

**SUPPLEMENTAL INFORMATION**

North Austin Municipal Utility District No. 1  
Notes Required by the Water District Accounting Manual  
September 30, 1992

The notes which follow are not necessarily required for fair presentation of the audited financial statements of the North Austin Municipal Utility District No. 1, which are contained in the preceding section of this report. The following notes are presented in conformity with requirements of the Texas Water Commission to assure disclosure of specifically required facts.

A. Creation of District:

See Note 1 in Notes to General Purpose Financial Statements.

B. Basis of accounting:

See Note 1 in Notes to General Purpose Financial Statements.

C. Bond interest:

See Note 1 in Notes to General Purpose Financial Statements.

D. Pledge of revenues:

See Note 3 and 5 in Notes to General Purpose Financial Statements.

E. Compliance with debt service requirements:

The District substantially complies with the provisions of its bond resolutions.

F. Redemption of bonds:

See Note 5 in Notes to General Purpose Financial Statements.

G. Engineering report:

Not applicable

H. Water and sewer service rates

1. Services Provided by the District:

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

☐ Other \_\_\_\_\_

North Austin Municipal Utility District No. 1  
Services and Rates - continued  
September 30, 1992

2. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into systems: 147,294,000  
Gallons billed to customers: 137,032,000

3. Retail Rates Based on 5/8" Meter

     Retail Rates Not Applicable

The most prevalent type of meter (if not a 5/8"):                       
Based on Rate Order Dated: 5 / 20 / 92

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage
Water	\$ <u>6.00</u>	<u>0</u>	<u>N</u>	\$ <u>2.26</u>	<u>to</u>
Sewer	\$ <u>5.00</u>	<u>0</u>	<u>N</u>	\$ <u>3.58</u>	<u>to</u>
Surcharge	none				
Sewer usage employs winter averaging	yes <u>X</u> No <u>    </u>				

Total water and sewer charges per 10,000 gallons \$ 63.56  
usage (including surcharges)

4. Number of retail water and/or wastewater\* connections within the District as of fiscal year ended September 30, 1992:

	Connections	Active Connections	Inactive Connections**
Single Family	<u>1639</u>	<u>107</u>	

PROVIDE SINGLE FAMILY EQUIVALENTS (SFE'S) FOR THE CONNECTIONS BELOW:

	Inactive SFE Connections	# of Active Connections	Active SFE Connections
Multi-family	<u>                    </u>	<u>                    </u>	<u>                    </u>
Commercial	<u>                    </u>	<u>                    </u>	<u>                    </u>
Other-Recreational centers, government & VFD	<u>                    </u>	<u>1</u>	<u>8</u>
Total	<u>                    </u>	<u>1</u>	<u>8</u>

5. Standby Fees

The District is currently assessing standby fees?  
Yes      No X

North Austin Municipal Utility District No. 1  
Services and Rates - continued  
September 30, 1992

6. Other Rates for Retail Services Provided

Security deposits \$ 75.00

Tap fees:

	<u>Water</u>	<u>Sewer</u>
Single family residential	\$ 400.00	\$ 400.00
Commercial	Cost times 3	1,000.00
Inspection fees	25.00	25.00
Transfer fee	25.00	25.00
Application fees	30.00	
Reconnection fee	40.00	Cost times 2
Reinstallation fee	100.00	Cost times 2
Customer name change	5.00	

Name of contact person: Gary Spoonts, Am-Tex Corporation

Phone number: (512) 219-9191 Title: District Manager

North Austin Municipal Utility District No. 1  
Schedule of General Fund Expenditures  
Year Ended September 30, 1992

Current:

Personnel (including benefits)	\$
Professional fees:	
Auditing	9,500
Legal	73,166
Engineering	40,393
Financial advisor	
Purchased Services for Resale	
Bulk water & sewer service purchases	676,958
Tap connection expenses	14,919
Contracted Services:	
Bookkeeping	
General Manager	89,216
Appraisal district	21,669
Tax collector	3,061
Other administrative expenses	
Utilities	39,242
Repairs and maintenance	31,959
Administrative expenditures:	
Director's fees	5,600
Office supplies	
Insurance	11,245
Other administrative expenses	
Capital outlay:	
Acquisition of fixed assets	3,308
Solid Waste Disposal	
Fire fighting	
Parks and recreation	95,065
Other expenditures	<u>12,857</u>
Total expenditures	\$ <u>1,128,158</u>
Number of persons employed by the District:	None

North Austin Municipal Utility District No. 1  
 Analysis of Changes in Cash and Temporary Investments  
 Year Ended September 30, 1992

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTALS (MEMORANDUM) ONLY
Sources of Cash and Temporary Investments:				
Cash receipts from revenues	\$ 1,166,442	\$ 1,343,340	\$ 196,576	\$ 2,706,358
Decrease in due from other funds	( 3,024)	4		( 3,020)
Increase in refundable deposits	14,300			14,300
City Reimbursement		1,098,614	27,955	1,126,569
Sale of Force Main			392,109	392,109
Cash transfers from other fund			11,651	11,651
Total sources of cash and temporary investments	<u>1,177,718</u>	<u>2,441,958</u>	<u>628,291</u>	<u>4,247,967</u>
Applications of Cash and Temporary Investments:				
Cash disbursements for:				
Current expenditures	1,114,620		8,770	1,123,390
Capital outlay	3,308			3,308
Debt service - interest and fiscal charges		2,580,380		2,580,380
Decrease (increase) in due to other funds	4	( 3,024)		(3,020)
Cash transfer to other funds		11,651		11,651
Total applications of cash and temporary investments	<u>1,117,932</u>	<u>2,589,007</u>	<u>8,770</u>	<u>3,715,709</u>
Increase in Cash and Temporary Investments	59,786	( 147,049)	619,521	532,258
Cash and Temporary Investments:				
Beginning of year	<u>524,507</u>	<u>3,195,649</u>	<u>3,098,012</u>	<u>6,818,168</u>
End of year	\$ <u>584,293</u>	\$ <u>3,048,600</u>	\$ <u>3,717,533</u>	\$ <u>7,350,426</u>

North Austin Municipal Utility District No. 1  
General Long-Term Debt Service Requirements - By Years  
September 30, 1992

CITY OF AUSTIN, TEXAS  
CONTRACT REVENUE BONDS

YEAR ENDING <u>9/30</u>	<u>SERIES 1985</u>		
	INTEREST		<u>TOTAL</u>
	<u>PRINCIPAL</u> <u>DUE 11/15</u>	<u>DUE</u> <u>5/15, 11/15</u>	
1993	\$ 325,000	\$ 189,766	\$ 514,766
1994	350,000	161,485	511,485
1995	400,000	129,110	529,110
1996	450,000	91,360	541,360
1997	500,000	48,110	548,110
1998	<u>270,000</u>	<u>12,555</u>	<u>282,555</u>
	\$ <u>2,295,000</u>	\$ <u>632,386</u>	\$ <u>2,927,386</u>

