
End of year	\$ 7,080,189	7,080,189	6,578,116	(502,073)

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, 2009

ASSETS:

Cash and cash equivalents	\$ 434
Investments	266,929
Due from governmental funds, net	<u>458,521</u>
Total assets	<u><u>\$ 725,884</u></u>

LIABILITIES:

Other current liabilities	<u>\$ 725,884</u>
Total liabilities	<u><u>\$ 725,884</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, 2009

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.

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 and rights-of-way - 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.

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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, 2009 is \$41,915.

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.

Fund balance designated for projects represents costs reserved for the purpose of funding projects and to pay future costs to third party vendors as they arise.

Recently Issued Accounting Pronouncements

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Management is still evaluating the effects that the full implementation of GASB Statement No. 54 will have on its financial statements for the year ended September 30, 2011, primarily as it relates to fund balance classifications.

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	\$ 18,284,886
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of accumulated depreciation	48,248,830
Deferred charges – bond issue costs	1,248,703
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	27,354
The following liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued vacation payable	(41,915)
Bonds payable, net of discounts	(54,376,654)
Bond interest payable	(729,271)
Note payable	(74,140)
Total net assets	<u>\$ 12,587,793</u>

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

Deficit of revenues under expenditures	\$ (302,323)
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	2,896,514
Depreciation	(3,402,456)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Contributed capital assets	1,453,897
Change in deferred tax revenue	(195,319)
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	10,410,000
Repayment of note principal	150,178
Bond proceeds, including underwriter's premium	(10,788,278)
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	(4,530)
Change in bond interest payable	23,461
Amortization of bond issuance costs	191,243
Amortization of deferred charges	210,995
Amortization of premium	1,624
Change in net assets	<u>\$ 645,006</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, 2009, 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, 2009 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Public funds investment pool - TexPool	\$ 3,107,693	1	AAAm
Public funds investment pool - LOGIC	9,105,338	1	AAAm
Certificates of deposit	<u>6,753,661</u>	79	Various
Total	<u>\$ 18,966,692</u>		

At September 30, 2009, 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.

The restricted investments in the General Fund consist of deposits received from customers to initiate water services with the District. These deposits are to be refunded to customers upon termination of water service with the District and, therefore, are considered to be restricted investments by the District.

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, 2009, 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, 2009, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 1,416,531
Capital Projects	General	3,794,151
Capital Projects	Debt Service	<u>18,114</u>
		<u><u>\$ 5,528,796</u></u>

During the year, the Capital Projects Fund and General Fund transferred \$655,126 and \$451,670, respectively, to the Debt Service Fund to fund payments for principal and interest.

5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2009, was as follows:

	Balance September 30, 2008	Additions	Retirements and Transfers	Balance September 30, 2009
Capital assets, not being depreciated:				
Land	\$ 2,562,724	-	-	2,562,724
Construction in process	74,278	45,047	(22,174)	97,151
Total capital assets, not being depreciated	2,637,002	45,047	(22,174)	2,659,875
Capital assets, being depreciated:				
Water, wastewater and drainage systems	65,280,748	4,335,931	(22,173)	69,594,506
Easements and rights-of-way	901,891	-	-	901,891
Building and improvements	4,157,628	-	-	4,157,628
Furniture and equipment	1,577,026	-	-	1,577,026
Park and recreational facilities	3,799,417	-	-	3,799,417
Automobiles and trucks	116,216	13,780	-	129,996
Total capital assets being depreciated	75,832,926	4,349,711	(22,173)	80,160,464
Less accumulated depreciation for:				
Water, wastewater and drainage systems	(27,475,118)	(2,910,508)	22,173	(30,363,453)
Easements and rights-of-way	(104,571)	(22,547)	-	(127,117)
Building and improvements	(730,142)	(154,039)	-	(884,181)
Furniture and equipment	(1,215,677)	(117,496)	-	(1,333,173)
Park and recreational facilities	(1,605,672)	(196,427)	-	(1,802,099)
Automobiles and trucks	(37,873)	(23,612)	-	(61,486)
Total accumulated depreciation	(31,169,053)	(3,424,629)	22,173	(34,571,509)
Total capital assets, being depreciated, net	44,663,873	925,082	-	45,588,955
Capital assets, net	\$ 47,300,875	970,129	(22,174)	48,248,830

6. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2009:

	Balance September 30, 2008	Additions	Retirements	Balance September 30, 2009
Bonds payable	\$ 54,000,000	10,340,000	(10,410,000)	53,930,000
Note payable	224,318	-	(150,178)	74,140
Premium on refunding	-	448,278	(1,624)	446,654
Total	\$ 54,224,318	10,788,278	(10,561,802)	54,450,794

Long-term debt at September 30, 2009, is comprised of the following:

