

**UTILITY FUNDS
NOTES TO FINANCIAL STATEMENTS
September 30, 1992**

CITY OF AUSTIN, TEXAS

11 -- JOINT OPERATIONS, continued

c -- Brushy Creek

On December 16, 1985, the City of Austin entered into a contract with the Brushy Creek Water Control and Improvement District No. 1 of Williamson and Milam Counties (the District) and three other entities: the City of Round Rock, Williamson County MUD No. 2 and Williamson County MUD No. 3. This contract provides for joint funding of a regional wastewater collection and treatment system serving the upper Brushy Creek watershed in Williamson County.

According to the contract, when bids for the construction are received, participants have the option of reviewing those bids and reconsidering participation if bids exceed estimated construction costs stated in the contract by ten percent. If any party decides to withdraw, the District and other participants are relieved from their obligation to proceed with the project, they may also continue participation. When actual bids were received in June 1987, Williamson County MUD No. 2 notified the District of its intention to withdraw from the project. Since that time, Williamson County MUD No. 3 has also withdrawn leaving only the Cities of Austin and Round Rock. A new contract was executed between Austin, Round Rock, and the District in March 1988 for a smaller project to serve the needs of the two cities within their extraterritorial jurisdictions.

The District presently holds a wastewater discharge permit issued by the Texas Water Commission which will allow a discharge of ten million gallons a day when the system is functional, providing the City with an additional 27,500 living unit equivalents ("LUEs") (approximately equal to one single family detached residence) of wastewater treatment for its customers.

Under this contract, the District acts as Project Manager and uses funding from the other participants for acquiring, constructing, financing and operating the system. The Project Manager is assisted by a Technical Committee, established in the contract, which serves in an advisory capacity to the District. It is responsible for reviewing plans, specifications and work related to the project contracts; submitting recommendations to the District for operating budgets, rates for service, and awards or changes in project contracts, reviewing changes to the Engineering Report, and reviewing any other matters referred to the Committee. This Committee is comprised of three members representing Austin, Round Rock, and the District.

Ownership in the project at September 30, 1992, is delineated in the following ratios:

	<u>Phase 1A & 1B</u>
City of Austin	85%
City of Round Rock	15%

The most recent audited figures for the project show the following analysis of funding and expenditures as of September 30, 1992.

	<u>City of Austin</u>	<u>City of Round Rock</u>	<u>Williamson County MUD No. 2</u>	<u>Williamson County MUD No. 3</u>	<u>Total</u>
Funded	\$ 6,923,898	1,196,574	984,361	248,986	9,353,819
Interest earned on funded amounts	136,698	29,386	34,432	9,205	209,721
Total sources	7,060,596	1,225,960	1,018,793	258,191	9,563,540
Expenditures for the project	6,993,440	1,151,454	950,969	244,224	9,340,087
Refunds to participants withdrawn from the project	--	--	67,824	13,967	81,791
Total uses	6,993,440	1,151,454	1,018,793	258,191	9,421,878
Liability to customers at September 30, 1992	\$ 67,156	74,506	--	--	141,662

In 1989, the project purchased certain wastewater collection and transportation facilities that provided revenues to the project. The excess of revenues over expenditures from these facilities was \$19,420 for the fiscal year ended September 30, 1992. Austin and Round Rock owed \$9,411 to the District for operating costs of this facility at September 30, 1992.

**UTILITY FUNDS
NOTES TO FINANCIAL STATEMENTS
September 30, 1992**

CITY OF AUSTIN, TEXAS

12 -- SOUTH TEXAS PROJECT

a -- General

The City was admitted to the South Texas Project (STP) in December 1973, with a 16% ownership in generating units and common facilities, 18.8% ownership of 400-foot-wide corridor, 19.3% ownership of 340-foot-wide corridor, 50% ownership of transmission tower system #2, and 8% ownership of transmission tower system #3. The City is tenants in common with Houston Lighting and Power Company (HL&P, the project manager), City Public Service of San Antonio (CPS), and Central Power and Light Company (CP&L). The South Texas Project was formed for the purpose of licensing, constructing and operating two 1250 megawatt nuclear generating units.

