

**UPPER BRUSHY CREEK
WATER CONTROL AND
IMPROVEMENT DISTRICT**

**Financial Statements
and Supplemental Information for the
Year Ended September 30, 2010 and
Independent Auditors' Report**



UPPER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF WILLIAMSON

I, Martha F. Juch
(Name of Duly Authorized District Representative)

of the Upper Brushy Creek Water Control and Improvement District

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 14th day of January, 2011, its annual audit report for the fiscal year ended September 30, 2010, and that copies of the annual audit report have been filed in the District's office, located at 309 E. Main Street, Round Rock, Texas, 78664.

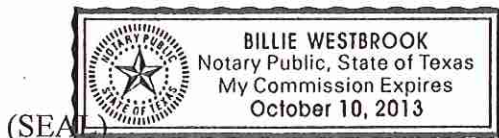
The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: January 14, 2011.

By: Martha F. Juch
(Signature of District Representative)

Martha Juch, Board President
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 14th day of January, 2011.



Billie Westbrook
(Signature of Notary)

Billie Westbrook
(Printed Name of Notary)

My Commission Expires On: October 10, 2013
Notary Public in and for the State of Texas.



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Accountants and Consultants

An Affiliate of CPAmerica International

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Austin, TX 78701

Round Rock: 303 East Main Street
Round Rock, TX 78664

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Upper Brushy Creek Water Control and Improvement District:

We have audited the accompanying financial statements of the governmental activities and the major fund of Upper Brushy Creek Water Control and Improvement District (the "District") as of and for the year ended September 30, 2010, 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 the major fund of the District as of September 30, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Affiliated Companies

ML&R PERSONNEL SOLUTIONS LLC

"The Resource for Direct Hire & Project Staffing"

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"
This firm is not a CPA firm*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. 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. The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Maxwell Socha + Aitter LLP

January 11, 2011

UPPER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

Management's Discussion and Analysis For the Year Ended September 30, 2010

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Upper Brushy Creek Water Control and Improvement District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2010. Please read it in connection with the District's financial statements that follow.

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 "General Fund" 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.

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 Fund Balance Sheet*
 - *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*
 - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
 - *Notes to Basic Financial Statements*

Other supplementary information is also included.

The *Statement of Net Assets and Governmental Fund Balance Sheet* includes a column (titled "General Fund") 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 Fund Revenues, Expenditures, and Changes in Fund Balance* includes a column (titled "General Fund") that derives the change in fund balance 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 *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 Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*.

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

Comparative Financial Statements

Statement of Net Assets

	Governmental Activities		
	2010	2009	% Change
Current and other assets	\$ 8,124,936	\$ 5,833,526	39%
Capital and non-current assets	19,123,955	17,552,524	9%
Total assets	\$ 27,248,891	\$ 23,386,050	17%
Current liabilities	\$ 400,630	\$ 395,283	1%
Total liabilities	\$ 400,630	\$ 395,283	1%
Invested in capital assets	\$ 19,123,955	\$ 17,552,524	9%
Unrestricted	7,724,306	5,438,243	42%
Total net assets	\$ 26,848,261	\$ 22,990,767	17%

The District's total assets were approximately \$27.2 million as of September 30, 2010. Of this amount, approximately \$19.1 million is included in capital assets. The District had outstanding liabilities of approximately \$401 thousand.

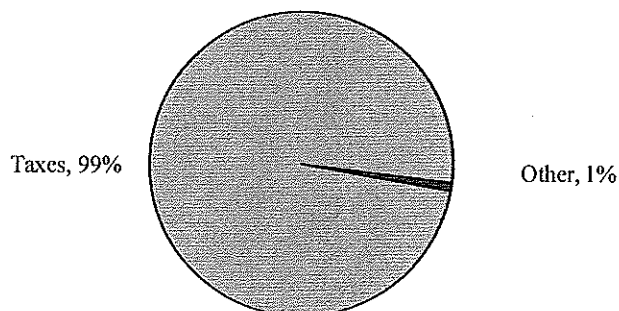
The District's assessed value in 2010 was approximately \$24.8 billion compared to \$24.3 billion in 2009. The tax rate is set after reviewing operations and maintenance requirements. The District's primary revenue sources are property taxes and interest earned on temporary investments.