	Balance 9/30/2009	Due Within One Year
\$3,700,000, Series 1996, serial bonds due in annual installments of \$125,000 to \$275,000 through June 1, 2010. Interest varies from 5.00% to 5.50% and is payable June 1 and December 1 each year.	\$ 225,000	\$ 225,000
\$4,235,000, Series 1997, serial bonds due in annual installments of \$100,000 to \$350,000 through June 1, 2010. Interest varies from 4.25% to 6.25% and is payable June 1 and December 1 each year.	230,000	230,000
\$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.	3,070,000	770,000
\$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.	715,000	65,000
\$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.	17,195,000	800,000
\$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.	3,185,000	105,000
\$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.	9,200,000	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.	7,795,000	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.	1,975,000	50,000
\$2,365,000, Series 2009, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$45,000 to \$195,000 through June 1, 2033. Interest varies from 4.38% to 6.00% and is payable June 1 and December 1 each year.	2,365,000	-
\$7,975,000, Series 2009, refunding bonds due in annual installments of \$15,000 to \$1,530,000 through June 1, 2024. Interest varies from 3.00% to 4.63% and is payable June 1 and December 1 each year.	7,975,000	15,000
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% matured on December 2008. In addition, the District is obligated to pay \$347,778 in quarterly installments to the developer for the Sendero Pool purchase, of which \$74,140 is remaining.	74,140	74,140
Total long-term debt	\$ 54,004,140	\$ 2,459,140

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

Fiscal Year	Principal	Interest	Total Requirement
2010	\$ 2,385,000	2,247,755	4,632,755
2011	2,560,000	2,246,636	4,806,636
2012	2,645,000	2,149,231	4,794,231
2013	2,805,000	2,044,723	4,849,723
2014	2,945,000	1,922,450	4,867,450
2015-2019	12,375,000	7,814,772	20,189,772
2020-2024	13,510,000	5,136,767	18,646,767
2025-2029	13,710,000	1,842,496	15,552,496
2030-2033	995,000	125,785	1,120,785
Total	\$ 53,930,000	25,530,615	79,460,615

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 June 25, 2009, the District issued \$2,365,000 in Unlimited Tax Bonds with interest rates ranging from 4.38% to 6.00%. The net proceeds of \$2,218,904 (after payment of \$146,096 in underwriter fees, insurance and other related costs) were deposited with the District investment account to provide payments for capital assets.

On August 12, 2009, the District defeased \$1,050,000 of its Series 1996 Bonds, \$2,050,000 of its Series 1997 Bonds, and \$5,045,000 of its Series 2001 Bonds. Accordingly, the liability for the defeased bonds is not included in the District's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$113,946. This amount was expensed in 2009 as the debt defeased by the 2009 Refunding Bonds was called for redemption prior to their scheduled maturities. The advanced refunding resulted in an economic gain of \$356,648.

At September 30, 2009, no outstanding bonds are considered defeased.

At September 30, 2009, unlimited tax bonds of approximately \$22,215,000 were authorized by the District but unissued of which \$20,115,000 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 Areas each had additional tax rates of \$0.3600 per \$100 assessed valuation. The total 2008 tax levy was \$5,903,502 based on a taxable valuation of \$1,149,812,324.

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 \$371,568 for the year ended September 30, 2009 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 for 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 cities of Round Rock, Cedar Park, and Austin purchased the wastewater system from the LCRA in December 2009. The District will be a customer of the city of Round Rock. 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 \$1,100,000 over the next 30 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 5.28% for 2009. The contribution rate payable by the employee members for calendar years 2008 and 2007 was 4.28% and 4.87%, 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, 2009, the annual pension cost for the TCDRS plan for its employees was \$103,554 and the actual contributions were \$103,554.

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, 2008 actuarial valuation is the most recent valuation.

Actuarial Valuation Information:

Actuarial valuation date	12/31/2006	12/31/2007	12/31/2008
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	30 years	20 years	20 years
Asset valuation method	Ten year smoothed value and fund value	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, 2007	\$ 84,813	100%	-
September 30, 2008	82,380	100%	-
September 30, 2009	103,554	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, 2008:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ Overfunded AAL (U/OAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll* (c)
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%
December 31, 2008	1,066,832	1,073,557	(6,725)	99.37%	6.4%

*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 \$403,107 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, 2009 are:

Disc golf parking lot	\$ 45,000
Parks master plan	25,000
901 refurbishing	10,000
Phase II signs	68,000
Maintenance yard	20,000
New servers	40,000
WTF upgrades/repairs	30,000
Wet well lid replacement	30,000
Water facility security	25,000
Dam repairs	12,000
Total designated fund balance	<u>\$ 305,000</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, 2009, 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.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED BY TEXAS COMMISSION ON ENVIRONMENTAL QUALITY YEAR ENDED SEPTEMBER 30, 2009

<u>SCHEDULE INCLUDED</u>		
<u>YES</u>	<u>NO</u>	
<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, 2009

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 6 to basic financial statements.