The project manager is responsible for the construction, operation, and maintenance of the project. Unit 1 began operating in August 1988 with Unit 2 operational in June 1989. Each participant appoints one primary representative and an alternate to the Management Committee. The Management Committee was formed pursuant to the participation agreement to secure effective cooperation and interchange of information and to provide consultation among the participants. Each participant is responsible for its debt related to STP, with the City's portion being financed through revenue bonds, repaid by the Electric Light and Power System Fund (see Note 8). In addition, each participant has the obligation to finance any deficits that may occur.

The City's portion of Units 1 and 2 of South Texas Project are classified as plant in service. Nuclear fuel includes fuel in the reactor as well as nuclear fuel in process.

b -- South Texas Project

The following is a summary of financial information taken from the South Texas Project's audited financial statements dated September 30, 1992. These statements were not examined by the City's auditors. Amounts presented in thousands of dollars.

	HL&P	San Antonio	Central	Austin	Total
Construction	\$ 505	460	414	263	1,642
Operations	83,097	75,543	67,988	42,927	269,555
Claim recoveries	(1,427)	(1,298)	(1,168)	(741)	(4,634)
Direct pay insurance	1,892	1,891	1,548	1,080	6,411
Nuclear fuel	18,465	16,786	15,108	5,413	55,772
Nuclear fuel disposal fees	5,046	4,551	4,000	2,595	16,192
Westinghouse Steam Generation Litigation	547	498	448	285	1,778
Total 1992 funding	\$ 108,125	98,431	88,338	51,822	346,716

c -- Construction History and Status

In September 1981, Brown and Root Inc. (B&R), serving as architect-engineer, construction manager, and constructor, was dismissed from its responsibility on the project as architect-engineer and construction manager. Subsequent to the dismissal of B&R as architect-engineer and construction manager, B&R informed the project manager that it would withdraw completely from the project. In September 1981 and February 1982, a new engineering firm, Bechtel Power Corporation, and construction firm, Ebasco Services Inc., respectively, were engaged to complete the project.

Fuel load for Unit No. 1 was achieved August 1987. In March 1988, Unit No. 1 achieved reactor criticality for the first time. During that month, the Nuclear Regulatory Commission (NRC) voted 5 to 0 to issue a full power license for Unit No. 1. Commercial operation of Unit No. 1 began in August 1988.

Fuel load for Unit No. 2 was achieved December 1988. In March 1989, Unit No. 2 achieved reactor criticality for the first time. During that month, the NRC issued a full power license for Unit No. 2. Commercial operation of Unit No. 2 began in June 1989.

12 -- SOUTH TEXAS PROJECT, continued

Based on the final project cost report dated July 1989, total construction costs net of the Brown & Root litigation settlement were approximately \$5.4 billion. The City's 16% ownership of the generating units and common facilities in addition to other City internal costs were recorded as plant in service in the amount of \$890,715,225.

d -- Litigation against Brown & Root

In December 1981, the project manager and participants filed suit against Brown & Root, Inc. (B&R, former architect-engineer, construction manager and constructor for the project) and its corporate parent, Halliburton Company. The participants and the project manager alleged that B&R materially misrepresented the level of engineering work completed at the time the owners were induced to commence construction of the project, that B&R's performance of the construction contract was substandard and nonprofessional in various respects, (which resulted in delayed completion and increased costs of the project), and that B&R materially breached the construction contract by refusing to continue as constructor after being relieved of its responsibilities for the engineering and design work on the project.