North Austin Municipal Utility District No. 1  
General Long-Term Debt Service Requirements - By Years  
September 30, 1992

UNLIMITED TAX AND REVENUE BONDS

YEAR ENDING 9/30	SERIES 1986		
	PRINCIPAL DUE 8/1	INTEREST DUE 2/1, 8/1	TOTAL
1993	\$ 175,000	\$ 414,150	\$ 589,150
1994	200,000	400,587	600,587
1995	225,000	384,587	609,587
1996	250,000	366,137	616,137
1997	275,000	345,387	620,387
1998	300,000	322,288	622,288
1999	350,000	296,788	646,788
2000	375,000	266,688	641,688
2001	425,000	234,063	659,063
2002	475,000	196,875	671,875
2003	525,000	155,313	680,313
2004	575,000	108,719	683,719
2005	650,000	57,688	707,688
	<u>\$ 4,800,000</u>	<u>\$ 3,549,270</u>	<u>\$ 8,349,270</u>



North Austin Municipal Utility District No. 1  
General Long-Term Debt Service Requirements - By Years  
September 30, 1992

YEAR ENDING 9/30	UNLIMITED TAX AND REVENUE BONDS SERIES 1986A		
	PRINCIPAL	INTEREST	TOTAL
	DUE 8/1	DUE 2/1, 8/1	
1993	\$ 75,000	\$ 172,750	\$ 247,750
1994	75,000	165,250	240,250
1995	75,000	157,750	232,750
1996	100,000	150,250	250,250
1997	100,000	140,250	240,250
1998	125,000	130,750	255,750
1999	125,000	120,375	245,375
2000	150,000	109,875	259,875
2001	150,000	97,125	247,125
2002	175,000	84,225	259,225
2003	175,000	69,000	244,000
2004	200,000	53,687	253,687
2005	225,000	36,188	261,188
2006	<u>250,000</u>	<u>18,750</u>	<u>268,750</u>
	\$ <u>2,000,000</u>	\$ <u>1,506,225</u>	\$ <u>3,506,225</u>

North Austin Municipal Utility District No. 1  
General Long-Term Debt Service Requirements - By Years  
September 30, 1992

YEAR ENDING 9/30	CITY OF AUSTIN, TEXAS CONTRACT REVENUE REFUNDING BONDS SERIES 1989		
	INTEREST		TOTAL
	PRINCIPAL DUE 11/15	DUE 5/15, 11/15	
1993	\$ 135,000	\$ 1,128,704	\$ 1,263,704
1994	145,000	1,119,497	1,264,497
1995	155,000	1,109,559	1,264,559
1996	165,000	1,098,836	1,263,836
1997	175,000	1,087,318	1,262,318
1998	470,000	1,065,270	1,535,270
1999	795,000	1,021,745	1,816,745
2000	845,000	964,954	1,809,954
2001	920,000	903,390	1,823,390
2002	990,000	836,293	1,826,293
2003	1,080,000	763,325	1,843,325
2004	1,140,000	684,785	1,824,785
2005	1,230,000	600,650	1,830,650
2006	1,335,000	509,259	1,844,259
2007	1,435,000	410,231	1,845,231
2008	1,555,000	303,339	1,858,339
2009	1,670,000	188,045	1,858,045
2010	1,795,000	64,171	1,859,171
	\$ <u>16,035,000</u>	\$ <u>13,859,371</u>	\$ <u>29,894,371</u>

North Austin Municipal Utility District No. 1  
General Long-Term Debt Service Requirements - By Years  
September 30, 1992

YEAR ENDING 9/30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	PRINCIPAL	INTEREST	TOTAL
1993	\$ 710,000	\$ 1,905,370	\$ 2,615,370
1994	770,000	1,846,819	2,616,819
1995	855,000	1,781,006	2,636,006
1996	965,000	1,706,583	2,671,583
1997	1,050,000	1,621,065	2,671,065
1998	1,165,000	1,530,863	2,695,863
1999	1,270,000	1,438,908	2,708,908
2000	1,370,000	1,341,517	2,711,517
2001	1,495,000	1,234,578	2,729,578
2002	1,640,000	1,117,393	2,757,393
2003	1,780,000	987,638	2,767,638
2004	1,915,000	847,191	2,762,191
2005	2,105,000	694,526	2,799,526
2006	1,585,000	528,009	2,113,009
2007	1,435,000	410,231	1,845,231
2008	1,555,000	303,339	1,858,339
2009	1,670,000	188,045	1,858,045
2010	<u>1,795,000</u>	<u>64,171</u>	<u>1,859,171</u>
	\$ <u>25,130,000</u>	\$ <u>19,547,252</u>	\$ <u>44,677,252</u>

Cash and temporary investments  
balance at September 30, 1992 -  
Debt Service Fund

\$ 3,048,600

North Austin Municipal Utility District No. 1  
Analysis of Changes In General Long-Term Debt  
Year Ended September 30, 1992

	CITY OF AUSTIN, TEXAS CONTRACT REVENUE BONDS SERIES 1985	UNLIMITED TAX AND REVENUE BONDS SERIES 1986	UNLIMITED TAX AND REVENUE BONDS SERIES 1986A	CITY OF AUSTIN, TEXAS CONTRACT REVENUE REFUNDING BONDS SERIES 1989	<u>TOTAL</u>
Interest rate	7.75 - 9.30%	8.875 - 10.25%	7.50 - 10.00%	6.40 - 7.15%	
Dates interest payable	5/15; 11/15	2/1; 8/1	2/1; 8/1	5/15; 11/15	
Maturity dates	11/15/90 to 11/15/97	8/1/92 to 8/1/05	8/1/92 to 8/1/06	11/15/90 to 11/15/09	
Bonds outstanding, beginning of year	\$ 2,595,000	\$ 4,950,000	\$ 2,050,000	\$ 16,160,000	\$ 25,755,000
Bonds retired during current year	( 300,000)	( 150,000)	( 50,000)	( 125,000)	( 625,000)
Bonds outstanding, end of year	\$ <u>2,295,000</u>	\$ <u>4,800,000</u>	\$ <u>2,000,000</u>	\$ <u>16,035,000</u>	\$ <u>25,130,000</u>
Interest paid during current year	\$ <u>215,173</u>	\$ <u>427,050</u>	\$ <u>177,750</u>	\$ <u>1,137,187</u>	\$ <u>1,957,160</u>

Paying agent's name and address: Series 1985, 1986 and 1989 Texas commerce Bank, National Association-Houston Houston, Texas

Series 1986A Ameritrust Texas, N.A. Dallas, Texas

Bonds voted: \$73,100,000 Bonds approved: \$26,475,000 Bonds sold: \$26,475,000

North Austin Municipal Utility District No. 1  
Schedule of Temporary Investments  
September 30, 1992