(E) Compliance with Debt Service Requirements

See Note 6 to basic financial statements.

(F) Redemption of Bonds

See Note 6 to basic financial statements.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-1 SCHEDULE OF SERVICES AND RATES
YEAR ENDED SEPTEMBER 30, 2009**

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>14.00</u>	<u>-</u>	<u>Y</u>	\$ <u>2.10 winter</u> \$ <u>2.75 summer</u>	<u>Sept 15 – May 15</u> <u>May 15 – Sept 15</u>
WASTEWATER	\$ <u>6.00</u>	<u>-</u>	<u>N</u>	\$ <u>2.70</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: \$ 33.00
\$ 41.50 summer

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-1 SCHEDULE OF SERVICES AND RATES (continued)
YEAR ENDED SEPTEMBER 30, 2009**

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"	5,016	5,011	x 1.0	5,011
1"	31	31	x 2.5	77.5
1 1/2"	16	16	x 5.0	80
2"	31	29	x 8.0	232
3"	9	9	x 15.0	135
4"	2	2	x 25.0	50
6"	3	3	x 50.0	150
8"	4	4	x 80.0	320
10"	-	-	x 115.0	-
Total Water	5,112	5,105		6,055.5
Total Wastewater	4,811	4,811	x 1.0	4,811

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

Gallons pumped into system:	<u>1,074,296,000</u>	Water Accountability Ratio: (Gallons billed/Gallons pumped) <u>86.11% (1)</u>
Gallons billed to customers:	<u>925,119,973</u>	

(1) The water accountability ratio does not include fire hydrant flushing, water used in fire fighting, loss due to water leaks, or other un-metered loss to the system.

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, 2009

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, 2009

Personnel Expenditures (including benefits)	\$	2,681,137
Professional Fees:		
Auditing		56,075
Legal		182,600
Engineering		33,359
Financial Advisor		-
Purchased Services For Resale-		
Bulk Water and Wastewater Service Purchases		1,660,739
Contracted Services:		
Bookkeeping		-
Utility Manager		-
Appraisal District/Tax Collector		66
Other Contracted Services		161,886
Utilities		645,605
Repairs and Maintenance		704,841
Administrative Expenditures:		
Directors' Fees		35,363
Office Supplies		42,175
Insurance		66,750
Other Administrative Expenses		960,146
Capital Outlay:		
Capitalized Assets		601,532
Expenditures not Capitalized		-
Tap Connection Expenditures		118,589
Solid Waste Disposal		830,450
Fire Fighting		-
Parks and Recreation		(a)
Other Expenditures		376,420
TOTAL EXPENDITURES	\$	<u>9,157,733</u>

Number of persons employed by the District: 37 Full-Time 68 Part-Time
(Does not include independent contractors or consultants; however, does include seasonal staff)

(a) Parks and recreation costs are included within the various General Fund expenditures above. For the year ended September 30, 2009, parks and recreation expenditures were \$2,250,536.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS YEAR ENDED SEPTEMBER 30, 2009

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at September 30, 2009	Accrued Interest Receivable at September 30, 2009
<u>General Fund</u>					
Investment in LOGIC	742006801003	Variable	N/A	\$ 107,225	\$ -
Investment in LOGIC	742006801002	Variable	N/A	526,102	-
Investment in TexPool	2461600008	Variable	N/A	2,763,881	-
Investment in TexPool	2461600001	Variable	N/A	85,204	-
Certificate of deposit in Libertad	108874	1.25%	2/14/2010	249,523	-
Certificate of deposit in Tx Capital	4016000276	1.40%	10/4/2009	250,000	-
Certificate of deposit in Tx Security	10231	1.74%	10/16/2009	246,062	-
Certificate of deposit in Hillcrest	1007521908	0.90%	12/17/2009	2,500,000	-
Certificate of deposit in Hillcrest	1007521924	0.90%	12/17/2009	2,500,000	-
Totals				9,227,997	-
<u>Debt Service Fund</u>					
Investment in LOGIC	742006801001	Variable	N/A	6,431,675	-
Investment in LOGIC	742006801013	Variable	N/A	968,633	-
Investment in TexPool	2461600004	Variable	N/A	35,543	-
Certificate of deposit in Viewpoint	200570532	1.440%	3/10/2010	1,008,076	-
Totals				8,443,927	-
<u>Capital Projects Fund</u>					
Investment in LOGIC	742006801007	Variable	N/A	864	-
Investment in LOGIC	742006801009	Variable	N/A	833,337	-
Investment in TexPool	2461600007	Variable	N/A	193,638	-
Totals				1,027,839	-
TOTAL GOVERNMENTAL FUNDS (includes restricted investments)				18,699,763	-
<u>Agency Fund</u>					
Investment in LOGIC	742006801008	Variable	N/A	13,761	-
Investment in LOGIC	742006801010	Variable	N/A	6,684	-
Investment in LOGIC	742006801011	Variable	N/A	217,057	-
Investment in TexPool	2461600003	Variable	N/A	29,427	-
TOTAL AGENCY FUND				266,929	-
TOTAL ALL FUNDS				\$ 18,966,692	\$ -