On December 20, 1985, B&R and Halliburton entered into a proposed Settlement Agreement with the project manager and other participants. Under the terms of this Settlement Agreement, the participants will receive a total of \$750 million from B&R and Halliburton over a seven-year period in exchange for the plaintiffs dismissing the litigation and agreeing to forego any other claims related to B&R's performance on the STP. The City's portion of the Settlement Agreement is \$120 million over the seven-year period. The City Council designated \$60 million of these proceeds to be used to fund Energy Conservation Programs in the Environmental Conservation Services Department, previously known as the Resource Management Department. In 1989, \$7.8 million of the proceeds were used to fund Electric construction projects. City Council approved the use of \$46 million for construction advances to the South Texas Project in 1989 and \$11 million in 1990 for minor construction projects, STP and FFP advances. The City Council approved the use of \$9 million in 1990 to partially fund an amount required to defease outstanding revenue bonds. In 1992, the City Council approved to use the remaining unbudgeted funds that were previously designated to fund energy conservation programs to refund or defease utility debt.

e -- Authority to Sell

On November 3, 1981, the citizens of Austin voted to grant the City Council the authority to sell its interest in the South Texas Project. On September 3, 1987, the City of Austin and Houston Lighting and Power signed an Agreement in Principle under which the City would convey its interest in the South Texas Project to HL&P in exchange for an interest in an HL&P lignite plant. The settlement was subject to several conditions including a requirement that the Public Utility Commission (PUC) make a finding that the exchange would be in the public interest in regard to its effects on HL&P rate payers. In August 1988, the PUC deferred the public interest issue until HL&P's next general rate proceeding. As a result of mandamus action filed by HL&P, the PUC subsequently issued an order that the exchange would not be in the public interest as regards to its effects on HL&P's rate payers. HL&P then exercised its option to terminate the Settlement Agreement. Following the termination of the Settlement Agreement, a March 1989, trial date was set and a trial was held. See Note 13 for further details on this agreement.

f -- Issuance of Debt Related to STP

The City has not attempted to obtain voter approval for any additional revenue bonds for financing the South Texas Project since January 1983. On March 1, 1984, the City Council authorized the issuance of \$605,000,000 revenue bonds for Austin's share of the estimated cost to complete the South Texas Project. This authorization was in compliance with State statutes even though the City's charter requires voter approval prior to the authorization and issuance of revenue bonds. The City proceeded with a bond validation suit in state district court to validate the \$605,000,000 revenue bonds, and thirty-two citizens intervened. The District Court validated the bonds and the intervenors appealed, but lost at every level of appeal including the U.S. Supreme Court. The bonds have been validated.

12 -- SOUTH TEXAS PROJECT, continued

g -- Nuclear Decommissioning

The South Texas Project is subject to regulation by the Nuclear Regulatory Commission (NRC). The NRC amended its regulations effective July 27, 1988, setting forth minimum amounts required to demonstrate reasonable assurance of funds for decommissioning by reactor type. On or before July 26, 1991, each holder of an operating license for a production of utilization facility in effect on July 27, 1990, was required to submit to the NRC a report indicating how reasonable assurance would be provided. The City of Austin with the other participants provided the required report to the NRC. The minimum amount for a Pressurized Water Reactor (PWR), the size of each STP unit, is \$105 million (January 1986 dollars). This minimum is required to be adjusted annually in accordance with the adjustment factor formula set forth in the regulations. The report provided by the City of Austin as well as the other STP Participants, based reasonable assurance on the minimum amount (January 1986 dollars) as adjusted by the adjustment factor formula set forth in the regulations. The City of Austin has established an external irrevocable trust for decommissioning with Bank One Texas, N.A. The City of Austin has been collecting for decommissioning through its rates since fiscal year 1989. For fiscal year 1992, the City of Austin collected \$2,658,000 for decommissioning expense.

13 -- LITIGATION

a -- Action against Houston Lighting and Power

On January 6, 1983, the City filed suit in Travis County against Houston Lighting and Power (HL&P) and its parent company, Houston Industries, Inc. The lawsuit alleged that HL&P failed to perform and discharge its duties as project manager for the South Texas Project (STP).