	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BALANCE SEPTEMBER 30, 1992</u>	<u>ACCRUED INTEREST RECEIVABLE SEPTEMBER 30, 1992</u>
General Fund:				
Tex Pool	6.1716%	N/A	\$ <u>484,012</u>	\$ _____
Debt Service Fund:				
Treasury bills	N/A	11-12-92	1,890,144	8,817
Tex Pool	6.1716%	N/A	<u>1,145,458</u>	
Total			<u>3,035,602</u>	<u>8,817</u>
Capital Projects:				
Treasury bills	N/A	10-29-92	915,474	
Treasury bills	N/A	10-29-92	2,390,405	3,863
Tex Pool		N/A	<u>404,881</u>	
Total			<u>3,710,760</u>	<u>3,863</u>
Total			\$ <u>7,230,374</u>	\$ <u>12,680</u>

North Austin Municipal Utility District No. 1  
Analysis of Taxes Receivable  
September 30, 1992

	<u>MAINTENANCE TAXES</u>	<u>DEBT SERVICE TAXES</u>	<u>TOTAL</u>
Taxes Receivable at October 1, 1990	\$ 2,727	\$ 10,584	\$ 13,311
1991 original tax roll, net	<u>188,261</u>	<u>1,134,104</u>	<u>1,322,365</u>
Total to be accounted for	<u>190,988</u>	<u>1,144,688</u>	<u>1,335,676</u>
Tax Collections:			
Current year	186,404	1,122,914	1,309,318
Prior years	<u>1,334</u>	<u>5,213</u>	<u>6,547</u>
Total collections	<u>187,738</u>	<u>1,128,127</u>	<u>1,315,865</u>
Taxes Receivable, September 30, 1992	\$ <u>3,250</u>	\$ <u>16,561</u>	\$ <u>19,811</u>

Taxes Receivable, by years	\$ 61
1986	28
1987	838
1988	3,037
1989	2,800
1990	<u>13,047</u>
1991	
Taxes receivable, September 30, 1992	\$ <u>19,811</u>

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Property Valuations - Land, improvements and personal property	\$106,876,941	\$107,674,588	\$112,833,442	\$114,551,072	\$113,579,150
Tax rates per \$100 valuation:					
Maintenance tax rates	\$ .25	\$ .25	\$ .20	\$ .200	\$ .166
Debt Service tax rates	<u>.60</u>	<u>.60</u>	<u>.75</u>	<u>.966</u>	<u>1.000</u>
Total tax rates per \$100 valuation:	\$ <u>.85</u>	\$ <u>.85</u>	\$ <u>.95</u>	<u>1.166</u>	<u>1.166</u>
Tax rolls	\$ <u>908,454</u>	\$ <u>915,234</u>	\$ <u>1,071,918</u>	\$ <u>1,335,844</u>	\$ <u>1,322,365</u>

Percent of current taxes collected to current taxes levied	99.01%
Percent of current and delinquent taxes collected to current taxes levied and delinquent taxes outstanding at the beginning of year	98.52%

North Austin Municipal Utility District No. 1  
 Analysis of Organizational Costs  
 Year Ended September 30, 1992

	BALANCE AT BEGINNING OF YEAR	ADDITIONS, TRANSFERS AND (RETIREMENTS)	BALANCE AT END OF YEAR
Organizational Costs -			
Construction period:			
Legal fees	\$ 488,669		\$ 488,669
Interest	1,813,290		1,813,290
Fiscal agent fees	302,811		302,811
Bond issue costs	55,276		55,276
Bond discounts	472,402		472,402
Interest on temporary investments	( 697,431)		( 697,431)
Other	<u>424,901</u>		<u>424,901</u>
Total Organizational Costs	\$ <u>2,859,918</u>		\$ <u>2,859,918</u>
Amounts provided - for District organizational costs during the construction period by the Capital Projects Fund	\$ <u>2,859,918</u>		\$ <u>2,859,918</u>
Total Amounts Provided	\$ <u>2,859,918</u>		\$ <u>2,859,918</u>

North Austin Municipal Utility District No. 1  
 Analysis of Changes In General Fixed Assets  
 Year Ended September 30, 1992

	BALANCE AT BEGINNING OF YEAR	ADDITIONS, TRANSFERS AND (RETIREMENTS)	BALANCE AT END OF YEAR
General Fixed Assets:			
Water, sewer and drainage facilities	\$ 11,115,926	\$	\$ 11,115,926
Park	1,070,923	3,308	1,074,231
City fees	194,000		194,000
Engineering fees	913,606		913,606
Construction in progress	<u>524,016</u>		<u>524,016</u>
Total General Fixed Assets	\$ <u>13,818,471</u>	\$ <u>3,308</u>	\$ <u>13,821,779</u>
Additions Provided By:			
General Fund	\$ 35,600	\$ 3,308	\$ 38,908
Capital Projects Fund	12,450,041		12,450,041
Contributions by developer	<u>1,332,830</u>		<u>1,332,830</u>
Total Additions Provided	\$ <u>13,818,471</u>	<u>3,308</u>	\$ <u>13,821,779</u>



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

	AMOUNTS				
	1992	1991	1990	1989	1988
<b>General Fund</b>					
<b>Revenues:</b>					
Utilities:					
Water and sewer service	\$ 761,142	\$ 702,625	\$ 648,196	\$ 581,674	\$ 529,372
Water and sewer tap connection fees	104,950	103,600	98,800	114,080	77,600
Penalties and interest	15,374	13,829	17,845	22,018	20,085
Application fees	12,840	10,725	2,137	1,925	1,770
Property taxes	188,200	253,602	232,305	267,558	267,526
Pool and Park fees	49,474	41,291	40,523	33,693	27,365
Interest and other	29,205	36,753	35,939	30,968	12,331
Lawsuit settlement	33,334				
Total revenues	<u>1,194,519</u>	<u>1,162,425</u>	<u>1,075,745</u>	<u>1,051,916</u>	<u>936,049</u>
<b>Expenditures:</b>					
Utilities:					
Purchased water and sewer service	676,964	603,291	597,324	577,027	533,542
Repairs and maintenance	36,986	25,038	75,341	68,795	82,087
Electric utilities	39,242	35,701	33,545	41,334	41,460
Water and sewer tap connection charges	11,848	10,849	13,397	12,886	10,665
Other	3,072	2,333	1,739	2,884	2,687
Professional services	128,658	97,319	80,755	76,176	65,580
Service account collection	89,216	81,886	75,523	49,506	42,882
Pool management fee and other					
pool and park costs	95,065	105,099	67,761	54,711	36,754
Tax assessment and collection	24,730	18,852	16,196	11,957	13,419
Insurance	11,245	11,376	11,559	10,407	7,840
Office	6,142	6,111	7,055	12,801	10,066
Bad debts	982	6,062	6,915	15,075	13,800
Other	700	3,384	1,893	11,729	1,640
Capital outlay	3,308	30,930	4,670		
Total expenditures	<u>1,128,158</u>	<u>1,038,231</u>	<u>993,673</u>	<u>945,288</u>	<u>862,422</u>
Excess (deficit) of revenues over expenditures	\$ <u>66,361</u>	\$ <u>124,194</u>	\$ <u>82,072</u>	\$ <u>106,628</u>	\$ <u>73,627</u>
<b>Debt Service Fund</b>					
<b>Revenues:</b>					
Property taxes	1,130,909	\$ 1,181,158	\$ 852,390	\$ 640,826	\$ 639,067
Customer surcharge			213,491	230,459	216,279
Interest and other	150,682	246,790	255,001	257,209	265,991
Total revenues	<u>1,281,591</u>	<u>1,427,948</u>	<u>1,320,882</u>	<u>1,128,494</u>	<u>1,121,337</u>
Expenditures - interest and fiscal charges	<u>2,580,380</u>	<u>2,608,650</u>	<u>2,031,330</u>	<u>2,218,289</u>	<u>2,212,009</u>
Excess (deficit) of revenues over expenditures	\$ <u>(1,298,789)</u>	\$ <u>(1,180,702)</u>	\$ <u>(710,448)</u>	\$ <u>(1,089,795)</u>	\$ <u>(1,090,672)</u>

