

PERCENTAGE OF FUND TOTAL REVENUES				
1992	1991	1990	1989	1988
63.7%	60.4%	60.3%	55.3%	56.5%
8.8	8.9	9.2	10.9	8.3
1.3	1.1	1.7	2.1	2.2
1.1	.9	.2	.2	.2
15.8	21.8	21.5	25.4	28.6
4.2	3.6	3.8	3.2	2.9
2.4	3.3	3.3	2.9	1.3
2.7				
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
56.7	51.9	55.5	54.9	57.0
3.1	2.2	7.1	6.6	8.8
3.3	3.1	3.1	3.9	4.4
1.0	.9	1.2	1.2	1.1
.2	.2	.2	.3	.3
10.7	8.4	7.5	7.3	7.0
7.5	7.0	7.1	4.7	4.6
7.9	9.0	6.3	5.2	3.9
2.1	1.6	1.5	1.1	1.4
.9	1.0	1.1	1.0	.8
.5	.5	.6	1.2	1.1
.1	.5	.6	1.4	1.5
.1	.3	.2	1.1	.2
.3	2.7	.4		
<u>94.4</u>	<u>89.3</u>	<u>92.4</u>	<u>89.9</u>	<u>92.1</u>
<u>5.6%</u>	<u>10.7%</u>	<u>7.6%</u>	<u>10.1%</u>	<u>7.9%</u>
88.2%	82.7%	64.5%	56.8%	57.0%
11.8	17.3	16.2	20.4	19.3
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
201.3	182.7	153.8	196.6	197.3
(101.3)%	(82.7)%	(53.8)%	(96.6)%	(97.3)%

North Austin Municipal Utility District No. 1
Comparative Statement of Revenues and Expenditures -
General and Debt Service Funds - continued
Five Years Ended September 30, 1992

	Amounts				
	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>
Average annual debt service requirement for unpaid principal and interest	\$ 2,482,070	\$ 2,487,337	\$ 2,493,125	\$ 2,470,290	\$ 2,514,620
Excess revenues from general and debt service funds before expenditures for debt service	1,347,951	1,552,142	1,402,954	1,235,122	1,194,964
Coverage (excess revenues as adjusted/annual debt service requirements)	.54	.62	.56	.50	.48
Number of water and sewer connections at end of year	1,639	1,491	1,328	1,177	1,059
Total amount of water billed to customers (in thousands of gallons)	137,032	112,510	108,992	100,539	95,810
Total amount of water pumped into system (in thousands of gallons)	147,294	111,079	97,626	104,545	96,802
Percentage of water billed to water pumped	93.0%	101.3%	111.6%	96.2%	99.0%

North Austin Municipal Utility District No. 1
Insurance Coverage
September 30, 1992

<u>Type of Coverage</u>	<u>From</u>	<u>To</u>	<u>Amount of Coverage</u>	<u>Name</u>	<u>Stock/ Mutual</u>	<u>Co- Insurance</u>
Commercial general liability	01-31-92	01-31-93	\$1,000,000/ 2,000,000	Reliance Lloyds	Stock	No
Auto	01-31-92	01-31-93	\$1,000,000	Reliance Lloyds	Stock	No
Excess liability/umbrella	01-31-92	01-31-93	\$1,000,000/ 2,000,000	Reliance Lloyds	Stock	No
Property	01-31-92	01-31-93	\$1,871,298	Reliance Lloyds	Stock	80%
Public officials bond	09-19-92	09-19-93	\$ 50,000	Hartford	Stock	No
Officers and directors excess liability	02-01-92	02-01-93	\$1,000,000	National Casualty Company	Stock	No
Boilers & machinery	01-31-92	01-31-93	\$ 500,000	The Hartford Steam Boiler Inspection and Insurance Company	Stock	No
Tax collector/assessor bond	08-01-92		\$ 100,000	Hartford	Stock	No

North Austin Municipal Utility District No. 1
Board Members, Key Personnel and Consultants
September 30, 1992

Complete District mailing address: North Austin Municipal Utility District No. 1
2600 One American Center
600 Congress Avenue
Austin, Tx 78701

District business telephone number: (512) 499-3600

<u>Name and address</u>	<u>Date Hired</u>	<u>Reimbursements</u>	<u>Title</u>	<u>District</u>
Steve D. Pena P.O. Box 250 Round Rock, Tx 78680	5/92-5/96	\$ 1,250	President	no
Donald K. Bayes 6805 Luckenbach Lane Austin, Tx 78729	Not reelected	\$ 850		yes
Robert K. Schultz 13230 Dime Box Trail Austin, Tx 78729	5/90-5/94	\$ 1,250	Secretary	yes
Jared R. Stallones 12914 Modena Trail Austin, Tx 78729	5/92-5/96	\$ 1,050	Vice-President	yes
Jim K. Triplett 13108 New Boston Blvd. Austin, Tx 78729	Resigned	\$ 350		yes
Robert Franson 13270 Kerrville Folkway Austin, Tx 78729	7/92-5/94	\$ 200	Director	yes
Terry Ripperda 8200 Mopac North, Suite 175 Austin, Tx 78759	5/92-5/96	\$ 650	Asst. secretary/ treasurer	yes

<u>Name and Address</u>	<u>Date Hired</u>	<u>Reimbursements</u>	<u>Title</u>
<u>Consultants:</u>			
Am-Tex Corporation 11855 Research Blvd. Austin, Tx 78759	8/14/84	\$ 152,045	Operator/General Manager
Strasburger & Price, Armburst & Brown, P.C. 2600 One American Center Austin, Tx 78701	11/15/83	\$ 53,663	Attorneys
Murfee Engineering 1101 Capital of Texas Hwy. So. Bldg. D, Suite 110 Austin, Tx 78746	3/18/87	\$ 38,600	District Engineer
Travis County Tax Assessor Collector P.O. Box 15997 Austin, Tx 78761	7/1/87	\$ 3,061	Tax Assessor - Collector
Williamson County Tax Appraisal District 510 West 9th Georgetown, Tx 78627	7/1/87	\$ 21,669	Central Appraisal District

Note: No director has any business or family relationships (as defined by the Texas Water Code) with the landowners in the District, with the District's developer or with any of the District's consultants.

North Austin Municipal Utility District No. 1.
Questionnaire to be Completed by Auditor
September 30, 1992

1. On the following chart, provide the appropriate check marks for each listed accounting record. Under the "Used?" block for each record indicate either "NO" (it is not used) or "YES" (it is used). Under "HOW KEPT?" block indicate if records are maintained manually, by hand, or if data are input to a computer. Under the "WHEN UPDATED" block show how often entries are made to each record. If entries are made less often than monthly, write in the frequency under "HOW OFTEN?". Indicate who provided the information for the table below: Mike Morin, District Accountant, Am-Tex Corporation.

RECORD	USED?		HOW KEPT?		WHEN UPDATED?			
	NO	YES	BY HAND	BY COMPUTER	DAILY	WEEKLY	MONTHLY	HOW OFTEN?
Description of accounts		x		x				As needed
Chart of accounts		x		x				As needed
General journal		x		x			x	
Cash receipts journal		x		x	x		x	
Cash disbursements journal		x		x			x	
Check register		x		x			x	
General ledger		x		x			x	
Customer subsidiary ledger		x		x			x	
Fixed assets ledger		x		x				As needed
Bank reconciliation		x	x				x	
Trial balance		x		x			x	

2. Does the district use double entry accounting?

X
Yes

No

3. What is the usual location of the accounting records?

Am-Tex Corporation, 11855 Research Blvd., Austin, Texas 78759

[All questions with responses marked by an asterisk (*) should be explained, at the end of this Questionnaire in Item 15.]

North Austin Municipal Utility District No. 1
Questionnaire to be Completed by Auditor (continued)
September 30, 1992

4. Did you identify, during the course of your examination of the financial statements of the water district, any areas pertaining to accounting matters in which action should be taken by the Board of Directors of the water district?

_____	_____
Yes	X No

If Yes is checked for Question 4, have these topics have been discussed in a Management Letter to the water district's Board of Directors

_____	_____
n/a Yes	No*

5. Did you obtain representation from the Board of Directors of the water district that all records of the water district were made available to you for your examination?

_____	_____
X Yes	No*

6. Did the water district:

- a. Use the capital projects fund and debt service fund only for purposes authorized by the Board of Directors of the water district and/or within the provisions of applicable bond resolutions?