Statement of Activities

	Governmental Activities		
	2010	2009	% Change
Property taxes	\$ 4,915,123	\$ 4,796,097	2%
Interest on temporary investments	15,071	41,128	(63%)
Penalties and interest	28,490	25,832	10%
Other income	49	-	100%
Total revenues	4,958,733	4,863,057	2%
Maintenance and repairs	56,697	138,360	(59%)
Engineering fees	213,503	141,287	51%
Contracted services	116,014	112,922	3%
Preparation of tax rolls	65,201	64,879	1%
Legal fees	71,013	28,191	152%
Bad debt	-	195,474	(100%)
Other	23,410	55,232	(58%)
Depreciation	555,401	381,298	46%
Total expenses	1,101,239	1,117,643	(1%)
Change in net assets	3,857,494	3,745,414	3%
Beginning net assets	22,990,767	19,245,353	19%
Ending net assets	\$ 26,848,261	\$ 22,990,767	17%

Operating revenues were approximately \$5.0 million for the fiscal year ended September 30, 2010 of which property taxes provided approximately \$4.9 million. Total expenses were approximately \$1.1 million for the fiscal year ended September 30, 2010, all of which related to operations. Net assets increased approximately \$3.9 million primarily due to the excess of property tax revenue over operating expenses, the majority of which was used to purchase \$2.1 million of capital assets.

Sources of Revenue



Analysis of Governmental Fund

	2010	2009	2008
Cash	\$ 60,874	133,142	118,280
Temporary investments	8,007,039	5,632,636	3,810,396
Taxes receivable	57,023	67,748	71,420
Grant receivable	-	-	195,474
Total assets	\$ 8,124,936	5,833,526	4,195,570
Accounts payable	\$ 400,630	395,283	372,156
Deferred revenue	57,023	67,748	71,420
Total liabilities	457,653	463,031	443,576
Unreserved fund balance	7,667,283	5,370,495	3,751,994
Total liabilities and fund balance	\$ 8,124,936	5,833,526	4,195,570

The *General Fund* pays for daily operating expenditures. When comparing actual to budget, actual revenues were greater than budget by approximately \$127,000 due to higher property tax revenue. Actual expenditures were lower than budgeted by approximately \$3.6 million primarily due to less than expected capital outlay. More detailed information about the District's budgetary comparison is presented in the *Notes to Basic Financial Statements*.

Capital Assets Activity

	2010	2009
Earthen dams	\$ 21,518,103	\$ 17,072,788
Construction in progress	808,447	3,126,930
Furniture and equipment	14,383	14,383
Subtotal	22,340,933	20,214,101
Accumulated depreciation	(3,216,978)	(2,661,577)
Total	<u>\$ 19,123,955</u>	<u>\$ 17,552,524</u>

The District is in process of renovating additional dams. More detailed information about the District's capital assets is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

For fiscal year 2011, the tax rate has been set at \$0.02 per \$100 of assessed valuation. The adopted budget for 2011 projects an increase in the fund balance of the General Fund of approximately \$1.2 million. When compared to the 2010 budget, revenues are expected to decrease by approximately 2% in 2011. Expenditures are expected to decrease approximately 43% in 2011 when compared to the 2010 budget, the majority of which is related to a decrease in capital outlay offset by an increase in operations and maintenance expenditures.

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 309 E. Main, Round Rock, Texas 78664.

UPPER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2010**

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET ASSETS
ASSETS:			
Cash	\$ 60,874	-	60,874
Temporary investments	8,007,039	-	8,007,039
Taxes receivable	57,023	-	57,023
Capital assets (net of accumulated depreciation):			
Earthen dams	-	18,312,056	18,312,056
Construction in progress	-	808,447	808,447
Furniture and equipment	-	3,452	3,452
Total assets	<u>\$ 8,124,936</u>	<u>19,123,955</u>	<u>27,248,891</u>
LIABILITIES:			
Accounts payable	\$ 400,630	-	400,630
Deferred revenue	57,023	(57,023)	-
Total liabilities	<u>457,653</u>	<u>(57,023)</u>	<u>400,630</u>
FUND BALANCE/NET ASSETS:			
Fund balance-			
Unreserved	7,667,283	(7,667,283)	-
Total fund balance	<u>7,667,283</u>	<u>(7,667,283)</u>	-
Total liabilities and fund balance	<u>\$ 8,124,936</u>		
Net assets:			
Invested in capital assets		19,123,955	19,123,955
Unrestricted		7,724,306	7,724,306
Total net assets		<u>\$ 26,848,261</u>	<u>\$ 26,848,261</u>