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-4 ANALYSIS OF TAXES LEVIED AND RECEIVABLE YEAR ENDED SEPTEMBER 30, 2009

	Maintenance Taxes	Debt Service Taxes		
TAXES RECEIVABLE, SEPTEMBER 30, 2008	\$ 78,139	\$ 144,534		
2008 Tax Roll	1,909,467	3,994,035		
Adjustments	30,592	(22,400)		
Total to be accounted for	<u>2,018,198</u>	<u>4,116,169</u>		
Tax collections:				
Current year	1,905,272	3,986,022		
Prior years	103,731	111,988		
Total collections	<u>2,009,003</u>	<u>4,098,010</u>		
TAXES RECEIVABLE, SEPTEMBER 30, 2009	<u>\$ 9,195</u>	<u>\$ 18,159</u>		
TAXES RECEIVABLE, BY YEARS:				
2008	\$ 7,716	\$ 12,761		
2007	686	1,459		
2006	134	401		
2005	267	1,143		
2004 and prior	392	2,395		
TAXES RECEIVABLE, SEPTEMBER 30, 2009	<u>\$ 9,195</u>	<u>\$ 18,159</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
PROPERTY VALUATIONS-				
Net assessed property valuation	\$ 1,149,812,324	1,006,044,477	899,729,526	857,515,305
TAX RATES PER \$100 VALUATION:				
Debt service tax rates	\$ 0.3300	0.3400	0.3900	0.4700
Maintenance tax rates	0.1700	0.1600	0.1300	0.1100
District-wide	<u>0.5000</u>	<u>0.5000</u>	<u>0.5200</u>	<u>0.5800</u>
Defined Area	0.3600	0.3600	0.3600	0.3600
ORIGINAL TAX LEVY	<u>\$ 5,903,502</u>	<u>5,329,747</u>	<u>4,678,593</u>	<u>4,931,927</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.7%</u>	<u>99.9%</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, 2009**

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
	2010	\$ 225,000	12,375	237,375	230,000	11,213	241,213	770,000	136,031
2011	-	-	-	-	-	-	810,000	103,306	913,306
2012	-	-	-	-	-	-	855,000	68,881	923,881
2013	-	-	-	-	-	-	-	32,544	32,544
2014	-	-	-	-	-	-	-	32,544	32,544
2015	-	-	-	-	-	-	-	32,544	32,544
2016	-	-	-	-	-	-	-	32,544	32,544
2017	-	-	-	-	-	-	-	32,544	32,544
2018	-	-	-	-	-	-	-	32,544	32,544
2019	-	-	-	-	-	-	-	32,544	32,544
2020	-	-	-	-	-	-	-	32,544	32,544
2021	-	-	-	-	-	-	-	32,544	32,544
2022	-	-	-	-	-	-	-	32,544	32,544
2023	-	-	-	-	-	-	-	32,544	32,544
2024	-	-	-	-	-	-	-	32,544	32,544
2025	-	-	-	-	-	-	310,000	32,544	342,544
2026	-	-	-	-	-	-	325,000	16,656	341,656
	<u>\$ 225,000</u>	<u>12,375</u>	<u>237,375</u>	<u>230,000</u>	<u>11,213</u>	<u>241,213</u>	<u>3,070,000</u>	<u>747,946</u>	<u>3,817,946</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

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

SEPTEMBER 30, 2009

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
2010	\$ 65,000	36,730	101,730	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
	<u>\$ 715,000</u>	<u>208,879</u>	<u>923,879</u>	<u>17,195,000</u>	<u>7,028,657</u>	<u>24,223,657</u>	<u>3,185,000</u>	<u>1,635,302</u>	<u>4,820,302</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS (continued) SEPTEMBER 30, 2009

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
	2010	\$ 100,000	384,398	484,398	25,000	311,475	336,475	50,000	103,280
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	-	145,800	145,800	110,000	39,580	149,580
2027	1,160,000	100,938	1,260,938	1,785,000	145,800	1,930,800	120,000	34,080	154,080
2028	1,215,000	51,638	1,266,638	1,860,000	74,400	1,934,400	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>\$ 9,200,000</u>	<u>5,287,262</u>	<u>14,487,262</u>	<u>7,795,000</u>	<u>4,944,801</u>	<u>12,739,801</u>	<u>1,975,000</u>	<u>1,365,260</u>	<u>3,340,260</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS (continued) SEPTEMBER 30, 2009