_____	_____
X Yes	No*

- b. Properly escrow the required amount of cash as prescribed by the Texas Water Commission or disburse the escrowed cash according to the terms prescribed by the Texas Water Commission?

_____	_____
X Yes	No*

- c. Do business only with firms or corporations in which members of the Board of Directors had no pecuniary interest?

_____	_____
X Yes	No*

- d. Observe the conditions for obtaining grants, gifts, etc., or observe agreements with governmental agencies for the purpose of securing funds or services?

_____	_____
X Yes	No*

- e. Have a contract for Social Security coverage for its employees with the Texas Employees Retirement System?

_____	_____
n/a Yes	No*

North Austin Municipal Utility District No. 1
Questionnaire to be Completed by Auditor (continued)
September 30, 1992

- | | | |
|---|-------------------|----------------------|
| f. Make remittances of Social Security taxes according to the terms of the contract for Social Security coverage with the Social Security Division of the Texas Employees Retirement System? | <u>n/a</u>
Yes | <u> </u>
No* |
| g. Deposit receipts to the proper funds kept by the approved depository bank? | <u>X</u>
Yes | <u> </u>
No* |
| h. Draw checks only on funds approved by the Board of Directors and signed by authorized personnel? | <u>X</u>
Yes | <u> </u>
No* |
| 7. Note: A management letter is an audit scope requirement of the <u>Water District Accounting Manual</u> . | | |
| a. The date of your most recent management letter was <u>November 6, 1992</u> . | | |
| b. Were your recommendations explained to and discussed with administrative officials of the water district? | <u>X</u>
Yes | <u> </u>
No* |
| c. Is there evidence indicating that the previous year's recommendations have been or are being implemented? | <u>X</u>
Yes | <u> </u>
No* |
| 8. The Texas Water Code makes specific provisions relating to security provided by depository banks. After consideration of the applicable laws pertaining to the specific water district, did the depository bank provide adequate security of the correct type? | <u>X</u>
Yes | <u> </u>
No* |
| Please indicate for each depository: | | |
| a. The name of the depository bank <u>Texas Commerce Bank - Austin, N.A.;</u> | | |
| b. Amount of F.D.I.C. coverage (if member bank) | | \$ <u>100,000;</u> |
| c. Amount of bond or other security pledged as of the end of the fiscal year | | \$ <u>662,424;</u> |
| d. Largest cash balance: | | \$ <u>142,856;</u> |

North Austin Municipal Utility District No. 1
Questionnaire to be Completed by Auditor (continued)
September 30, 1992

- e. Date of largest cash balance: 9-18-92;
- f. The amount of bond or security pledged at the time of the largest cash balance (excluding F.D.I.C. coverage) \$678,083;
9. The water district's taxes were collected by Travis County Tax Office.
10. Was the tax assessor-collector bonded as required by law? X Yes No
11. What was:
- a. The tax assessor-collector bonded for? \$100,000
- b. The greatest amount of the district's taxes in the tax assessor-collector's possession at any one time? \$44,442
- c. The frequency of tax receipts with the bonded depository?
(1) Daily X; (2) Weekly ; (3) Monthly
12. We :
- a. Actually examined the records of the tax assessor-collector.
- b. Received written confirmation for tax data from the tax assessor-collector. X
- c. Accepted tax data furnished by the district's administrative offices.
13. Were local tax revenues (including delinquent taxes and interest and penalties on taxes) properly separated for debt service? X Yes No
14. Was the water district in compliance with applicable bond resolutions, with the general or special legislation under which the district was created and with the specific statutes excerpted and included in the Legal Compliance Guidelines in Section 70-03-1 of the Water District Accounting Manual? X Yes No
15. Full and complete explanations and/or references to notes, schedules (or comments in the Auditor's Report Letter) for responses marked (*).

North Austin Municipal Utility District No. 1
Williamson County, Texas
Certificate of the Board of Directors
September 30, 1992

We, the undersigned, do hereby certify that the audit report of the above named Water District for the fiscal year ended September 30, 1992, was received by the Board of Directors on the ___ day of ___, 19__ and was reviewed and ☒ approved; ___ disapproved at a meeting of the Board of Directors of the Water District on the 20th day of January, 1993.


Signature of Board Secretary


Signature of Board President

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APPENDIX B

FORM OF OPINION OF BOND COUNSEL

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LAW OFFICES

MCCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
NINTH FLOOR
DALLAS, TEXAS 75201-6587
TELEPHONE 214 220-2800
TELECOPY 214 953-0736

3100 ONE AMERICAN CENTER
AUSTIN, TEXAS 78701-3234
TELEPHONE 512 478-3805
TELECOPY 512 472-0871

1225 ONE RIVERWALK PLACE
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE 210 225-2800
TELECOPY 210 225-2984

**NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1
UNLIMITED TAX AND REVENUE BONDS, SERIES 1993
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,350,000**

AS BOND COUNSEL FOR THE ISSUER (the "Issuer") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the Issuer adopted on August 25, 1993, authorizing the issuance of the Bonds (the "Order").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the Issuer, and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Numbered T-1) and printer's specimens of Bonds to be authenticated and delivered in exchange for the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION THAT the Bonds have been authorized and issued and the Bonds delivered concurrently with this opinion have been duly delivered, and that, assuming due authentication, Bonds issued in exchange therefor will have been duly delivered, in accordance with law, and that said Bonds, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights, constitute valid and legally binding obligations of the Issuer, payable from ad valorem taxes to be levied and collected by the Issuer upon taxable property within the Issuer, which taxes the Issuer has covenanted to levy in an amount sufficient (together with revenues and receipts from other sources which are legally available for such purposes) to pay the interest on and the principal of the Bonds. The Bonds are additionally payable from a pledge of Net Revenues, if any, of the Issuer's Waterworks and Sewer System, as defined in the Order. Such covenant to levy taxes and pledge Net Revenues is subject to the right of a city, under existing Texas law, to annex all of the territory within the Issuer; to take over all properties and assets of the Issuer; to assume all debts, liabilities, and obligations of the Issuer, including the Bonds; and to abolish the Issuer.

■

THE ISSUER reserves the right to issue additional bonds which will be payable from taxes on a parity with Bonds; bonds, notes, and other obligations of inferior liens; and bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "private activity bonds" and that accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we assume compliance by the Issuer with certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that failure by the Issuer to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is (a) included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax and the environmental tax imposed on corporations by Sections 55 and 59A of the Code, (b) subject to the branch profits tax imposed on foreign corporations by Section 884 of the Code and (c) included in the passive investment income of the subchapter S corporation and subject to the tax imposed by Section 1375 of the Code.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE HAVE ACTED AS BOND COUNSEL for the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds described above under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on such Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, and have not assumed any responsibility with respect thereto. We have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of and the assessed valuation of taxable property within the Issuer.

Respectfully,

McCALL, PARKHURST & HORTON L.L.P.

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Official Statement Dated October 27, 1993

New Issue: Book-Entry-Only

Ratings: Moody's "Aaa"
Standard & Poor's "AAA"
("See "Ratings" and "Bond Insurance" herein.)

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations.

\$5,625,000

NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1

(A political subdivision of the State of Texas located within Travis and Williamson Counties)

UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 1993A

The bonds described above (the "Bonds") are obligations solely of North Austin Municipal Utility District No. 1 (the "District") and are not obligations of the State of Texas, Travis County, Williamson County, the City of Austin or any entity other than the District.

Interest Accrues From: November 1, 1993 for the Current Interest Bonds

Due: August 1

Date of Delivery for the Premium Capital Appreciation Bonds

The Bonds are issuable as fully registered obligations in the form of Current Interest Bonds and Premium Capital Appreciation Bonds and when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of the Bonds will be made in book-entry-only form, in denominations of the principal amount (in the case of Current Interest Bonds) or maturity amount (in the case of Premium Capital Appreciation Bonds) of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC Participants. Beneficial owners of the Bonds will not be entitled to receive physical delivery of Bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar, initially Texas Commerce Trust Company, National Association, Dallas, Texas, to the registered owner of the Bonds, as described herein. The Bonds initially will be registered to Cede & Co. as nominee for DTC. Interest on the Current Interest Bonds will accrue from November 1, 1993 and is payable each February 1 and August 1, commencing February 1, 1994, or upon prior redemption as more fully described herein. Interest on the Premium Capital Appreciation Bonds will accrue from the date of first authentication and delivery thereof, to the initial purchasers (the "Underwriter") and will be compounded on each February 1 and August 1, commencing February 1, 1994, but will be payable only at maturity in the manner set forth herein. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal of and interest on such Bonds will be made directly to DTC. Disbursement of such payments to the beneficial owners is the responsibility of DTC Participants. See "THE BONDS—Book-Entry-Only System".