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

UPPER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2010**

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:			
Service operations:			
Engineering fees	\$ 213,503	-	213,503
Contracted services	116,014	-	116,014
Legal fees	71,013	-	71,013
Preparation of tax rolls	65,201	-	65,201
Maintenance and repairs	56,697	-	56,697
Williamson County Lidar Project	10,500	-	10,500
Directors' fees	9,900	-	9,900
Insurance	1,649	-	1,649
Other	1,361	-	1,361
Capital outlay	2,126,832	(2,126,832)	-
Depreciation	-	555,401	555,401
Total expenditures/expenses	<u>2,672,670</u>	<u>(1,571,431)</u>	<u>1,101,239</u>
REVENUES:			
General revenues:			
Property taxes	4,925,848	(10,725)	4,915,123
Interest on temporary investments	15,071	-	15,071
Penalties and interest on property taxes	28,490	-	28,490
Other income	49	-	49
Total general revenues	<u>4,969,458</u>	<u>(10,725)</u>	<u>4,958,733</u>
Total revenues	<u>4,969,458</u>	<u>(10,725)</u>	<u>4,958,733</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,296,788	(2,296,788)	-
CHANGE IN NET ASSETS		3,857,494	3,857,494
FUND BALANCE/NET ASSETS:			
Beginning of year	<u>5,370,495</u>	<u>17,620,272</u>	<u>22,990,767</u>
End of year	<u>\$ 7,667,283</u>	<u>19,180,978</u>	<u>26,848,261</u>

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

UPPER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2010**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:			
Property taxes	\$ 4,821,250	4,925,848	104,598
Interest on temporary investments	21,600	15,071	(6,529)
Penalties and interest on property taxes	-	28,490	28,490
Other income	-	49	49
	<u>4,842,850</u>	<u>4,969,458</u>	<u>126,608</u>
EXPENDITURES:			
Service operations:			
Engineering fees	125,000	213,503	(88,503)
Contracted services	106,000	116,014	(10,014)
Legal fees	42,000	71,013	(29,013)
Preparation of tax rolls	68,080	65,201	2,879
Maintenance and repairs	111,450	56,697	54,753
Williamson County Lidar Project	-	10,500	(10,500)
Directors' fees	9,000	9,900	(900)
Insurance	2,100	1,649	451
Other	64,557	1,361	63,196
Capital outlay	<u>5,746,100</u>	<u>2,126,832</u>	<u>3,619,268</u>
	<u>6,274,287</u>	<u>2,672,670</u>	<u>3,601,617</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(1,431,437)	2,296,788	3,728,225
FUND BALANCE:			
Beginning of year	<u>5,370,495</u>	<u>5,370,495</u>	<u>-</u>
End of year	<u><u>\$ 3,939,058</u></u>	<u><u>7,667,283</u></u>	<u><u>3,728,225</u></u>

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

UPPER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brushy Creek Water Control and Improvement District No. 1 of Williamson and Milam Counties was created November 1, 1956, by the State Board of Engineers (predecessor to the Texas Water Rights Commission) and operated pursuant to Chapter 51 of the Texas Water Code. In a November 2001 election, the voters of the district approved a proposal to split the district into two entities: Brushy Creek Water Control and Improvement District No. 1A of Williamson and Milam Counties and Brushy Creek Water Control and Improvement District No. 1B of Williamson and Milam Counties. The assets of the former district were allocated among the new entities. The Board of Directors of Brushy Creek Water Control and Improvement District No. 1A of Williamson and Milam Counties held its first meeting on March 12, 2002. On January 9, 2003, the Texas Commission on Environmental Quality approved a request by Brushy Creek Water Control and Improvement District No. 1A of Williamson and Milam Counties to change its name to Upper Brushy Creek Water Control and Improvement District (the "District").