DUE DURING FISCAL YEARS ENDING 9/30	DEFINED AREA UNLIMITED TAX SERIES 2009			UNLIMITED TAX REFUNDING SERIES 2009		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
	2010	\$ -	120,634	120,634	15,000	256,139
2011	45,000	131,600	176,600	515,000	341,069	856,069
2012	50,000	129,350	179,350	500,000	325,619	825,619
2013	50,000	126,850	176,850	1,460,000	310,619	1,770,619
2014	55,000	124,350	179,350	1,530,000	244,919	1,774,919
2015	60,000	121,875	181,875	1,315,000	176,069	1,491,069
2016	65,000	119,250	184,250	505,000	116,894	621,894
2017	65,000	116,406	181,406	535,000	94,169	629,169
2018	70,000	113,563	183,563	195,000	70,094	265,094
2019	75,000	109,888	184,888	210,000	61,319	271,319
2020	80,000	105,950	185,950	215,000	51,869	266,869
2021	85,000	101,750	186,750	230,000	43,269	273,269
2022	95,000	97,288	192,288	240,000	33,781	273,781
2023	100,000	92,300	192,300	245,000	23,281	268,281
2024	105,000	86,300	191,300	265,000	12,256	277,256
2025	115,000	80,000	195,000	-	-	-
2026	120,000	73,100	193,100	-	-	-
2027	130,000	65,900	195,900	-	-	-
2028	140,000	58,100	198,100	-	-	-
2029	150,000	49,700	199,700	-	-	-
2030	160,000	40,700	200,700	-	-	-
2031	170,000	31,100	201,100	-	-	-
2032	185,000	20,900	205,900	-	-	-
2033	195,000	10,725	205,725	-	-	-
	<u>\$ 2,365,000</u>	<u>2,127,579</u>	<u>4,492,579</u>	<u>7,975,000</u>	<u>2,161,366</u>	<u>10,136,366</u>

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued) SEPTEMBER 30, 2009

DUE DURING FISCAL YEARS ENDING 9/30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Principal Due	Interest Due	Total
2010	\$ 2,385,000	2,247,755	4,632,755
2011	2,560,000	2,246,636	4,806,636
2012	2,645,000	2,149,231	4,794,231
2013	2,805,000	2,044,723	4,849,723
2014	2,945,000	1,922,450	4,867,450
2015	3,090,000	1,792,903	4,882,903
2016	2,350,000	1,658,196	4,008,196
2017	2,235,000	1,556,448	3,791,448
2018	2,330,000	1,457,241	3,787,241
2019	2,370,000	1,349,984	3,719,984
2020	2,455,000	1,252,361	3,707,361
2021	2,575,000	1,151,156	3,726,156
2022	2,695,000	1,036,316	3,731,316
2023	2,825,000	913,899	3,738,899
2024	2,960,000	783,035	3,743,035
2025	3,135,000	657,014	3,792,014
2026	3,275,000	522,191	3,797,191
2027	3,430,000	368,543	3,798,543
2028	3,590,000	223,468	3,813,468
2029	280,000	71,280	351,280
2030	300,000	55,520	355,520
2031	315,000	38,640	353,640
2032	185,000	20,900	205,900
2033	195,000	10,725	205,725
	<u>\$ 53,930,000</u>	<u>25,530,615</u>	<u>79,460,615</u>

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-6 ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT SEPTEMBER 30, 2009

	Unlimited Tax Series 1996	Unlimited Tax Series 1997	Unlimited Tax Series 2001	Revenue Series 2002	Unlimited Tax Series 2003	Refunding Series 2004	Unlimited Tax Series 2005	Refunding Series 2007	Defined Area Unlimited Tax Series 2008	Defined Area Unlimited Tax Series 2009	Refunding Series 2009
Interest rate	5.00 to 5.50%	4.25 to 6.25%	3.50 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%	4.38 to 6.00%	3.00 to 4.63%
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	6/1; 12/1	6/1; 12/1
Maturity dates	6/1/10	6/1/10	6/1/26	12/1/19	6/1/26	6/1/28	6/1/28	6/1/28	6/1/31	6/1/33	6/1/24
Bonds outstanding, beginning of year \$	1,500,000	2,505,000	8,840,000	775,000	17,955,000	3,285,000	9,300,000	7,820,000	2,020,000	-	-
Bonds issued during current year	-	-	-	-	-	-	-	-	-	2,365,000	7,975,000
Bonds retired during current year	(1,275,000)	(2,275,000)	(5,770,000)	(60,000)	(760,000)	(100,000)	(100,000)	(25,000)	(45,000)	-	-
Bonds outstanding, end of year	<u>\$ 225,000</u>	<u>230,000</u>	<u>3,070,000</u>	<u>715,000</u>	<u>17,195,000</u>	<u>3,185,000</u>	<u>9,200,000</u>	<u>7,795,000</u>	<u>1,975,000</u>	<u>2,365,000</u>	<u>7,975,000</u>
Interest paid during current year	<u>\$ 99,119</u>	<u>138,473</u>	<u>480,296</u>	<u>39,970</u>	<u>753,651</u>	<u>149,630</u>	<u>388,398</u>	<u>312,413</u>	<u>105,980</u>	<u>-</u>	<u>-</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-6 ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (continued) SEPTEMBER 30, 2009