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by FINANCIAL SECURITY ASSURANCE INC. See "BOND INSURANCE" herein.



The proceeds of the Bonds will be used to refund a portion of the Outstanding District Bonds and to pay the cost of issuance of the Bonds. See "PLAN OF FINANCING"

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable solely from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District, and further payable from, and secured by, a pledge of and lien on certain net revenues, if any, of the System (herein defined). Neither the State of Texas, Travis County or Williamson County, Texas, the City of Austin, Texas nor any political subdivision or municipality, other than the District, shall be obligated to pay the principal of or interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, Travis County or Williamson County, Texas, the City of Austin, Texas or any other political subdivision or municipality thereof, other than the District, is pledged to the payment of the principal of or interest on or the redemption of the Bonds.

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter, subject to the approval of the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Fulbright & Jaworski, L.L.P., San Antonio, Texas, Counsel for the Underwriter. See "LEGAL MATTERS." Delivery of the Bonds is anticipated through the services of DTC to be on or about November 23, 1993.

RAUSCHER PIERCE REFSNES, INC.

P-NA00865

STATED MATURITY SCHEDULE

\$5,230,000 CURRENT INTEREST BONDS

Principal Amount (\$)	Due August 1	Interest Rate (%)	Initial Reoffering Yield (%) (a)	Principal Amount (\$)	Due August 1	Interest Rate (%)	Initial Reoffering Yield (%) (a)
265,000	1994	2.70	2.70	765,000	2001	4.50	4.55
220,000	1995	3.30	3.30	***	2002	***	***
225,000	1996	3.70	3.70	***	2003	***	***
610,000	1997	4.00	4.00	***	2004	***	***
650,000	1998	4.10	4.15	865,000	2005(b)	4.80	4.90
695,000	1999	4.20	4.25	205,000	2006(b)	4.90	5.00
730,000	2000	4.30	4.40				

(Accrued interest to be added)

\$395,000 PREMIUM CAPITAL APPRECIATION BONDS

Maturity	Par Amount (\$)	Price Per \$5,000 of Maturity Amount (\$)	Yield (%)	Total Payment at Maturity (\$)
2002	140,000	3,283.15	4.90	825,000
2003	130,000	3,098.55	5.00	820,000
2004	125,000	2,918.70	5.10	835,000

(No accreted interest to be added)

(a) Initial Reoffering Yield represents the initial offering yield to the public, which has been established by the Underwriter, (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The Initial Reoffering Yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

(b) Current Interest Bonds maturing on or after August 1, 2005, are subject to redemption prior to maturity at the option of the District, in whole or, from time-to-time, in part, on August 1, 2004, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Premium Capital Appreciation Bonds are not subject to optional redemption prior to maturity. See "THE BONDS—Redemption Provisions".

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING FINANCIAL SECURITY ASSURANCE INC. ("FINANCIAL SECURITY") CONTAINED UNDER THE CAPTIONS "BOND INSURANCE POLICY" AND "FINANCIAL SECURITY ASSURANCE INC." HEREIN, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY FINANCIAL SECURITY AND FINANCIAL SECURITY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO (i) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (ii) THE VALIDITY OF THE BONDS; OR (iii) THE TAX EXEMPT STATUS OF THE INTEREST ON THE BONDS.

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For purposes of compliance with Rule 15c2-12 of the Securities Exchange Commission, this document constitutes an official statement of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the District.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Robert Davis & Co., the District's financial advisor (the "Financial Advisor"), 4406 Airport Blvd., Austin, Texas 78722, for further information.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of facts, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Underwriter and thereafter only as specified in "PREPARATION OF THE OFFICIAL STATEMENT--Updating the Official Statement."

SALE AND DISTRIBUTION OF THE BONDS

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

Municipal Bond Rating

The District has been notified by Moody's Investors Service ("Moody's") and Standard & Poor's Corporation ("S&P") that, based upon the municipal bond insurance policy to be issued by Financial Security Assurance Inc. upon delivery of the Bonds, the Bonds will be rated "Aaa" and "AAA", respectively (see "BOND INSURANCE" herein). An explanation of the significance of any such ratings may be obtained from Moody's and S&P. The ratings of the Bonds by Moody's and S&P reflect only the views of each company at the time the ratings are given, and the District makes no representations as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by Moody's and S&P if, in the judgment of Moody's and S&P, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in the Official Statement. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire Official Statement and the documents summarized or described therein.

THE DISTRICT

<i>Description</i>	The District is a political subdivision of the State of Texas created by order of the Texas Water Commission ("Commission"), now recognized as the Texas Natural Resource Conservation Commission, on November 5, 1983 and operates pursuant to Chapter 54 of the Texas Water Code, as amended. The creation of the District was confirmed at an election held on February 18, 1984. The District consists of approximately 997.7 acres of land. See "THE DISTRICT."
<i>Location</i>	The District is located in Williamson and Travis Counties, approximately 11 miles north of the central business district of the City of Austin, and three miles east of the intersection of U.S. Hwy. 183 and RR 620. Except for 11.61 acres which lie within the boundaries of the City of Austin, the District lies wholly within the exclusive extraterritorial jurisdiction of the City of Austin and within the boundaries of the Round Rock Independent School District. See "THE DISTRICT--Description and Location" and "AERIAL LOCATION MAP."
<i>Status of Development</i>	<p>Milwood Joint Venture II ("Milwood JV" or "Developer") is a joint venture consisting of Milburn Investments, Inc. ("Milburn") and Palmar Associates, Ltd. ("Palmar"). Milwood JV has option agreements with the owners of all undeveloped property in the District (excluding property owned by State Farm as discussed herein) to purchase property and develop it into lots which it then sells to Milburn Investments, Inc. for home construction. Through September 10, 1993 Milwood JV has developed 403 acres in the District containing 1877 single family lots. Development within the District also is being undertaken by Milburn pursuant to certain agreements with Milwood JV. The District currently includes 1651 completed homes, 13 homes under construction, 213 vacant lots and a 467,000 square foot office complex under construction.</p> <p>State Farm Mutual Automobile Insurance Company ("State Farm") currently owns approximately 266 acres in the District and is developing approximately 71 acres to be the site of a regional headquarters facility. The first phase of development, including approximately 467,000 square feet of office space, is underway. See "STATUS OF DEVELOPMENT."</p>
<i>General Counsel</i>	Strasburger & Price, L.L.P., Austin, Texas. See "MANAGEMENT OF THE DISTRICT--District Consultants."
<i>Financial Advisor</i>	Robert Davis & Co., Austin, Texas. See "MANAGEMENT OF THE DISTRICT--District Consultants."
<i>Consulting Engineers</i>	Murfec Engineering, Inc., Austin, Texas. See "MANAGEMENT OF THE DISTRICT--District Consultants."

Payment Record

Prior to the issuance of the Bonds the District has issued \$10,675,000 of combination unlimited tax and revenue bonds in three series (the "Outstanding District Bonds") of which \$9,650,000 remain outstanding as of October 1, 1993. After issuance of the Bonds, \$4,025,000 will remain outstanding (the "Remaining Outstanding District Bonds"). In addition, the District makes payments to the City of Austin for the District's 34.81% pro rata share of debt service payments on \$17,870,000 of outstanding City of Austin, Texas Contract Revenue Bonds (the "Outstanding Contract Bonds"). The District has never defaulted on either the principal or interest payments on the Outstanding District Bonds or failed to make its payments on the Outstanding Contract Bonds. See "DEBT SERVICE REQUIREMENTS and TAX DATA."