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 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. In addition, there are no component units as defined in GASB Statement No. 14 which are included in the District's reporting entity.

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 "General Fund" 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 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.

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.

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.

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 fund:

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.

Budgets and Budgetary Accounting - Formal budgetary integration is employed as a management control device for the General Fund. The budget is proposed by the District's General Manager for the fiscal year commencing the following October 1, and is adopted on a basis 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.

Capital Assets - Capital assets, which include earthen dams, construction in progress, 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 \$500. 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 construction in progress) are depreciated using the straight line method over the following estimated useful lives: earthen dams - fifty years, furniture and equipment - five to ten years.

Ad Valorem Property Taxes - Property taxes, penalties, and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Allowances for uncollectibles within the General Fund 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.

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	\$ 7,667,283
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,123,955
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	<u>57,023</u>
Total net assets	<u>\$ 26,848,261</u>

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

Excess of revenues over expenditures	\$ 2,296,788
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	2,126,832
Depreciation expense	<u>(555,401)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	<u>(10,725)</u>
Change in net assets	<u>\$ 3,857,494</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, 2010, 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.

At September 30, 2010, the District had investments in an external local governmental investment pool, Texas Local Governmental Investment Pool ("TexPool"), totaling \$8,007,039. The funds invested in TexPool have a weighted average maturity of one day and a Standard & Poor's rating of AAAM.

Although TexPool is not registered with the SEC as an investment company, it operates 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 pool 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 manages 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.

Credit Risk - At September 30, 2010, investments were included in a local governmental investment pool with a rating from Standard & Poor's in compliance with the District's investment policy.

Interest Rate Risk - The District considers the holdings in the local governmental investment pool 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. 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 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.

On September 12, 2009, the District levied a tax rate of \$0.02 per \$100 of assessed valuation to finance the operating expenses of the District. The total 2009 tax levy was \$4,927,256 based on a taxable valuation of \$24,766,897,079.

5. CAPITAL ASSETS

Capital assets consist primarily of 23 earthen dams located in the District. The following is a summary of capital asset transactions for the period ended September 30, 2010:

	Balance September 30, 2009	Additions	Deletions/ Transfers	Balance September 30, 2010
Capital assets, not being depreciated-				
Construction in progress	\$ 3,126,930	1,952,813	(4,271,296)	808,447
Capital assets, being depreciated:				
Earthen dams	17,072,788	174,019	4,271,296	21,518,103
Furniture and equipment	14,383	-	-	14,383
Total capital assets being depreciated	<u>17,087,171</u>	<u>174,019</u>	<u>4,271,296</u>	<u>21,532,486</u>
Less accumulated depreciation for:				
Earthen dams	(2,652,615)	(553,432)	-	(3,206,047)
Furniture and equipment	(8,962)	(1,969)	-	(10,931)
Total accumulated depreciation	<u>(2,661,577)</u>	<u>(555,401)</u>	<u>-</u>	<u>(3,216,978)</u>
Total capital assets, being depreciated, net	<u>14,425,594</u>	<u>(381,382)</u>	<u>4,271,296</u>	<u>18,315,508</u>
Capital assets, net	<u>\$ 17,552,524</u>	<u>1,571,431</u>	<u>-</u>	<u>19,123,955</u>

6. RISK MANAGEMENT

The District's risk management program includes coverage through third party insurance providers for automobile liability, director and officer liability, public officials position liability, and general liability. Losses in excess of the various deductible levels are covered through traditional indemnity coverage with various insurance firms. Settled claims did not exceed insurance limits for the current or prior periods.

7. COMMITMENTS AND CONTINGENCIES

The District is involved in various legal proceedings which arise from time to time in the normal course of business. While the ultimate results of such matters generally cannot be predicted with certainty, management does not expect any such matters to have a material adverse effect on the financial position of the District or its results of operations as of September 30, 2010.