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
( <u>101.3</u> )%	( <u>82.7</u> )%	( <u>53.8</u> )%	( <u>96.6</u> )%	( <u>97.3</u> )%

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 major 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?

<u>          </u>	<u>          </u>
Yes	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

<u>n/a</u>	<u>          </u>
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?

<u>          </u>	<u>          </u>
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?

<u>          </u>	<u>          </u>
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?

<u>          </u>	<u>          </u>
Yes	No*

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

<u>          </u>	<u>          </u>
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?

<u>          </u>	<u>          </u>
Yes	No*

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

<u>n/a</u>	<u>          </u>
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><br>Yes   | <u>        </u><br>No* |
| g. Deposit receipts to the proper funds kept by the approved depository bank?   | <u>  X  </u><br>Yes | <u>        </u><br>No* |
| h. Draw checks only on funds approved by the Board of Directors and signed by authorized personnel?   | <u>  X  </u><br>Yes | <u>        </u><br>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><br>Yes | <u>        </u><br>No* |
| c. Is there evidence indicating that the previous year's recommendations have been or are being implemented?  | <u>  X  </u><br>Yes | <u>        </u><br>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><br>Yes | <u>        </u><br>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 30<sup>th</sup> 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 REFUNDING BONDS, SERIES 1993A  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,625,000**

**AS BOND COUNSEL FOR THE NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1** (the "District") 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 District adopted on October 27, 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 District, and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Numbered T-1) and 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 District relating to bankruptcy, reorganization and other similar matters affecting creditors' rights, constitute valid and legally binding obligations of the District, payable from ad valorem taxes to be levied and collected by the District upon taxable property within the District, which taxes the District 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 District's 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 District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

**THE DISTRICT** reserves the right to issue additional bonds which will be payable from taxes on a parity with the Bonds; bonds, notes, and other obligations of inferior liens;

and bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions.

**WE EXPRESS NO OPINION** as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

**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 have relied on the verification report of KPMG Peat Marwick, and assume compliance by the District 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 District 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 District 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 District, and have not assumed any responsibility with respect thereto. We have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of and the assessed valuation of taxable property within the District.

Respectfully,



**APPENDIX C**

**SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY**



FINANCIAL  
SECURITY  
ASSURANCE.

## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.:

Effective Date:

OBLIGATIONS:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security") in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any Owner, as hereinafter defined, of the above described Obligations, the full and complete payment required to be made by or on behalf of the Issuer to or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on the Obligations as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an allowable preference to such Owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts".

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by Financial Security or its designee from the Paying Agent or any Owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, Financial Security on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds in an account with the Paying Agent or, if Financial Security, shall have elected to appoint a fiscal agent for purposes of this policy (the "Insurer's Fiscal Agent"), then with the Insurer's Fiscal Agent, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by Financial Security, and appropriate instruments to effect the appointment of Financial Security as agent for such Owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to Financial Security, the Paying Agent or Insurer's Fiscal Agent shall disburse to such Owners or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificateholder is not protected by an insurance guaranty fund or other solvency protection arrangement.

As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term Owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on Financial Security may be made to Financial Security at its offices at 350 Park Avenue, New York, New York 10022-6022 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

Countersignature

FINANCIAL SECURITY ASSURANCE INC.

Authorized Officer

A subsidiary of Financial Security Ass. Holdings Ltd.  
350 Park Avenue, New York, N.Y. 10022

Form 500NY (TX 3/91)

(212) 26-0100



1

1







NEW ISSUE: Book-Entry-Only

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

# OFFICIAL STATEMENT

*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.*

**\$16,570,000**

## **NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1 CITY OF AUSTIN, TEXAS CONTRACT REVENUE REFUNDING BONDS, SERIES 1994**

**Dated: February 1, 1994**

**Due: November 15, as shown below**

The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company ("DTC"), pursuant to the book-entry-only system described herein. Beneficial ownership of the bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. The Bonds will be issued as fully registered obligations in the denomination of \$5,000 or any integral multiple thereof. Principal and semiannual interest (May 15 or November 15, first interest payment due May 15, 1994) will be payable by Texas Commerce Bank National Association, as Trustee, Registrar and Paying Agent.

The Bonds are subject to optional redemption prior to scheduled maturity as described herein.

The Bonds are special obligations of the District payable from and secured by a lien on and pledge of the payments to be made by the

### **CITY OF AUSTIN, TEXAS**

pursuant to the Utility Construction Contract, as amended, between the District and the City, wherein the City has agreed to make semiannual payments from certain net revenues of the City's "Waterworks and Sewer System" in amounts sufficient to pay principal of, redemption premium, if any, and interest on the Bonds when due, subject only to the lien on and pledge of such Net Revenues securing the "Prior Lien Bonds" heretofore or hereafter issued by the City (as such terms are defined herein).

THE BONDS DO NOT CONSTITUTE OR CREATE A DEBT OR LIABILITY OF THE STATE OF TEXAS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY OF AUSTIN, THE DISTRICT OR ANY OTHER POLITICAL SUBDIVISION IS IN ANY MANNER PLEDGED, GIVEN OR LOANED TO THE PAYMENT OF THE BONDS, AND THE REGISTERED OWNERS OF THE BONDS DO NOT HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS OUT OF ANY FUNDS OR SOURCES WHATSOEVER OTHER THAN THE PLEDGED REVENUES. See "SECURITY FOR THE BONDS" herein.