THE BONDS

Description

North Austin Municipal Utility District No. 1 Unlimited Tax and Revenue Refunding Bonds, Series 1993A are to be issued in the aggregate principal amount of \$5,625,000. Interest on the Current Interest Bonds accrues from November 1, 1993 at the rates per annum set forth on the cover page hereof, and is payable February 1, 1994 and each August 1 and February 1 thereafter, until the earlier of stated maturity or redemption. Interest on the Premium Capital Appreciation Bonds accrues from the date of initial delivery to the Underwriter, will be compounded semiannually on February 1 and August 1 commencing on the date of delivery of the Bonds and will be payable only at maturity upon presentation and surrender of the Bonds at the Paying Agent/Registrar. The Bonds mature in various amounts on August 1 in each year 1994 through 2006, both inclusive, as set forth on the cover page hereof. The Bonds will be issued pursuant to an order authorizing the issuance of the Bonds adopted by the Board (the "Bond Order"), in fully registered form only, in denominations of principal amount for the Current Interest Bonds and principal and interest due at stated maturity amount for Premium Capital Appreciation Bonds of \$5,000 or any integral multiple of \$5,000. See "THE BONDS."

Redemption

Current Interest Bonds maturing on or after August 1, 2005, are subject to redemption at the option of the District prior to their maturity dates, in whole or from time-to-time in part, in integral multiples of \$5,000, on August 1, 2004, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date to the date fixed for redemption. The Premium Capital Appreciation Bonds are not subject to optional redemption prior to maturity. See "THE BONDS--Redemption Provisions."

Use of Proceeds

Proceeds from the sale of the Bonds will be applied to advance refund certain Outstanding District Bonds in order to achieve a debt service savings and to pay the cost of issuance in connection with the Bonds. See "PLAN OF FINANCING."

Authority for Issuance

The Bonds are issued pursuant to the Bond Order, the Texas Constitution and the general laws of the State of Texas including Article 717k, Vernon's Annotated Texas Civil Statutes, as amended. See "PLAN OF FINANCING", "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS".

Source of Payment

Principal of and interest on the Bonds, the remaining Outstanding District Bonds and such additional parity bonds as may hereafter be issued by the District are payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District and further payable from, and secured by, a pledge of and lien on certain net revenues, if any, of the System. The Bonds are obligations of the District and are not

obligations of the City of Austin, Travis County or Williamson County, the State of Texas or any entity other than the District. See "THE BONDS--Sources of Payment." In addition, the Outstanding Contract Bonds are secured by a limited ad valorem contract tax levied on a parity with the District's other bonded indebtedness, including the Bonds. See THE BONDS--Outstanding Obligations."

<i>Bond Insurance</i>	Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by Financial Security Assurance Inc. simultaneously with the delivery of the Bonds.
<i>Municipal Bond Rating</i>	Moody's Investors Service and Standard & Poor's Corporation have rated the Bonds "Aaa" and "AAA", respectively, based on the municipal bond insurance policy to be issued by Financial Security Assurance Inc. See "BOND INSURANCE" and "RATINGS" herein.
<i>Bond Counsel</i>	McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas. See "MANAGEMENT OF THE DISTRICT--District Consultants" and "LEGAL MATTERS."
<i>Paying Agent/Registrar</i>	Texas Commerce Trust Company, National Association, Dallas, Texas. See "THE BONDS--Method of Payment of Principal and Interest."
<i>Securities Depository</i>	The Depository Trust Company, New York, New York.
<i>Verification Agent</i>	KPMG Peat Marwick, Certified Public Accountants.
<i>Investment Considerations</i>	THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION
(Unaudited as of October 1, 1993)

1993 Certified Taxable Assessed Valuation		
(100% of Market Value as of January 1, 1993)		\$162,098,742(a)
Direct Debt:	Par Amount	District Share
Outstanding District Bonds (as of October 1, 1993)	\$ 9,650,000	\$ 9,650,000
Outstanding Contract Bonds (as of October 1, 1993)	17,870,000	6,220,547(b)
Less: Refunded District Bonds		5,625,000
The Bonds		<u>5,625,000</u>
Total		\$ 15,870,547
Estimated Overlapping Debt		\$ 4,202,558(c)
Direct and Estimated Overlapping Debt		\$ 20,073,105
Ratio of Direct Debt to:		
1993 Certified Taxable Assessed Valuation		9.79%
Ratio of Direct and Estimated Overlapping Debt to:		
1993 Certified Taxable Assessed Valuation		12.38%
Debt Service Fund Balance as of September 1, 1993		\$ 1,035,670(d)
Average Annual Debt Service Requirement (1994-2012)		\$ 1,397,306(e)
Maximum Annual Debt Service Requirement (2005)		\$ 1,840,557(e)
1992 Tax Rate (per \$100 of assessed valuation)		
Outstanding District Bonds Debt Service	\$	0.51
Outstanding Contract Bonds Debt Service	\$	0.49
Maintenance	\$	<u>0.15</u>
Total	\$	1.15
Tax Rate Required to Pay Average Annual Debt Service (1994-2012) at a 95% Collection Rate:		
Based upon 1993 Certified Taxable Assessed Valuation	\$	0.91
Tax Rate Required to Pay Maximum Annual Debt Service (2005) at a 95% Collection Rate:		
Based upon 1993 Certified Taxable Assessed Valuation	\$	1.20
Average Current Collection Percentage (1987-1991)		98.95%

- (a) As certified by the Williamson County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
 (b) The District has agreed to reimburse the City of Austin for the District's pro rata share of construction costs funded by the Outstanding Contract Bonds - approximately 34.81%. See "THE BONDS--Outstanding Obligations."
 (c) See "DEBT SERVICE REQUIREMENTS--Estimated Overlapping Debt."
 (d) Includes \$398,686 in Contract Bond debt service payments to be made on November 15, 1993.
 (e) After the issuance of the Bonds.

PRELIMINARY OFFICIAL STATEMENT

\$5,625,000

NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1

(A political subdivision of the State of Texas located within Travis and Williamson Counties)

UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 1993A

This Official Statement provides certain information in connection with the issuance by North Austin Municipal Utility District No. 1 (the "District") of its \$5,625,000 Unlimited Tax and Revenue Refunding Bonds, Series 1993A (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas including Article 717k, Vernon's Annotated Texas Civil Statutes, as amended, and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

This Official Statement includes descriptions, among others, of the Bonds, the Bond Order and certain other information about the District, Milwood Joint Venture II ("Milwood JV" or "Developer"), Milburn Investments, Inc. ("Milburn") and State Farm Mutual Automobile Insurance Company ("State Farm"). All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Robert Davis & Co., 4406 Airport Blvd., Austin, Texas 78722.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the final Official Statement and Escrow Agreement will be deposited with the Municipal Securities Rulemaking Board, 1818 N. Street, Northwest, Suite 800, Washington, D.C. 20036-2491.

PLAN OF FINANCING

Use of Bond Proceeds

The proceeds of the Bonds will be applied to advance refund \$3,950,000 of the District's Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1986 and \$1,675,000 of the District's Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1986A (collectively, the "Refunded Bonds"). See Schedule I attached hereto. The proceeds will also be used to pay the costs of issuance of the Bonds. The principal amounts and maturities of the Refunded Bonds are set forth below:

Series 1986 Bonds		
Principal	Interest	
<u>Amount</u>	<u>Rate</u>	<u>Maturity</u>
\$275,000	8.40%	08/01/97
300,000	8.50	08/01/98
350,000	8.60	08/01/99
375,000	8.70	08/01/00
425,000	8.75	08/01/01
475,000	8.75	08/01/02
525,000	8.875	08/01/03
575,000	8.875	08/01/04
650,000	8.875	08/01/05

Redemption Date: August 1, 1996
Redemption Price: 101.5%

Series 1986A Bonds		
Principal	Interest	
<u>Amount</u>	<u>Rate</u>	<u>Maturity</u>
\$100,000	9.50%	08/01/97
125,000	8.30	08/01/98
125,000	8.40	08/01/99
150,000	8.50	08/01/00
150,000	8.60	08/01/01
175,000	8.70	08/01/02
175,000	8.75	08/01/03
200,000	8.75	08/01/04
225,000	7.75	08/01/05
250,000	7.50	08/01/06

Redemption Date: August 1, 1996
Redemption Price: 101.5%

Escrow Agreement

The Bond Order provides that the District and Texas Commerce Trust Company, as the escrow agent (the "Escrow Agent"), will enter into an escrow agreement (the "Escrow Agreement"), to be dated as of November 1, 1993, but effective on the date of initial delivery of the Bonds to the Underwriter. The Bond Order further provides that from the proceeds of the sale of the Bonds, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") and will be used to purchase direct obligations of, or obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by, the United States of America which may not be called for redemption prior to maturity (the "Escrowed Securities"). KPMG Peat Marwick, certified public accountants, will verify to the District, the Escrow Agent and the Underwriter at the time of delivery of the Bonds that the Escrowed Securities will mature at such times and yield interest in amounts that, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal and interest on the Refunded Bonds. Pursuant to the Escrow Agreement, the Escrow fund is irrevocably pledged for the payment of principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Escrowed Securities will not be available to pay principal of or interest on Bonds.