	Grand Totals
Bonds outstanding, beginning of year	\$ 54,000,000
Bonds issued during current year	10,340,000
Bonds retired during current year	<u>(10,410,000)</u>
Bonds outstanding, end of year	<u>\$ 53,930,000</u>
Interest paid during current year	<u>\$ 2,467,930</u>

Paying agent's name & address: Series 2001, 2003, 2004,
2005, 2007, 2008 and 2009

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	-	39,184,998
Amount issued	72,000,000	4,385,000	-	39,184,998
Remaining to be issued	<u>\$ 2,100,000</u>	<u>20,115,000</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, 2009: \$ 8,575,634

Average annual debt service payments (principal & interest)
for remaining term of debt: \$ 3,310,859

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND AND DEBT SERVICE FUND FIVE YEARS ENDED SEPTEMBER 30, 2009

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2009	2008	2007	2006	2005	2009	2008	2007	2006	2005
GENERAL FUND										
REVENUES:										
Water and wastewater service	\$ 4,950,110	4,644,809	3,833,371	4,169,008	3,850,979	54.4 %	54.0	50.3	56.0	46.0
Garbage collection	920,697	734,653	706,381	654,702	561,363	10.1	8.5	9.3	8.8	6.7
Inspection fees	41,236	139,889	211,706	124,664	92,375	0.5	1.6	2.8	1.7	1.2
Tap and other connection fees	90,519	12,685	61,206	125,386	188,073	1.0	0.1	0.8	1.7	2.2
Recreation center	692,629	636,669	755,982	666,742	594,358	7.6	7.4	9.9	9.0	7.1
Park and recreation fees	240,749	209,995	160,495	143,955	121,415	2.6	2.4	2.1	1.9	1.5
Property taxes, including penalties and interest	2,020,456	1,842,478	1,313,384	988,237	1,097,818	22.2	21.4	17.2	13.3	13.1
Investment earnings	93,057	313,554	354,634	177,135	136,325	1.0	3.7	4.7	2.4	1.6
Other	39,765	73,091	222,883	379,739	335,411	0.4	0.9	2.9	5.1	4.0
Bond issuance proceeds	18,113	-	-	-	1,131,595	0.2	-	-	-	13.5
Developer contributions	-	-	-	12,204	260,000	-	-	-	0.1	3.1
Total revenues and other sources	9,107,331	8,607,823	7,620,042	7,441,772	8,369,712	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Current:										
Personnel (including benefits)	2,716,500	2,549,388	2,335,935	1,868,188	1,943,562	29.8	29.6	30.7	25.1	23.2
Purchased services for resale	2,491,189	2,186,944	1,254,313	2,108,286	2,860,854	27.4	25.4	16.5	28.3	34.2
Administrative	1,290,035	1,106,671	953,384	504,991	342,000	14.1	12.9	12.5	6.8	4.1
Repairs and maintenance	704,841	882,732	354,968	261,900	253,886	7.7	10.3	4.7	3.5	3.0
Utilities	645,605	635,086	469,428	479,494	325,908	7.1	7.4	6.2	6.4	3.9
Professional services	446,175	393,326	416,205	210,094	178,644	4.9	4.6	5.5	2.9	2.1
Contracted services	161,886	213,428	364,461	201,852	249,058	1.8	2.5	4.8	2.7	3.0
Capital outlay	601,532	709,940	128,889	96,222	1,532,379	6.6	8.2	1.7	1.3	18.3
Principal payments	60,000	60,000	591,763	230,240	384,189	0.7	0.7	7.8	3.1	4.6
Interest and fiscal charges	39,970	42,550	94,274	107,112	19,015	0.4	0.5	1.2	1.4	0.2
Total expenditures and other uses	9,157,733	8,780,065	6,963,620	6,068,379	8,089,495	100.6	102.0	91.4	81.5	96.7
TRANSFERS IN (OUT)	(451,670)	179,450	-	-	-	(5.0)	2.1	-	-	-
INTERFUND FORGIVENESS OF DEBT	-	-	1,678,212	-	-	-	-	22.0	-	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (502,072)	7,208	2,334,634	1,373,393	280,217	(5.6) %	0.1	30.6	18.5	3.3