UPPER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY YEAR ENDED SEPTEMBER 30, 2010

SCHEDULE INCLUDED		
<u>YES</u>	<u>NO</u>	
<u>X</u>	<u> </u>	TSI-0 Notes Required by the Water District Accounting Manual
<u> </u>	<u>X</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> </u>	<u>X</u>	TSI-5 Long-Term Debt Service Requirements by Years
<u> </u>	<u>X</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 - Five Years Ended September 30, 2010
<u>X</u>	<u> </u>	TSI-8 Board Members, Key Personnel and Consultants

UPPER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

TSI-0 NOTES REQUIRED BY THE WATER DISTRICT ACCOUNTING MANUAL YEAR ENDED SEPTEMBER 30, 2010

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

See Note 7 to basic financial statements.

(C) Pension Coverage

Not applicable.

(D) Pledge of Revenues

Not applicable.

(E) Compliance with Debt Service Requirements

Not applicable.

(F) Redemption of Bonds

Not applicable.

UPPER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

TSI-2 SCHEDULE OF GENERAL FUND EXPENDITURES YEAR ENDED SEPTEMBER 30, 2010

Personnel Expenditures (including benefits)	\$ -
Professional Fees:	
Auditing	9,000
Legal	71,013
Engineering	213,503
Financial Advisor	-
Purchased Services For Resale -	
Bulk Water and Wastewater Service Purchases	-
Contracted Services:	
Bookkeeping	5,350
General Manager	97,219
Appraisal District	40,252
Tax Collector	24,949
Other Contracted Services	4,445
Utilities	-
Repairs and Maintenance	56,697
Administrative Expenditures:	
Directors' Fees	9,900
Office Supplies	-
Insurance	1,649
Other Administrative Expenses	11,861
Capital Outlay:	
Capitalized Assets	2,126,832
Expenditures not Capitalized	-
Tap Connection Expenditures	-
Solid Waste Disposal	-
Fire Fighting	-
Parks and Recreation	-
Other Expenditures	-
TOTAL EXPENDITURES	<u>\$ 2,672,670</u>

Number of persons employed by the District: 0 Full-Time 5 Part-Time
(Does not include independent contractors or consultants)

UPPER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS
SEPTEMBER 30, 2010

<u>General Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 9/30/10</u>	<u>Accrued Interest Receivable at 9/30/10</u>
TexPool	12526	Variable	N/A	<u>\$ 8,007,039</u>	<u>\$ -</u>
Total				<u><u>\$ 8,007,039</u></u>	<u><u>\$ -</u></u>

UPPER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

**TSI-4 ANALYSIS OF TAXES LEVIED AND RECEIVABLE
YEAR ENDED SEPTEMBER 30, 2010**

				Maintenance Taxes
				<u> </u>
TAXES RECEIVABLE, SEPTEMBER 30, 2009				\$ 67,748
2009 ORIGINAL TAX LEVY				4,927,256
Adjustments				<u>(12,133)</u>
Total to be accounted for				<u>4,982,871</u>
Tax collections:				
Current year				4,889,151
Prior years				<u>36,697</u>
Total collections				<u>4,925,848</u>
TAXES RECEIVABLE, SEPTEMBER 30, 2010				<u>\$ 57,023</u>
TAXES RECEIVABLE, BY YEARS				
2009				\$ 29,250
2008				8,320
2007				4,181
2006				2,684
2005				<u>12,588</u>
TAXES RECEIVABLE, SEPTEMBER 30, 2010				<u>\$ 57,023</u>
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
PROPERTY VALUATIONS-				
Land, improvements, and personal property	\$ 24,766,897,079	24,270,752,650	21,441,104,111	18,281,005,995
TAX RATES PER \$100 VALUATION:				
Maintenance tax rates	0.02	0.02	0.02	0.02
Debt service tax rates	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.02</u>	<u>0.02</u>	<u>0.02</u>	<u>0.02</u>
ORIGINAL TAX LEVY	<u>\$ 4,927,256</u>	<u>4,815,533</u>	<u>4,230,027</u>	<u>3,657,366</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.4%</u>	<u>99.8%</u>	<u>99.9%</u>	<u>99.9%</u>