Simultaneously with the issuance of the Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on the first optional redemption date, on which date money will be made available to redeem to the Refunded Bonds from money held under the Escrow Agreement.

By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in the Escrow Fund. See Appendix B-"Form of Opinion of Bond Counsel."

Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with certain available funds of the District, if any, will be applied as follows:

SOURCES OF FUNDS:

Par Amount of the Bonds	\$5,625,000.00
Premium on Capital Appreciation Bonds	1,142,304.85
Less: Original Issue Discount	19,547.70
Accrued Interest	13,466.44

Total Sources of Funds \$6,761,223.59

USES OF FUNDS:

Escrow Fund Deposit	\$6,488,887.46
Accrued Interest Deposit	13,466.44
Underwriter's Discount	52,446.61
Cost of Issuance	206,423.08

Total Uses of Funds \$6,761,223.59

THE BONDS

Description

The Bonds will be dated November 1, 1993, and will be issued as fully registered obligations in book-entry-only form. Initially, Cede & Co., as nominee of The Depository Trust Company of New York ("DTC"), will be the registered owner of the Bonds, and references herein to the Bondholders, holder, holders of the Bonds, or registered owners of the Bonds shall mean Cede & Co., and not the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System."

The Bonds which bear interest payable currently and which mature on August 1 in the years 1994 through 2001 and 2005 through 2006 (the "Current Interest Bonds") will be issued in denominations of \$5,000 of principal amount or any integral multiple thereof. The Bonds which do not pay current interest and which mature on August 1 in the years 2002 through 2004 (the "Premium Capital Appreciation Bonds") will be issued in denominations of \$5,000 of amount due at maturity ("Maturity Amount") or any integral multiple thereof. The Bonds will mature on August 1, in the years and in the principal amounts or Maturity Amounts and will bear interest at the rates or accrue at the yields set forth on the cover page of this Official Statement.

The Current Interest Bonds will accrue interest from November 1, 1993, and the Premium Capital Appreciation Bonds will accrue interest from the date of the first authentication and delivery thereof to the Underwriter. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Current Interest Bonds is payable on February 1, 1994, and on each February 1 and August 1 of each year (the "Interest Payment Dates"), and will be payable at maturity, or upon prior redemption. The accreted value of the Premium Capital Appreciation Bonds as of each February 1 and August 1 (the "Accreted Values") is specified in the table set forth herein under the caption "Accreted Values of Premium Capital Appreciation Bonds", and is based upon compounding at the yields set forth on the cover page hereof from the date of initial delivery of the Premium Capital Appreciation Bonds.

The record date ("Record Date") with respect to each interest payment date applicable to any Bond is the 15th day of the immediately preceding calendar month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the paying agent/registrar for the Bonds, initially Texas Commerce Trust Company, National Association, Dallas, Texas (the "Paying Agent/Registrar"), if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar (the "Registered Owner") at the close of business on the last business day next preceding the date of mailing of such notice.

If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, the date for such payment shall be the next succeeding day which is not such a day and payment on such date shall have the same force and effect as if made on the original date payment was due.

Method of Payment of Principal and Interest

Texas Commerce Trust Company, National Association, in Dallas, Texas, has been selected as the initial Paying Agent/Registrar for the Bonds. Principal of, and premium, if any, and interest on the Bonds will be paid by the Paying Agent/Registrar. While the Bonds are subject to the book-entry-only system, all payments on the Bonds will be made in the manner described under "THE BONDS - Book-Entry-Only System."

Accreted Values of Premium Capital Appreciation Bonds

The Accreted Values per \$5,000 Maturity Amount of each Premium Capital Appreciation Bond on each February 1 and August 1 shall be set forth in the following table. The amounts specified in the table are based upon a semiannual compounding period beginning on the date of delivery of the Bonds, at a rate which will produce the yield to maturity set forth on the cover page hereof from the date of delivery of the Capital Appreciation Bonds. For various reasons, securities that do not pay interest periodically have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis. (For any day other than February 1 or August 1, the Accreted Value of the Premium Capital Appreciation Bond shall be determined by a straight-line interpolation).

Semiannual Compounding Date	Premium Capital Appreciation Bonds Maturing August 1		
	2002	2003	2004
11/23/93	3,283.15	3,098.55	2,918.70
02/01/94	3,313.34	3,127.64	2,946.60
08/01/94	3,394.52	3,205.83	3,021.74
02/01/95	3,477.69	3,285.98	3,098.79
08/01/95	3,562.89	3,368.12	3,177.81
02/01/96	3,650.18	3,452.33	3,258.84
08/01/96	3,739.61	3,538.64	3,341.95
02/01/97	3,831.23	3,627.10	3,427.17
08/01/97	3,925.10	3,717.78	3,514.56
02/01/98	4,021.26	3,810.72	3,604.18
08/01/98	4,119.78	3,905.99	3,696.09
02/01/99	4,220.72	4,003.64	3,790.34
08/01/99	4,324.12	4,103.73	3,886.99
02/01/00	4,430.07	4,206.33	3,986.11
08/01/00	4,538.60	4,311.48	4,087.75
02/01/01	4,649.80	4,419.27	4,191.99
08/01/01	4,763.72	4,529.75	4,298.89
02/01/02	4,880.43	4,643.00	4,408.51
08/01/02	5,000.00	4,759.07	4,520.93
02/01/03		4,878.05	4,636.21
08/01/03		5,000.00	4,754.43
02/01/04			4,875.67
08/01/04			5,000.00

Book-Entry-Only System

The Bonds will be available in book-entry form only. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased.

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Bonds will be held by the Depository Trust Company, New York ("DTC"), as securities depository. The ownership of one fully registered Bond for each maturity is registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC

Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Ownership interests in the Bonds may be purchased by or through DTC Participants. Such DTC Participants and the persons for whom they acquire interests in the Bonds as nominees will not receive certificated Bonds, but each DTC Participant is to receive a credit balance in the records of DTC in the amount of such DTC Participant's interest in the Bonds, which is to be confirmed in accordance with DTC's standard procedures. Each such person for whom a DTC Participant acquired an interest in the Bonds, as nominee, should make arrangements with such DTC Participant to receive a credit balance in the records of such DTC Participant, and should make arrangements with such DTC Participant to have all notices of redemption or other communications to DTC, which may affect such persons, forwarded in writing by such DTC Participant and to have notification made of all interest payments. Neither the District nor the Paying Agent/Registrar will have any responsibility or obligation to such DTC Participants or the persons for whom they act as nominees with respect to the Bonds in respect to the accuracy of any records maintained by DTC or any DTC Participant; the payment by DTC or any DTC Participant of any amount in respect to the principal or redemption price of or interest on the Bonds; any notice that is permitted or required to be given to Bondholders under the Bond Order the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by the DTC or any Bondholder. In this Official Statement, the term "Beneficial Owner" includes the person for whom the DTC Participant acquired an interest in the Bonds.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE FOR DTC, REFERENCE HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS MEANS CEDE & CO. AND NOT THE BENEFICIAL OWNERS OF THE BONDS.

DTC is to receive payments from the Paying Agent/Registrar to be remitted to the DTC Participants for subsequent disbursement to the Beneficial Owners. The ownership interest of each Beneficial Owner in the Bonds is to be recorded on the records of the DTC Participants, whose ownership interests are to be recorded on a computerized book-entry system operated by DTC.

When reference is made to any action that is required or permitted to be taken by the Beneficial Owner, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent by the Paying Agent/Registrar to DTC only. DTC is responsible for notifying DTC Participants, and DTC Participants are responsible for notifying the Beneficial Owners. Neither the Paying Agent/Registrar nor the District is responsible for sending notices to Beneficial Owners.

Beneficial Owners are to receive a written confirmation of their purchase detailing the terms of the Bonds acquired. Transfers of ownership interests in the Bonds are to be accomplished by book entries made by DTC and by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds. Interest and principal are to be paid by the Paying Agent/Registrar to DTC, then paid by DTC to the DTC Participants and thereafter paid by the DTC Participants to the Beneficial Owners when due.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the District and the Paying Agent/Registrar and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository) certificated Bonds are required to be delivered as described in the Bond Order.