(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, 2009

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2009	2008	2007	2006	2005	2009	2008	2007	2006	2005
DEBT SERVICE FUND										
REVENUES:										
Property taxes, including penalties and interest	\$ 4,111,826	3,527,157	3,544,987	3,899,431	3,675,913	32.1 %	92.9	29.9	50.4	97.7
Investment earnings	93,848	269,220	539,765	230,259	87,756	0.7	7.1	4.6	3.0	2.3
Proceeds from the sale of capital assets	-	-	-	3,600,000	-	-	-	-	46.6	-
Bond proceeds	8,154,287	-	7,840,000	-	-	63.7	-	66.2	-	-
Discount on refunding debt	-	-	(87,585)	-	-	-	-	(0.7)	-	-
Premium on refunding debt	448,278	-	-	-	-	3.6	-	-	-	-
Total revenues and other sources	<u>12,808,239</u>	<u>3,796,377</u>	<u>11,837,167</u>	<u>7,729,690</u>	<u>3,763,669</u>	<u>100.1</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES:										
Principal payments	10,350,000	2,276,083	12,454,333	4,802,906	4,654,345	80.8	60.0	105.3	62.1	123.7
Interest and fiscal charges	2,408,978	2,120,635	-	-	-	18.8	55.9	-	-	-
Tax appraisal and collection	52,443	50,607	-	-	-	0.4	1.3	-	-	-
Administrative expenditures	-	7,070	1,091	19,049	41,426	-	0.2	-	0.2	1.1
Professional fees	9,000	9,104	17,340	-	-	0.1	0.2	0.1	-	-
Contract services	-	1,386	43,400	-	-	-	-	0.4	-	-
Bond issuance costs	280,377	-	244,091	-	-	2.2	-	2.1	-	-
Total expenditures and other uses	<u>13,100,798</u>	<u>4,464,885</u>	<u>12,760,255</u>	<u>4,821,955</u>	<u>4,695,771</u>	<u>102.3</u>	<u>117.6</u>	<u>107.8</u>	<u>62.4</u>	<u>124.8</u>
TRANSFERS IN (OUT)	<u>1,106,796</u>	<u>1,424,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8.6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 814,237</u>	<u>755,589</u>	<u>(923,088)</u>	<u>2,907,735</u>	<u>(932,102)</u>	<u>6.4 %</u>	<u>(17.6)</u>	<u>(7.8)</u>	<u>37.6</u>	<u>(24.8)</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>5,105</u>	<u>4,999</u>	<u>4,931</u>	<u>4,767</u>	<u>4,625</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>4,811</u>	<u>4,728</u>	<u>4,604</u>	<u>4,438</u>	<u>4,453</u>					

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS SEPTEMBER 30, 2009

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: October 26, 2009
(TWC Sections 36.054 and 49.054)

Limit on fees of office that a director may receive during a fiscal year: \$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 9/30/09</u>	<u>Title at Year End</u>
<u>Board Members:</u>				
Cristine A. Yackle	5/06-5/10	\$ 7,200	\$ 1,232	President
Russ Shermer	5/08-5/12	1,800	-	Vice President
Rebecca B. Tullos	5/06-5/10	7,200	45	Treasurer
Jeff Goldstein	9/09-5/10	-	-	Secretary
Bob Grahl	5/08-5/12	7,200	50	Assistant Treasurer and Assistant Secretary

Former Board Members:

Paul J. Tisch	5/06-9/09	\$ 7,200	\$ 24	Former President
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Note: No director is disqualified from serving on this board under the Texas Water Code.

Key Administrative Personnel:

Tom Clark	2006	\$ 128,600	\$ 1,994	General Manager
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BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (continued) SEPTEMBER 30, 2009

Name and Address	Date Hired	Fees and Expense Reimbursements 9/30/09	Title at Year End
<u>Consultants:</u>			
Freeman & Corbett, L.L.P.	2002	\$ 179,965	Attorney
Judy Osborn	2004	2,680	Attorney
Maxwell Locke & Ritter LLP	2008	47,875	Auditor
K. Friese & Nichols	2007	9,709	Engineer
Jacob/Carter Burgess	2007	123,482	Engineer
PBS&J	2007	6,274	Engineer
Williamson Central Appraisal District	1981	51,148	Tax Appraiser
Williamson County Tax Office	1981	1,946	Tax Collector
Bury Partners	2009	13,646	Engineers
CH2MHILL	2004	53,413	Engineers
JBS Water	2008	25,000	Engineers
Patterson & Associates	2008	20,000	Investment Advisors
Rim Rock	2007	5,273	Rate Study
VRS Corporation	2008	22,773	Engineers
RBC Capital	1997	41,936	Financial Advisor
McCall Parkhurst Horton	1994	106,825	Bond Counsel

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-1. PRINCIPAL TAXPAYERS SEPTEMBER 30, 2009