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.



Year	Maturity	Interest Rate	Yield	Year	Maturity	Interest Rate	Yield
1996	\$ 825,000	3.50%	3.50%	2003	\$ 1,170,000	4.60%	4.70%
1997	875,000	3.70	3.70	2004	1,230,000	4.70	4.80
1998	905,000	3.90	3.90	2005	1,305,000	4.80	4.95
1999	930,000	4.10	4.10	2006	1,385,000	4.90	5.00
2000	1,010,000	4.25	4.30	2007	1,465,000	5.00	5.10
2001	1,055,000	4.40	4.45	2008	1,545,000	5.00	5.15
2002	1,130,000	4.50	4.55	2009	1,740,000	5.00	5.20

The Bonds are offered for delivery when, as and if issued, subject to the unqualified approval as to matters of Texas law by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Bond Counsel and Securities Counsel. Certain legal matters will be passed upon for the District by Strasburger & Price L.L.P., Austin, Texas, general counsel to the District. Certain legal matters will be passed upon by Fulbright & Jaworski L.L.P., San Antonio, Texas, counsel to the Underwriters. It is expected that the Bonds will be available for delivery through DTC on or about February 23, 1994.

**RAUSCHER PIERCE REFSNES, INC.**

**LEGG MASON WOOD WALKER, INC.**

**MASTERTSON MORELAND SAUER WHISMAN, INC.**

**COASTAL SECURITIES, LTD.**

Dated: January 26, 1994

**P-NA00985**

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This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of these Bonds, and if given or made, such information or representation must not be relied upon. The information and expressions of opinion herein 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 since the date hereof.

No dealer, salesman or any person has been authorized by the District or by the Underwriters to give any information or to make any representations, other than the information and representations contained herein, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the District, the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of any of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion contained herein 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 City or the District since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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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## **NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1**

### **Elected Officials**

<b>Name</b>	<b>Position</b>
Steve D. Pena	President
Jared R. Stallones	Vice President
Robert K. Schultz	Secretary
Terry J. Ripperda	Treasurer
Robert Franson	Assistant Secretary/Treasurer

## **CITY OF AUSTIN, TEXAS**

### **Elected Officials**

Bruce Todd	Mayor	Jackie Goodman	Council Member
Dr. Charles E. Urdy	Mayor Pro-Tem	Brigid Shea	Council Member
Michael Nofziger	Council Member	Gustavo L. Garcia	Council Member
Ronald H. Reynolds	Council Member		

### **Appointed Officials**

<b>Name</b>	<b>Position</b>
Jesus Garza	Acting City Manager
Byron C. Marshall	First Assistant City Manager
Joseph L. Lessard	Assistant City Manager
Diana L. Granger	City Attorney
Betty Dunkerley, C.P.A.	Director of Finance and Administrative Services
James E. Aldridge	City Clerk

## **DISTRICT CONSULTANTS AND ADVISORS**

<b>General Counsel</b>	Strasburger & Price L.L.P.
<b>Bond Counsel</b>	McCall, Parkhurst & Horton L.L.P.
<b>General Manager</b>	AM-TEX Utility Management Company
<b>Verification Agent</b>	KPMG Peat Marwick
<b>Financial Advisor</b>	Robert Davis & Co.

**OFFICIAL STATEMENT  
relating to**

**\$16,570,000**

**North Austin Municipal Utility District No. 1  
City of Austin, Texas Contract Revenue Refunding Bonds, Series 1994**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and the appendices hereto, is to set forth information concerning the North Austin Municipal Utility District No. 1 (the "District"), the City of Austin, Texas (the "City") and the District's City of Austin, Texas Contract Revenue Refunding Bonds, Series 1994 (the "Bonds"). The Bonds are authorized to be issued pursuant to Chapter 54, Texas Water Code, as amended, Article 717k Vernon's Annotated Texas Civil Statutes, as amended, and an order adopted by the District on January 26, 1994 (the "Bond Order"). This Official Statement speaks only as to 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**

The Bonds are being issued to purchase direct obligations of the United States of America which, together with earnings thereon, will be used to provide moneys which will be sufficient to refund the principal of, redemption premium, if any, and interest on the District's callable City of Austin, Texas Contract Revenue Bonds, Series 1985 and City of Austin, Texas Contract Revenue Refunding Bonds, Series 1989 (collectively referred to as the "Refunded Bonds"), and to pay the costs related to the issuance of the Bonds. The Refunded Bonds will be called for redemption on November 15, 1996 and November 15, 1998, respectively, at redemption prices of 101.5% of the principal amounts thereof plus accrued interest. The refunding of the Refunded Bonds will provide debt service savings. The non-callable Series 1985 and Series 1989 Bonds (the "Prior Bonds") are to remain outstanding and are on a parity with the Bonds. The principal amounts and maturities of the Refunded Bonds are set forth below:

Series 1985 Bonds		
Principal	Interest	
<u>Amount(\$)</u>	<u>Rate(%)</u>	<u>Maturity</u>
270,000	9.30	11/15/97

Series 1989 Bonds		
Principal	Interest	
<u>Amount(\$)</u>	<u>Rate(%)</u>	<u>Maturity</u>
845,000	6.95	11/15/99
920,000	7.00	11/15/00
990,000	7.05	11/15/01
1,080,000	7.05	11/15/02
1,140,000	7.10	11/15/03
1,230,000	7.10	11/15/04
1,335,000	7.15	11/15/05
1,435,000	7.15	11/15/06
1,555,000	7.15	11/15/07
1,670,000	7.15	11/15/08
1,795,000	7.15	11/15/09

Redemption Date: 11/15/96  
Redemption Price: 101.5%

Redemption Date: 11/15/98  
Redemption Price: 101.5%

**Refunded Bonds**

The Refunded Bonds and the interest due thereon are to be paid on their scheduled interest payment dates and redemption date from funds to be deposited with Texas Commerce Bank National Association (the "Escrow Agent") pursuant to an Escrow Agreement (the "Escrow Agreement") between the District and the Escrow Agent.

The Bond Order provides that from the proceeds of the sale of the Bonds, the District will deposit with the Escrow Agent an amount, together with the investment earnings thereon, sufficient to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of, or obligations guaranteed as to timely payment by, the United States of America (the "Federal Securities").

Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds.

KPMG Peat Marwick, Certified Public Accountants, will verify at the time of delivery of the Bonds to the Underwriters thereof that the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of, redemption premium, if any, and interest on the Refunded Bonds. Such maturing principal of and interest on the Federal Securities will not be available to pay the debt service on the Bonds.