If the District or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities, the District or the Paying Agent/Registrar shall (i) appoint a successor securities depository or (ii) deliver certificated Bonds, each as described in the Bond Order.

Sources of Payment

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, levied without legal limitation as to rate or amount, against taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the Series 1993A Interest and Sinking Fund and used to pay principal of and interest on the Bonds.

The Bonds are further secured by a first lien on and pledge of certain Net Revenues, if any, of the District's water and wastewater system which does not include any facilities constructed with proceeds of the Outstanding Contract Bonds or any Special Project Bonds issued by the District (collectively, the "System"). "Net Revenues" are defined by the Bond Order as net revenues received from the operation of the System after deduction of reasonable costs of administration, efficient operation and adequate maintenance, provided however, the term "Net Revenues" shall not include any revenues, now or hereafter pledged or contracted to be pledged by the District pursuant to a contract authorized by law under which contract such revenues are to be pledged to the payment of bonds issued by the District for any special project. Any Net Revenues remaining after payment of debt service on the Bonds and the Outstanding Obligations, as hereinafter defined, is available to the District for any lawful purpose. The Net Revenues are entirely dependent upon sales of water and sewer services to residents and users in the District. It is not expected that the operation of the System will produce Net Revenues sufficient to make any substantial contribution to the District's debt service requirements.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Travis County, Williamson County, the City of Austin, or any entity other than the District.

Funds

In the Bond Order, the Series 1993A Interest and Sinking Fund is authorized to be created, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, in such fund. Accrued interest on the Bonds shall be deposited into the Series 1993A Interest and Sinking Fund upon receipt.

The remaining proceeds of the Bonds, after payment of the costs of issuance, shall be deposited in the Escrow Fund and applied as set forth above under the caption "PLAN OF FINANCINGS - Escrow Agreement."

Redemption Provisions

The District reserves the right, at its option, to redeem the Current Interest Bonds maturing on or after August 1, 2005 prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on August 1, 2004, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Current Interest Bonds are redeemed at any time, the maturities of the Current Interest Bonds to be redeemed shall be selected by the District. If less than all of the Current Interest Bonds of a certain maturity are to be redeemed, the particular Current Interest Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar by such method as it deems fair and appropriate.

If a Current Interest Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Current Interest Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Current Interest Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Current Interest Bond or Current Interest Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Current Interest Bond so surrendered.

Notice of any redemption identifying the Current Interest Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first-class mail to the Registered Owner of each Current Interest Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Current Interest Bonds are to be surrendered for payment and, if less than all the Current Interest Bonds outstanding are to be redeemed, the numbers of the Current Interest Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall have been made with the Paying Agent/Registrar for payment of the redemption price of the Current Interest Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Current Interest Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Current Interest Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Current Interest Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

The Premium Capital Appreciation Bonds are not subject to optional redemption prior to maturity.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Registration Books at its designated office for payment in Dallas, Texas and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order.

Subject to the matters discussed under the heading "The Bonds - Book-Entry-Only System", each Bond shall be transferable only upon the presentation and surrender of such Bond at the designated office for payment of the Paying Agent/Registrar in Dallas, Texas, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount or Maturity Amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the designated office for payment of the Paying Agent/Registrar in Dallas, Texas for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount or Maturity Amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer, convert or exchange any Bond (i) during the period beginning on a Record Date and ending with the opening of business on the next succeeding Interest Payment Date, or (ii) with respect to any Current Interest Bond or portion thereof called for redemption during the forty-five (45) day period prior to the date fixed for redemption of such Current Interest Bond, provided, however, such limitations on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance in the event of its redemption in part.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be competent and legally qualified bank, trust company, financial institution or other authorized agency.

Lost, Stolen or Destroyed Bonds

Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount or Maturity Amount bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount or Maturity Amount bearing a number not contemporaneously outstanding.

Registered Owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Outstanding Obligations

The District has previously issued its \$5,225,000 Unlimited Tax and Revenue Bonds, Series 1986, its \$2,100,000 Unlimited Tax and Revenue Bonds, Series 1986A and its \$3,350,000 Unlimited Tax and Revenue Bonds, Series 1993 (collectively referred to as the "Outstanding District Bonds").

Additionally, the District has issued \$16,300,000 City of Austin, Texas Contract Revenue Bonds, Series 1985, a portion of which has been refunded by the \$16,280,000 City of Austin, Texas Contract Revenue Refunding Bonds, Series 1989 (collectively referred to as the "Outstanding Contract Bonds"). The Outstanding Contract Bonds are special obligations of the District secured by a first lien on and pledge of Contract Payments (as hereinafter defined) to be made by the City of Austin (the "City") to the trustee for the Outstanding Contract Bonds pursuant to the Utility Construction Contract (the "Contract"), between the City and the District dated February 21, 1984, as amended, authorized under Article 1109j, Vernon's Annotated Texas Civil Statutes, as amended. The Contract Payments constitute a special revenue obligation of the City payable from the net revenues of the City's waterworks and sewer system, subject to a prior lien on and pledge of the City's Prior Lien Revenue Bonds and on a parity with the City's Subordinate Lien Revenue Bonds.

Under the terms of the Contract, the District has agreed to issue bonds to finance the acquisition and construction of additions, extensions and improvements to the sanitary sewer system of the City. Pursuant to the Contract, the City has agreed to make payments sufficient to meet debt service requirements (the "Contract Payments"). Upon completion of construction, the City will own and operate the facilities but has agreed to reserve adequate capacity to serve the District. The District agrees to reimburse the City for the District's pro rata share of the construction costs (designated to be approximately 34.81%). The District's payments to the City are payable from ad valorem contract taxes, not exceeding \$1.10 per \$100 valuation, upon all taxable property within the District (and on a parity with the pledge of taxes for the Bonds) and additionally secured by a subordinate lien on the Net Revenues of the District's System. (See "Sources of Payment" above.) The Contract is in effect until the Contract Bonds are paid, not to exceed 40 years.

As of October 1, 1993, bonds aggregating \$27,520,000 in principal amount remain outstanding including the Outstanding District Bonds and the Outstanding Contract Bonds (collectively, the "Outstanding Obligations").

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Commission, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT--General." The District's voters have authorized the issuance of \$73,100,000 of unlimited tax and revenue bonds for the purpose of providing water, wastewater and storm drainage facilities. The District has \$62,425,000 of unlimited tax and revenue bonds authorized but unissued. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District if so authorized by the voters in the District and approved by the District and the Commission.

Annexation

Chapter 42, Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city's population. For the City of Austin, the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city or that city's extraterritorial jurisdiction, within five (5) miles of the corporate limits of the City. With certain exceptions, the City may annex territory only within the confines of its extraterritorial jurisdiction. When the City annexes additional territory, the City's extraterritorial jurisdiction expands in conformity with such annexation.

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Austin, except for 11.61 acres which lie within the city limits of the City of Austin, the District must conform to a City of Austin consent ordinance. In addition, the District may be annexed in whole or in part, without the District's consent. If the District is annexed, the City will assume the District's assets, functions, and obligations (including the Bonds) and dissolve the District. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur. The Bond Order provides for the termination of the pledge of taxes and Net Revenues to the Bonds upon annexation and dissolution by the City. See "THE DISTRICT--City of Austin Consent Agreement."

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

Remedies in Event of Default

The Bond Order provides that, in addition to all other rights and remedies of any owner of Bonds provided by the laws of the State of Texas, in the event the District defaults in the observance or performance of any covenant in the Bond Order including payment when due of the principal of and interest on the Bonds, Registered Owners may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board of Directors or other officers of the District to observe or perform such covenants.

The Bond Order provides no additional remedies to a Registered Owner. Specifically, the Bond Order does not provide for an appointment of a trustee to protect and enforce the interests of the Registered Owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy which may have to be enforced from year to year by the Registered Owners.

Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. The Registered Owners themselves cannot foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds. In addition, the enforceability of the rights and remedies of the Registered Owners may be limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions. See "INVESTMENT CONSIDERATIONS--Registered Owners' Remedies--Bankruptcy Limitation to Registered Owners' Rights."

Defeasance

The Bond Order provides for the defeasance of the Bonds. Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of the Bond Order (a "Defeased Bond"), except to the extent provided below for the Paying Agent/Registrar to continue payments, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged or Net Revenues pledged, as provided in the Bond Order, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding under the Bond Order.