		DISTRICT		
Taxpayer	Type of Property	Tax Roll Year		
		2009	2008	2007
Amaravathi LTD Partnership & Amaravathi Keerthi LLC	Land & Improvements	\$ 60,767,488	69,872,300	72,388,459
HE Butt Inc.	Land & Improvements	7,878,817	7,978,433	7,978,433
The Park at Brushy Creek LTD	Land & Improvements	28,763,820	6,763,528	3,286,601
Highland 620 Land Investment LTD	Land & Improvements	9,738,632	5,064,900	5,064,900
MGP, XXII LLC	Land & Improvements	4,459,265	4,549,089	4,471,982
Kopels Peter A & Henry Aratow	Land & Improvements	4,454,949	4,464,812	4,729,145
Laquinta Medical Partners LP & Bruce & M. Voedean Simpson Tr of Simpson Fam Trust	Land & Improvements	4,020,237	4,020,237	-
KC 3 Cat Hollow LP	Land & Improvements	3,539,820	3,795,329	-
Hy-Land North Joint Venture	Land & Improvements	4,421,365	3,622,127	4,053,500
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
Highland Six Twenty Residential LTD	Land & Improvements	6,023,269	-	3,149,726
Total		\$ 134,067,662	113,700,715	111,842,891
Percent of Assessed Valuation		12.1%	10.5%	10.9%

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-1. PRINCIPAL TAXPAYERS (continued) SEPTEMBER 30, 2009

		DEFINED AREA		
Taxpayer	Type of Property	Tax Roll Year		
		2009	2008	2007
Kimball Hill Homes	Land & Improvements	\$ 442,000	1,726,328	847,126
Pascall, Brian & Anne	Land & Improvements	414,629	404,399	-
Longwell, Sidney	Land & Improvements	409,259	399,185	-
Hofkamp, Michael & Susan	Land & Improvements	407,783	-	-
Highland 620 Land Investment LTD	Land & Improvements	9,738,632	5,064,900	5,064,900
Sborov, Jon & Tara	Land & Improvements	405,473	-	-
Nour, Rabih & Rana	Land & Improvements	404,972	-	-
Hy-Land Norht Joint Venture	Land & Improvements	4,421,365	3,622,127	4,053,422
Welsh, Jim & Jennifer	Land & Improvements	-	436,180	-
Hermann, John	Land & Improvements	-	393,877	-
Einhorn, Kenneth & Nancy	Land & Improvements	-	393,665	-
MTH Homes - Texas	Land & Improvements	-	-	686,942
Fuller, Bridgette	Land & Improvements	-	-	436,658
Highland 620 Residential LTD	Land & Improvements	6,023,269	3,149,726	3,149,726
Streetman Homes LTD LLP	Land & Improvements	1,657,291	1,811,355	2,564,018
Moon, Charles & Julie	Land & Improvements	-	-	427,284
CCGR Investment	Land & Improvements	-	-	391,219
Yarbrough, Shane & Cheryle	Land & Improvements	-	-	382,518
Total		\$ 24,324,673	17,401,742	18,003,813
Percent of Assessed Valuation		24.1%	22.2%	35.2%

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-2. ASSESSED VALUE BY CLASSIFICATION SEPTEMBER 30, 2009

Type of Property	Tax Roll Year					
	DISTRICT					
	2009		2008		2007	
	Amount	%	Amount	%	Amount	%
Real, Single Family	\$ 918,166,019	83.2%	\$ 933,261,233	84.6%	\$ 870,154,260	80.1%
Real, Multi Family	92,483,963	8.4%	71,412,162	6.5%	73,949,687	6.8%
Real, Vacant Platted Lots/Tracts	12,288,003	1.1%	8,040,378	0.7%	5,328,417	0.5%
Real, Acreage (Land Only)	6,538,125	0.6%	10,364,402	0.9%	12,059,395	1.1%
Real, Commercial	52,175,681	4.7%	46,760,544	4.2%	45,186,517	4.2%
Real & Intangible Personal, Utilities	7,134,252	0.6%	8,515,608	0.8%	6,812,997	0.6%
Tangible Personal business	4,123,213	0.4%	5,306,451	0.5%	5,970,585	0.5%
Real Inventory	10,639,692	1.0%	2,233,848	0.2%	4,225,922	0.4%
Total	\$ 1,103,548,948	100%	\$ 1,085,894,626	100%	\$ 1,023,687,780	100%

Type of Property	DEFINED AREA					
	2009		2008		2007	
	Amount	%	Amount	%	Amount	%
Real, Single Family	\$ 76,417,435	75.6%	\$ 62,057,320	79.2%	\$ 42,266,836	82.7%
Real, Vacant Plotted Lots	9,138,673	9.0%	4,159,231	5.3%	2,348,631	4.6%
Real, Acreage (Land Only)	6,381,525	6.3%	10,207,802	13.0%	3,344,771	6.5%
Real & Intangible Personal, Utilities	94,362	0.1%	25,768	0.0%	61,774	0.1%
Tangible Personal Property	-	0.0%	43,949	0.1%	119,547	0.2%
Real Inventory	9,014,362	8.9%	1,875,026	2.4%	2,959,282	5.8%
Total	\$ 101,046,357	100%	\$ 78,369,096	100%	\$ 51,100,841	100%