By the deposit of the Federal Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Article 717k, Vernon's Annotated Texas Civil Statutes, as amended, and the bond orders which authorized the issuance 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 and the Refunded Bonds will no longer be payable from the revenues pledged thereto but will be payable solely from the principal of and interest on the Federal Securities and cash held for such purpose by the Escrow Agent, and that the Refunded Bonds will be defeased and thus will not be included in or considered to be indebtedness of the District for the purpose of any limitation on indebtedness or taxation or for any other purpose.

## USE OF FUNDS

The plan of financing calls for the use of funds, excluding accrued interest on the Bonds, as follows:

Uses:	
Escrow Fund	\$16,029,308.47
Underwriter's Discount	132,560.00
Original Issue Discount	135,951.70
Costs of Issuance, including Bond Insurance Premium	<u>272,179.83</u>
Total Uses	\$16,570,000.00

## SECURITY FOR THE BONDS

### Pledge of the Bond Order

The principal of and redemption premium, if any, and interest on the Bonds and the Prior Bonds are payable from and secured by a first lien on and pledge of the payments to be made by the City (the "City Contract Payments") to Texas Commerce Bank National Association, the trustee, registrar and paying agent (collectively, the "Trustee"), in accordance with the Bond Order and the Utility Construction Contract, dated February 21, 1984, as amended, between the District and the City, (the "Contract"). Pursuant to the Contract, the Bond Order and the Trust Indenture, dated as of November 1, 1985 as supplemented July 1, 1989 and January 1, 1994, between the District and the Trustee (the "Trust Indenture"), the City has agreed to make each such City Contract Payment to the Trustee for deposit into the Debt Service Fund in aggregate amounts sufficient to pay the principal of and premium, if any, and interest on the Prior Bonds and the Bonds when due, on or before the last business day prior to any interest or principal payment date.

The City's obligation to make the City Contract Payments is a special obligation for which the City remains bound until the entire principal of, and premium, if any, and interest on the Bonds have been paid or provided for. Under the Contract, the City has pledged the "Net Revenues" of its "Waterworks and Sewer System" (as such terms are hereinafter defined) to the payment and security of the City Contract Payments.

The term "Waterworks and Sewer System" means all properties, facilities and plants currently owned, operated and maintained by the City for the supply, treatment and transmission of treated potable water and the collection, treatment and disposal of water-carried wastes, together with all future extensions, improvements, replacements and additions thereto, unless declared not to be part of such system, in accordance with an ordinance of the City, adopted on March 3, 1982 (the "1982 City Ordinance"). The term "Net Revenues" means (i) all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding refundable meter deposits and restricted gifts and grants) of the Waterworks and Sewer System, including earnings and income derived from the investment or deposit of money in any special funds or accounts created and established by the City for the payment and security of bonds and obligations issued by the City and secured by such Net Revenues (collectively, the "Gross Revenues"), less (ii) all current expenses of operating and maintaining the Waterworks and Sewer System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service, and payments under contracts for the purchase of water supply or other materials, goods or services, but excluding depreciation (collectively, "Maintenance and Operating Expenses").

### **Prior Lien Bonds of the City**

The lien on Net Revenues of the Waterworks and Sewer System securing payment of the City Contract Payments is subordinate only to the lien thereon securing \$2,161,769,497 outstanding principal amount of City bonds (the "Prior Lien Bonds"), which are secured not only by Net Revenues of the Waterworks and Sewer System but also by certain net revenues (also referred to herein as "Net Revenues") of the City's electric utility system (the "Electric Light and Power System"). The Net Revenues of the Electric Light and Power System are not pledged to the City Contract Payments or to the Bonds. The Waterworks and Sewer System and the Electric Light and Power System are sometimes referred to herein collectively as the "City's Systems." See Appendix A for information regarding the City's Systems. The City has reserved the right under the Contract to issue additional Prior Lien Bonds. See "Issuance of Additional Obligations by the City" below.

### **Subordinate Lien Bonds of City on Parity with the Bonds**

The City Contract Payments are secured by Net Revenues of the Waterworks and Sewer System on a parity with the following obligations of the City: (i) \$260,795,000 outstanding principal amount of City bonds secured not only by Net Revenues of the Waterworks and Sewer System but also by Net Revenues of the Electric Light and Power System (the "Combined Lien Bonds" or "Subordinate Lien Bonds"); and (ii) \$117,985,000 outstanding principal amount of City bonds secured only by Net Revenues of the Waterworks and Sewer System ("Separate Lien Obligations"). There are presently no City bonds outstanding that are secured only by Net Revenues of the Electric Light and Power System, which bonds would also constitute Separate Lien Obligations. See Appendix A for information regarding the City's Systems. The City has reserved the right under the contract to issue additional Combined Lien Bonds and Separate Lien Obligations. See "Issuance of Additional Obligations by the City" below.

### **City Rate Covenants**

The City has agreed under the Contract to establish rates and charges for the facilities and services of its Electric Light and Power System and its Waterworks and Sewer System to provide gross revenues in each fiscal year sufficient to (i) pay the respective maintenance and operation expenses of the City's Systems, (ii) provide such amounts as are necessary to establish, maintain or restore, as the case may be, required balances in the reserve or contingency funds created for the payment of and security for the Prior Lien Bonds, Combined Lien Bonds, Separate Lien Obligations (including the City Contract Payments) and other obligations or evidences of indebtedness payable only from and secured solely by a lien on and pledge of the combined Net Revenues of the City's Systems, and (iii) produce combined Net Revenues (after satisfaction of the amounts required in (i) and (ii) above) equal to at least the sum of (a) 1.25 times the annual principal and interest requirements (or other similar payments) for the then outstanding Prior Lien Bonds and Separate Lien Obligations (including the City Contract Payments) plus (b) 1.10 times the total annual principal and interest requirements (or other similar payments) for the then outstanding Combined Lien Bonds and all other indebtedness, except Prior Lien Bonds and Separate Lien Obligations, payable solely from and secured solely by a lien on and pledge of the Net Revenues of either the Electric Power and Light System or the Waterworks and Sewer System, or both.

The Contract additionally provides that the City shall establish and maintain rates and charges for water and wastewater services that will annually produce Net Revenues of the Waterworks and Sewer System at least equal to 1.25 times the combined annual payments to be made during a fiscal year on all Separate Lien Obligations (including the City Contract

Payments) of the Waterworks and Sewer System for purposes of paying or representing the payment of principal of and interest on all indebtedness incurred by reason of, resulting from or issued pursuant to such Separate Lien Obligations (the "City Contract Rate Covenant"). For purposes of computing the anticipated Net Revenues of the Waterworks and Sewer System in determining compliance with the City Contract Rate Covenant, the Gross Revenues of the Waterworks and Sewer System will be increased by the anticipated amount of the "District Available Revenues," which is defined as the amounts provided in the District's budget each year for the payment of the District's Pro Rata Share (as hereinafter defined) with respect to the Prior Bonds, the Bonds and any additional parity bonds. See "SUMMARY OF THE CONTRACT - Pro Rata Share of the District" below.