Any money so deposited with or made available to the Paying Agent/Registrar also may be invested at the written direction of the District in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government obligations received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the District or deposited as directed in writing by the District.

Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by the Bond Order.

For purposes of these provisions, "Government Obligations" means direct non-callable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America which may be United States Treasury obligations such as its State and Local Government Series, which maybe in book-entry form.

Any such obligations must be certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make the payment to be provided for on the Bonds.

Specific Tax Covenants

In the Bond Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, and the manner in which the proceeds of the Bonds are to be invested. The District may omit to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that such failure to comply does not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

Additional Covenants

The District has additionally covenanted in the Bond Order that it will keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules and regulations and open to inspection in the office of the District.

Amendments to Bond Order

The District may without the consent of or notice to any Registered Owner amend the Bond Order in any manner not detrimental to the interest of the Registered Owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount or Maturity Amount thereof or the rate of interest thereon, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 54.515 of the Texas Water Code and is applicable to all municipal utility districts:

"All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State of Texas, and all agencies, subdivisions, and instrumentalities of the state including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies and bodies politic."

Additionally, Article 842a-2, as amended, Texas Revised Civil Statutes, the "Public Funds Investment Act of 1987," provides that an "incorporated city or town, a county, a public school district, a district or authority created under Article III, Section 52(b)(1) or (2), Article XVI, Section 59, Texas Constitution, an institution of higher education as defined by Section 61.003 of the Education Code, a hospital district, a fresh water supply district, or any nonprofit corporation acting on behalf of one of those entities may invest any of its funds or funds under its control in "obligations of states, agencies, counties, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having a rating of not less than "A" or its equivalent..." The Act also provides that "the authority granted by this Act is in addition to that granted by other law."

The "Public Funds Collateral Act," Article 2529d, as amended, Texas Revised Civil Statutes provides that deposits of public funds must be secured by eligible security. "Eligible security" is defined to include combination tax and revenue obligations of reclamation and conservation districts such as the District. The "Public Funds Collateral Act" prevails over any prior, conflicting law purporting to govern security for deposits of public funds.

The District makes no representation that the Bonds will be acceptable to public entities to secure their deposits, or acceptable to such institutions for investment purposes.

The District has made no investigation of other laws, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purpose.

BONDS AUTHORIZED BUT UNISSUED

<u>Date</u> <u>Authorized</u>	<u>Vote</u>		<u>Purpose</u>	<u>Authorized</u>	<u>Issued</u> <u>to Date</u>	<u>Authorized but</u> <u>Unissued</u>
	<u>For</u>	<u>Against</u>				
4/7/84	1	0	Water	73,100,000(a)	0	0
4/7/84	1	0	Contract Tax	Unlimited (b)	\$32,580,000	0
6/4/84	1	0	Water, Sewer, Drainage	73,100,000(c)	10,675,000	62,425,000

(a) Unlimited tax bonds.

(b) The District has issued \$32,580,000 City of Austin, Texas Contract Revenue Bonds of which \$17,870,000 remains outstanding and of which 34.81% of the debt service is payable by the District. See "THE BONDS—Outstanding Obligations."

(c) Unlimited tax and revenue bonds. Such election simultaneously cancelled authorization of \$73,100,000 unlimited tax bonds.

THE DISTRICT

General

The District, a municipal utility district created on November 5, 1983 by the Texas Water Commission (the "Commission"), now recognized as the Texas Natural Resource Conservation Commission, pursuant to Article XVI, Section 59 of the Texas Constitution, operates under the provisions of Chapter 54, as amended, of the Texas Water Code and other general statutes applicable to municipal utility districts. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may also provide solid waste collection and disposal service and is empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District and the Commission. The District has no present plans to provide solid waste collection and disposal service or a fire department. The District is also empowered to operate and maintain recreational facilities. The District is subject to the continuing supervision of the Commission.

City of Austin Consent Agreement

Under Texas law, the City was required to give its consent to the creation of the District. The vehicle for this consent was an ordinance passed by the City, a part of which includes an Agreement Concerning Creation and Operation of North Austin Municipal Utility District No. 1, as amended between the City and the District (the "Creation Agreement"). By passage of an ordinance, the City unconditionally granted its consent to the creation of the District for the purpose of issuing bonds approved by the City. The following is a summary of certain terms and provisions of the Creation Agreement. It is not a complete description of such agreement and is qualified by reference to the Creation Agreement, copies of which may be obtained from the Financial Advisor.

Under the Creation Agreement, the City agrees to provide water and wastewater service to all of the users within the District. The District itself is a customer of the City, and the City and the District have agreed that water supplied to the District pursuant to the Creation Agreement will be at the rate or rates established by the City for water supplied to water districts generally. The Creation Agreement also provides that the City will not be liable for the failure to provide water and wastewater service resulting from conditions beyond the City's control. In addition, the City has the right to limit service to the District on the same basis and to the same extent that it limits service to other customers. The District agrees to set rates for its customers not lower than those rates established by the City for its customers who reside inside the City limits. The Creation Agreement also provides that the District will collect a surcharge in addition to its normal rates and that it will not serve customers outside its boundaries without prior City permission. The requirement that the District collect a surcharge has been deleted by an amendment to the Creation Agreement.

The Creation Agreement provides that the applicable developer within the District will serve as project manager for the construction of the facilities constituting the District's water and wastewater system. Such facilities are required to be reviewed and approved by the appropriate agencies of the State of Texas and by the City prior to construction.

The District and the City have agreed to certain land use controls including use density limitations for property located within the boundaries of the District. Prior to development, the land in the District must be subdivided in accordance with Texas law. The Creation Agreement also contains certain provisions which limit the right of the City to annex the land within the District and of the District to annex additional land without the prior approval of the City. The Creation Agreement has a maximum term of 40 years.

Description and Location

The District consists of approximately 997.7 acres of land located in Williamson and Travis Counties, approximately 11 miles north of the central business district of the City of Austin, and three miles east of the intersection of U.S. Hwy. 183 and RR 620. A small portion of the District (approximately 11.61 acres of public right-of-way) lies within the boundaries of the City of Austin and the remainder lies wholly within the exclusive extraterritorial jurisdiction of the City of Austin and within the boundaries of the Round Rock Independent School District. See "AERIAL LOCATION MAP."

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board of Directors (the "Board"), consisting of five (5) members, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held on the first Saturday of May in even numbered years only. Four (4) of the members of the Board own homes in the District and one (1) of the Board members owns property in the District. The current members and officers of the Board along with their titles, occupations, and terms, are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Primary Occupation</u>	<u>Term Expires</u>
Steve D. Pena	President	Public Accounting	May 1996
Jared R. Stallones	Vice-President	Teacher	May 1996
Robert K. Schultz	Secretary	Engineer	May 1994
Terry J. Ripperda	Treasurer	Home Mortgage Company Executive	May 1996
Robert Franson	Asst. Sec./Treas.	Engineer	May 1994

District Consultants

Tax Appraisal: The Williamson County Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

Tax Assessor/Collector: Ms. Nelda Wells Spears performs the tax collection function on behalf of the District. Ms. Spears serves approximately 29 other special districts as Tax Assessor/Collector.

Engineer: The District's consulting engineer is Murfee Engineering Company, Austin, Texas. Such firm acts as consulting engineers for 12 other special districts.

Manager: The operator and manager of the District's water and wastewater system is Am-Tex Corporation, Austin, Texas. Such firm acts as operator for 35 other districts in the Austin area.

Auditor: The District's audited financial statements for the year ended September 30, 1992, were prepared by Brown, Graham and Company, P.C., Georgetown, Texas. The District has engaged the firm of Maxwell Locke & Ritter PC, Austin, Texas to prepare audited financial statements for the year ending September 30, 1993.

Attorney: Strasburger & Price, L.L.P., Austin, Texas serves as General Counsel to the District. A portion of the General Counsel's fees are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

Bond Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Austin, Texas as Bond Counsel in connection with the issuance of the Bonds. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and therefore such fee is contingent upon the sale and delivery of the Bonds.

Financial Advisor: Robert Davis & Co., Austin, Texas serves as the District's Financial Advisor. Compensation to the Financial Advisor for services to the District is based on time charges actually incurred.