UPPER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

**TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND
FIVE YEARS ENDED SEPTEMBER 30, 2010**

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
GENERAL FUND										
REVENUES:										
Property taxes	\$ 4,925,848	4,799,769	4,301,124	3,670,496	3,275,311	99.1	98.6	96.8	94.8	66.7
Permit fees	-	-	-	11,280	11,824	-	-	-	0.3	0.2
Capital grant revenue	-	-	-	-	1,430,799	-	-	-	-	29.2
Interest on temporary investments	15,071	41,128	120,336	166,070	166,105	0.3	0.8	2.7	4.3	3.4
Penalties and interest	28,490	25,832	23,273	23,513	23,120	0.6	0.6	0.5	0.6	0.5
Proceeds from sale of capital asset	-	-	-	1,400	-	-	-	-	-	-
Other income	49	-	-	680	-	-	-	-	-	-
Total revenues	4,969,458	4,866,729	4,444,733	3,873,439	4,907,159	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Current:										
Maintenance and repairs	56,697	138,360	143,959	142,405	142,278	1.1	2.8	3.2	3.7	2.9
Engineering fees	213,503	141,287	147,663	208,465	137,410	4.3	2.9	3.3	5.4	2.8
Contracted services	116,014	112,922	121,284	116,284	110,738	2.3	2.3	2.7	3.0	2.3
Preparation of tax rolls	65,201	64,879	65,340	49,745	51,437	1.3	1.3	1.5	1.3	1.0
Legal fees	71,013	28,191	44,128	31,485	42,744	1.4	0.6	1.0	0.8	0.9
Equipment rental	-	-	2,748	8,512	8,617	-	-	0.1	0.2	0.2
Directors' fees	9,900	9,150	7,950	7,650	8,550	0.2	0.2	0.2	0.2	0.2
Insurance	1,649	3,160	2,374	2,357	2,000	0.1	0.1	0.1	0.1	-
Bad debt	-	195,474	-	-	-	-	4.0	-	-	-
Williamson County Lidar Project	10,500	39,500	-	-	-	0.2	0.8	-	-	-
Other	1,361	3,422	5,527	15,013	6,814	0.1	0.1	0.1	0.4	0.1
Capital outlay	2,126,832	2,511,883	2,396,832	3,349,764	5,345,848	42.8	51.6	53.9	86.4	108.9
Total expenditures	2,672,670	3,248,228	2,937,805	3,931,680	5,856,436	53.8	66.7	66.1	101.5	119.3
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 2,296,788	1,618,501	1,506,928	(58,241)	(949,277)	46.2 %	33.3	33.9	(1.5)	(19.3)

UPPER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

**TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2010**

Complete District Mailing Address: 309 E. Main Street, Round Rock, Texas 78664

District Business Telephone Number: (512) 255-8877

Submission date of the most recent District Registration Form:
(TWC Sections 36.054 and 49.054) May 10, 2010

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</u>	<u>Term of Office Elected & Expires or Date Hired</u>	<u>Fees 9/30/10</u>	<u>Expense Reimbursements 9/30/10</u>	<u>Title at 9/30/10</u>
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Board Members:

Martha Juch	Elected 5/10 - 5/14	\$ 2,550	-	President
Larry Quick	Elected 5/10 - 5/14	1,650	-	Vice President
Frankie Limmer	Appointed 6/08-6/12	1,350	-	Treasurer
Scott Ahlstrom	Appointed 6/08-6/12	1,800	-	Secretary
Miguel Villareal	Appointed 6/08-6/12	1,950	-	Asst. Treasurer

Key Administrative Personnel-

Mike Erdmann	Hired 9/02	\$ 96,563	-	General Manager (contractor)
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UPPER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (continued)
SEPTEMBER 30, 2010

Name	Date Hired	Fees and Expense Reimbursements 9/30/10	Title at 9/30/10
Consultants:			
Watershed Maintenance	2002	\$ 63,948	Operator
Sheets & Crossfield, P.C.	2002	63,365	Attorney
Freese and Nichols, Inc.	2002	1,214,587	Engineer
Maxwell Locke & Ritter LLP	2002	11,500	Auditor
Bjorge & Parker, P.C.	2008	5,250	Accountant
Williamson County Tax Assessor/Collector	2002	24,949	Tax Collector
Williamson County Appraisal District	2002	40,252	Appraisal District