### **Issuance of Additional Bonds by the District**

The District has reserved the right, upon the approval of the City, to issue additional parity bonds to finance the cost of the Contract Facilities or the refunding of the Bonds, as described more particularly below in "SUMMARY OF THE BOND ORDER - Additional Bonds of the District". Any such additional bonds would be governed by the Bond Order and the Trust Indenture. The Bond Order also recognizes that the District may issue bonds to finance the District's utility system and that such bonds will have a lien on and pledge of the net revenues of the District's utility system (the "System Bonds"). In addition to the Bonds and the Prior Bonds, the District has voted \$73,100,000 in Unlimited Tax and Revenue Bonds of which \$9,900,000 are outstanding (the "Outstanding District Bonds").

### **Annexation of the District by the City**

Under an agreement concerning creation and operation of the District dated November 13, 1984, as amended (the "Creation Agreement"), among the City, the Developer (as hereinafter defined) and the District, the District may be annexed and dissolved by the City upon certain terms and conditions and in certain circumstances. Upon annexation and dissolution of the District, the City will assume the direct obligation of payment on the Prior Bonds, the Bonds and other obligations of the District. The District makes no representation that the City will annex the District and assume the District's obligations.

### **Issuance of Additional Obligations by the City**

The City has reserved the right under the Contract to issue bonds and enter into contractual obligations on a parity with or superior to the City Contract Payments on the conditions set forth in the ordinances authorizing the City's outstanding Prior Lien Bonds and the City's outstanding Subordinate Lien Bonds, to which reference is hereby made for further particulars.

Pursuant to the provisions of the ordinances authorizing the City's outstanding Prior Lien Bonds and Subordinate Lien Bonds (the "City Bond Ordinances"), prior to the issuance of additional Prior Lien Bonds or Subordinate Lien Bonds by the City, a certificate or opinion of a certified public accountant shall be obtained to the effect that, according to the books and records of the City, the Net Earnings (hereinafter defined) for the preceding fiscal year, or for 12 consecutive months out of the 15 months immediately preceding the month the ordinance authorizing the Prior Lien Bonds or Subordinate Lien Bonds is adopted, were at least equal to the sum of (i) 1.10 times the maximum annual requirement for the payment of principal and interest (or other similar payment) for the outstanding Subordinate Lien Bonds and all other outstanding subordinate lien bonds and all other outstanding obligations that are payable only from and secured solely by a lien on and pledge of the Net Revenues of either the City's Electric System or the City's Waterworks and Sewer System, or both, other than Prior Lien Bonds and Separate Lien Obligations, after giving effect to the Subordinate Lien Bonds, if any, then proposed and (ii) 1.25 times the average annual requirement for the payment of principal and interest (or other similar payment) for all outstanding Prior Lien Bonds and Separate Lien Obligations, after giving effect to the Prior Lien Bonds, if any, then proposed. In making a determination of the Net Earnings, the accountant may take into consideration a change in the rates and charges for services and facilities afforded by either the City's Electric System or the City's Waterworks and Sewer System, or both, that became effective at least sixty (60) days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying the above Net Earnings test, make a pro forma determination of the Net Earnings for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the accountant's certificate or opinion.

In the alternative, with respect to Prior Lien Bonds and Subordinate Lien Bonds issued to finance properties and facilities which by their nature, and as incorporated into the City's Systems, either or both, will add additional capacity, or are to replace existing capacity, of the City's Systems, either or both, or substantially increase revenue-producing capabilities (a "Capital Addition"), a certificate of an independent engineer shall be obtained to the effect that based on a report prepared by such independent engineer relating to such Capital Addition and the City's Systems, the projected Net Earnings for each of the five fiscal years subsequent to the date the Capital Addition is estimated to become commercially operative will be equal to at least the sum of (i) 1.25 times the average annual requirements for the payment of the principal and interest (or other similar payments) for Prior Lien Bonds and Separate Lien Obligations then outstanding or incurred and all Prior Lien Bonds estimated to be issued, if any, during the period through the fifth fiscal year subsequent to the date the Capital Addition is estimated to become commercially operative, for property improvements which will constitute enlargements, extensions, betterments, or repairs to the then existing facilities or properties of the City's Systems, either or both, and for all Capital Additions then in progress or then being initiated and (ii) 1.10 times the average annual requirements for the payment of principal and interest (or similar payments) for Subordinate Lien Bonds and all other obligations, other than Prior Lien Bonds or Separate Lien Obligations, payable solely from the Net Revenues of the City's Systems, either or both, which are then outstanding or incurred and all Subordinate Lien Bonds or such other obligations estimated to be issued, if any, during the period through the fifth fiscal year subsequent to the date the Capital Addition is estimated to become commercially operative, for property improvements or any combination of property improvements which will constitute enlargements, extensions, betterments, or repairs to the then existing facilities or properties of the City's Systems, either or both, and for all Capital Additions then in progress or then being initiated. The term "Net Earnings" shall mean the gross revenues of the City's Waterworks and Sewer System after deducting the maintenance and operating expenses of said system, but not expenditures which, under standard accounting practice, should be charged to capital expenditures.

Once a Capital Addition has been initiated by obtaining such certificate of an independent engineer and the Prior Lien Bonds or Subordinate Lien Bonds are delivered therefor, the City reserves the right to issue additional Prior Lien Bonds and Subordinate Lien Bonds, as the case may be, in such amounts as may be necessary to complete the acquisition and construction thereof and make the same commercially operative; provided that the City makes a forecast for a period extending five years beyond the estimated commercial operation date of the Capital Addition demonstrating the City's Systems ability to pay all obligations payable from Net Revenues of either the City's Electric System or the City's Waterworks and Sewer System, or both, to be outstanding after the issuance of the additional Prior Lien Bonds or Subordinate Lien Bonds then being issued and has the reasonableness of such forecast confirmed by an independent engineer.

The City currently has the right and currently intends to issue or incur additional Separate Lien Obligations without the application of any tests or certifications. See Appendix A, "WASTEWATER UTILITY - Future Capital Improvements".

#### **Application of Gross Revenues of the City's Systems**

The 1982 City Ordinance establishes an Electric Fund into which Gross Revenues derived from the operation of the City's Electric System are deposited and a Water and Sewer Fund into which Gross Revenues derived from the operation of the City's Waterworks and Sewer System are deposited. The revenues so deposited are used as follows: first, to pay the Maintenance and Operating Expenses of the respective system; second, to make deposits into special funds and accounts created in connection with the Prior Lien Bonds; third, to make the required deposits into the Reserve Fund securing the Prior Lien Bonds and the bonds authorized by the City Bond Ordinances; fourth, to make deposits into the Interest and Sinking Fund for the payment of principal of and interest on the bonds authorized by the City Bond Ordinances, and to pay the City Contract Payments and other Separate Lien Obligations, if any, of the respective systems payable on a parity with the bonds authorized by the City Bond Ordinances; and fifth, for any lawful City purpose.