STATUS OF DEVELOPMENT

Proceeds from the sale of the Outstanding District Bonds and monies expended by the Developer on behalf of the District have been used to construct water, sanitary sewer and drainage facilities to serve approximately 381 acres developed as Milwood, Sections 22, 23, 25, 26A (phase A), 27A, 27B, 28, 29, 30, 31, 31A, 32, 33, 34, 38A, and 38B (Phase I). Such subdivisions include 1,651 completed homes, 13 homes under construction and 213 vacant and developed lots.

According to the Developer, as of September 10, 1993, development in the District was as follows:

Milwood Section Developed with Utilities	Acres	Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
22	43.41	191	190	0	1
23	40.03	166	166	0	0
25(a), 26A	50.89	132	132	0	0
27A	29.90	137	137	0	0
27B	24.98	124	124	0	0
28	30.42	213	213	0	0
29	21.91	145	145	0	0
30	27.19	123	123	0	0
31,31A	48.06	222	221	0	1
32	24.03	154	151	3	0
33	8.95	32	24	2	6
38A	21.13	81	25	8	48
38B(b)	12.58	48	0	0	48
34	20.28	109	0	0	109
State Farm Tract(c)	<u>71.00</u>	—	—	—	—
Subtotal	474.76				
Remaining Developable Acres(d)	403.00				
Undevelopable Acres	<u>119.94</u>	—	—	—	—
Total	997.70	1877	1651	13	213

(a) Platted multi-family tract.

(b) Phase I. Underground utilities 95% complete.

(c) Underground utilities 95% complete. Construction of 467,000 square foot building underway.

(d) Includes Section 38B, Phase II, a 52 lot subdivision encompassing 8.25 acres. The City of Austin has approved plats for subdivisions in this Section.

New homes in the District range in sales price from the mid \$80,000 range to approximately \$140,000. The sole homebuilder active in the District is Milburn. See "THE DEVELOPER." New home sales within the District have been: 140 during 1989; 138 during 1990; 140 during 1991; 156 during 1992; and 102 during the first eight months of 1993.

State Farm Mutual Automobile Insurance Company ("State Farm") has purchased approximately 266 acres for development of an office campus. According to representatives of State Farm, the first phase of development of its property includes the development of 71 acres and the construction of a 467,000 square foot office building. Construction of the underground facilities to serve the 71 acre site is 95% complete and construction of the office building is approximately 68% complete. Such building is expected to be available for occupancy in mid-1994.

Recreational Facilities

In addition to providing water, sanitary sewer and drainage service, the District also provides to its residents certain recreational services. The District owns an approximately 5.3 acre park with a swimming pool and bathhouse, tennis courts, soccer field and playscape which is available to every resident of the District. The cost of providing such services is funded by a portion of the maintenance tax levied annually by the District and by fees charged to persons utilizing such facilities.

Pending Litigation

Pursuant to a Utility Construction Contract entered into with the City of Austin (the "Contract"), the District constructed the Rattan Creek Lift Station which serves Milwood Sections 25 through 37. Prior to final acceptance of the lift station by the City of Austin, the District determined that although the lift station operates, it suffers from a structural deformation in its dry wall and would not meet the approval of the City of Austin. Pursuant to the Contract, the City of Austin had agreed to assume ownership and operation of the sewage conveyance facilities, including the Rattan Creek Lift Station, upon approval of construction by the City. The District subsequently sued several of the parties involved in the design and construction of the lift station. In 1992, the District settled its claim against the pump supplier for approximately \$50,000. In December, 1992 the District obtained a judgment against the remaining defendants, in the amount of \$411,400.00 jointly and severally, and the surety company for the contractor in the amount of \$2,338,207.20. Such judgment currently is on appeal.

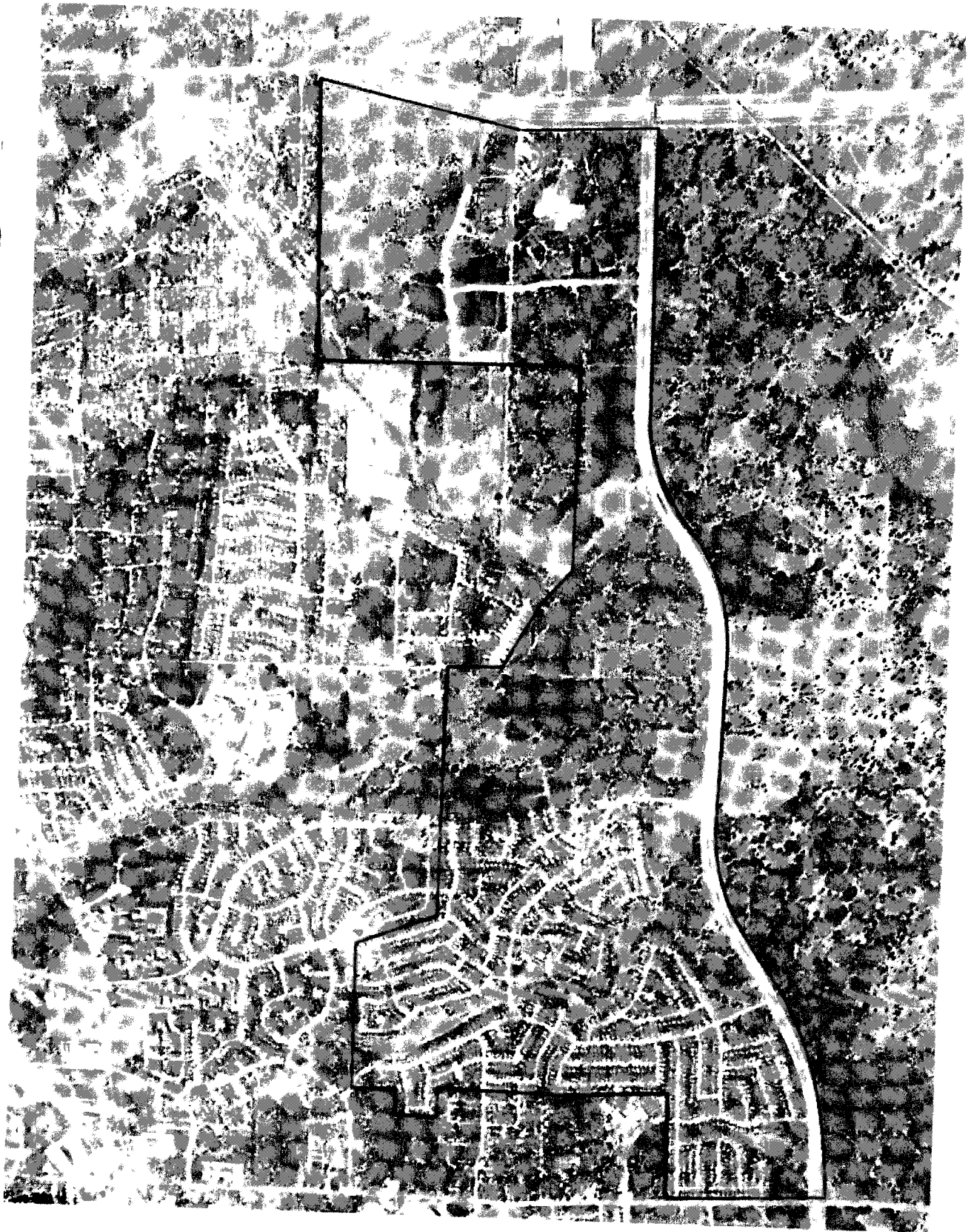
Recently, the District authorized the Engineer to prepare plans for repairing the lift station so that it will meet the City of Austin requirements. According to the Engineer, the cost of repairing the lift station is approximately \$600,000, including engineering fees. In the event the lift station is not repaired so that it meets City of Austin requirements, the District will be required to continue to own and operate such facility.

The Rattan Creek Lift Station is operating and serves existing subdivisions within the District and will serve Milwood, Sections 25, 38A and 34. All other additional development within the District would be served by other lift stations already constructed and accepted by the City of Austin.

In accordance with the Texas Water Commission Order authorizing the issuance of the District's Series 1993 Bonds, the Developer has contributed to the District's Debt Service Fund \$500,000. Pursuant to an agreement between the District and the Developer, such contribution is repayable by the District solely from the proceeds from the lawsuit regarding the Rattan Creek Lift Station, after first paying attorneys fees and the costs of repair or replacement of the Rattan Creek Lift Station.

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AERIAL LOCATION MAP



**REPRESENTATIVE PHOTOS OF
HOMES IN THE DISTRICT**



STATE FARM PROJECT