## BOND INSURANCE

The information contained or referred to in this Official Statement relating to the insurer has been provided by the Insurer. Such information has not been independently verified by the District or the Underwriters and is not guaranteed as to completeness or accuracy by the City, the District or the Underwriters and is not construed as a representation by the District or the Underwriters.

### Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy (the "Policy"). The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference"). The amounts referred to in clauses (i) and (ii) of the immediately preceding sentence shall be referred to herein collectively as the insured amounts (the "Insured Amounts").

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond. The Policy does not, under any circumstances, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis, or (iii) any preference relating to (i) and (ii) above. The Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee, the Paying Agent or any other payment agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by Financial Security or its designee from the Paying Agent or any owner of a Bond the payment of an Insured Amount for which is then due, that such required payment has not been made, Financial Security on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds in an account with the Paying Agent or, if Financial Security shall have elected to appoint a fiscal agent for purposes of the Policy (the "Insurer's Fiscal Agent"), then with the Insurer's Fiscal Agent, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Bonds as are paid by Financial Security, and appropriate instruments to effect the appointment of Financial Security as agent for such owners of the Bonds in any legal proceeding related to payment of Insured Amounts on the Bonds, such instruments being in a form satisfactory to Financial Security, the Paying Agent or Insurer's Fiscal Agent shall disburse to such owners or the Paying Agent payment of the Insured Amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor.

IN THE EVENT FINANCIAL SECURITY IS UNABLE TO FULFILL ITS CONTRACTUAL OBLIGATION UNDER THE POLICY, THE OWNER OF A BOND IS NOT PROTECTED BY AN INSURANCE GUARANTY FUND OR OTHER SOLVENCY PROTECTION ARRANGEMENT.

### Financial Security Assurance Inc.

Financial Security is a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"), which in turn is approximately 92.5% owned by U S WEST Capital Corporation ("U S WEST") and 7.5% owned by The Tokio Marine and Fire Insurance Co., Ltd. ("Tokio Marine"). U S WEST is a subsidiary of U S WEST, Inc., which operates businesses involved in communications, data solutions, marketing services and capital assets, including the provision of telephone services in 14 states in the Western and midWestern United States. Tokio Marine is a major Japanese property



and casualty insurance company. No shareholder of Holdings is obligated to pay any debt of Financial Security or any claim under any insurance policy issued by Financial Security or to make any additional contribution to the capital of Financial Security. U S WEST has announced its intention to dispose of its interest in Holdings as part of its strategic plan to withdraw from businesses not directly involved in telecommunications. U S WEST has stated that it intends to accomplish such disposition in a manner that will maximize the value of its investment in Holdings. Holdings has filed with the Securities and Exchange Commission a registration statement on Form S-1 contemplating an initial public offering of Holdings' common shares by U S WEST, reducing U S WEST's ownership interest in Holdings below 50%. Affirmation of the triple-A ratings of the claims-paying ability of Financial Security is a condition to the closing of the public offering. In anticipation of such public offering, in December 1993, Financial Security completed a restructuring transaction which significantly reduced Financial Security's risk of loss from certain commercial real estate transactions insured by Financial Security.

Financial Security is domiciled in the State of New York and is subject to regulation by the State of New York Insurance Department. As of September 30, 1993, the total policyholders' surplus and contingency reserves and the total unearned premium reserve, respectively, of Financial Security and its consolidated subsidiaries were, in accordance with statutory accounting principles, approximately \$510,262,000 and \$239,639,000 (\$438,651,000 and \$221,939,000, respectively, giving effect to the restructuring of Financial Security completed on December 23, 1993) and the total qualified capital and the total unearned premium reserve, respectively, of Financial Security and its consolidated subsidiaries were, in accordance with generally accepted accounting principles, approximately \$585,935,000 and \$216,434,000 (\$505,087,000 and \$198,734,000, respectively, giving effect such restructuring). Copies of Financial Security's financial statements may be obtained by writing to Financial Security at 350 Park Avenue, New York, New York 10022, Attention: Communications Department. Financial Security's telephone number is (212) 826-0100.

Financial Security's claims-paying ability is rated "Aaa" by Moody's Investors Service, Inc. and "AAA" by Standard & Poor's Corporation. Such ratings reflect only the views of the respective rating agencies, are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by such rating agencies.

The Policy does not protect investors against changes in market value of the Bonds. The market value of the Bonds may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes.

Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the District the information presented under the caption for inclusion in the Official Statement.

## **DESCRIPTION OF THE BONDS**

### **Principal Amount, Date, Interest Rates and Maturities**

The Bonds will be issued in the aggregate principal amount and will bear interest at the rates per annum set forth on the cover page hereof, payable semiannually on May 15 and November 15 of each year, commencing May 15, 1994, will be dated February 1, 1994 and will mature on November 15 in the years and in the principal amounts set forth on the cover page hereof. The Bonds will be issued as fully registered obligations without coupons in the denomination of \$5,000 or any integral multiple thereof for any one scheduled maturity in book-entry-only form. Initially, Cede & Co., as nominee of The Depository Trust Company of New York, will be the registered owner of the Bonds and references herein to the Bondholders, holders or registered owners of the Bonds shall mean Cede & Co. and not the beneficial owners. See "Book-Entry-Only System" below. Principal of the Bonds will be payable to the registered owner (the "Registered Owner") at scheduled maturity or earlier redemption upon presentation to the Trustee. Interest on the Bonds will be payable by check or draft, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar on the last business day of the month next preceding the month in which such interest payment date occurs. The Trustee has been appointed as the paying agent and registrar for the Bonds.

## **Record Date**

The Record Date with respect to each interest payment date is the last business day of the month immediately preceding the month in which such interest payment date occurs.

## **Optional Redemption**

Bonds maturing on or after November 15, 2004 will be redeemable on or after November 15, 2003 at the option of the District, as a whole or from time to time in part, in principal amounts of \$5,000 or any multiple thereof on any date at a redemption price equal to the principal amount of the Bonds to be redeemed together with accrued interest to the redemption date. The District has covenanted in the Bond Order that it will not optionally redeem the Bonds prior to scheduled maturity without the prior approval of the City. In the event of annexation and dissolution of the District, the City shall have the right to exercise the optional calls described above.

## **Notice of Redemption**

At least thirty (30) days prior to any date on which any of the Bonds are to be redeemed, a written notice will be mailed by certified mail, return receipt requested, by the Trustee to the Registered Owner of each Bond to be redeemed at the address appearing on the bond registration books maintained by the Trustee. Failure to receive any such notice or any defect therein shall not affect the validity of the proceedings for the redemption of such Bonds.

## **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.

The Bonds will be held by The Depository Trust Company, New York, 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 Trustee 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.