After several delays, the suit went to trial and in 1989, a jury found that HL&P had breached the STP participation agreement by withholding information from the City, but that this breach had not been the cause of any increase in the cost of the STP, and that the City had not suffered any damages. The trial court then denied the City's motion for a new trial, and a notice of appeal was filed with the Dallas Court of Appeals. See note 10 for further details.

b -- Litigation

The City is involved in a number of lawsuits involving the operation of its utility system. Some of the cases involve failure to provide sewer service on a timely basis. The City believes these suits will not have a material adverse effect on these financial statements. The City is involved in a number of small lawsuits involving various property claims. The City believes these suits will not have a material adverse effect on these financial statements.

c -- Westinghouse Litigation

On October 15, 1990, the four STP owners (City of Austin, City of San Antonio, Houston Lighting & Power Company (HL&P), and Central Power and Light Company (CP&L)) jointly filed a lawsuit against Westinghouse Electric Corporation and two of its employees in the District Court of Matagorda County, Texas, 130th Judicial District, Cause of Action No. 90-5-0684A-C. This litigation alleges that Westinghouse knowingly sold the STP owners a nuclear steam supply system containing a steam generator tubing that is susceptible to stress corrosion cracking and that Westinghouse has failed to meet its warranty obligations to repair, modify, or replace the steam generator tubes as required. The suit also alleges that Westinghouse violated the Texas Deceptive Trade Practices Act by misrepresenting the quality and capabilities of the steam generator tubing and by failing to disclose information it knew regarding deficiencies in the steam generator tubes. No trial date has been set nor formal pre-trial schedule agreed to, although it is anticipated that trial will not begin until 1994.

On a separate track, the STP owners and Westinghouse are discussing potential business resolution of these claims. It is not known if these settlement discussions will continue or if they will reach a more detailed level during the coming year.

14 -- COMMITMENTS AND CONTINGENCIES

a -- Fuel Contracts

The ARCO coal purchase contract was amended, effective April 1, 1989, to provide for a price reduction in return for an increase in the term and contract volumes. Under the amended contract, the City will buy approximately two million tons of coal annually from ARCO through 1995 at a reduced initial price; the amendment also provides for a system of fixed, indexed, and market-driven prices which are expected to produce a slower rate of price escalation than was experienced under the original terms of the contract. Between 1996 and 2001, inclusive, the City will purchase approximately 1.25 million tons of coal annually from ARCO at a price set by indexes or by the market at the City's option. The contract amendment is expected to save the City approximately \$3 million per year through 1995. The LCRA is an equal party to the amended contract as it was to the original agreement. The average price per ton of ARCO coal delivered to the Fayette Project was approximately \$2.00 per million British Thermal Units ("MMBTU") in 1988. The current average delivered price per ton of coal under the amended contract, is approximately \$1.35 per MMBTU.

In addition to the ARCO coal, the City will also purchase 50,000 to 100,000 tons of coal annually on the spot market.

A ten year coal transportation agreement has been signed with the Union Pacific Railroad Company and Western Railroad Properties Incorporated as part of the settlement of certain litigation.

During the fiscal year the City brought into service a new pipeline which connects the Decker station with Lone Star pipeline system. This is in addition to the City's long-standing connections to Valero. The City currently has gas transportation contracts with Lone Star and Valero. These contracts provide for, respectively, 90,000 MMBTUs and 150,000 MMBTUs of firm transportation service each day. The Lone Star contract can be terminated by either party in 1996 or subsequently, and the Valero contract can be terminated by either party at the end of 1999 or subsequently.

At the end of the fiscal year, the City had core gas supply contracts with Tenngasco and United Texas Transmission (UTTCO) and spot contracts with 14 vendors. The Tenngasco contract will expire on January 1, 1993, and the UTTCO contract expires on May 1, 1993.

The core contracts provide firm or interruptible gas volumes which vary daily with the City's gas requirements. The spot contracts can provide on a 30-day basis either firm, non-firm, constant flow, or daily swing volumes, at the City's option. The City's reliance on firm versus non-firm supplies is adjusted monthly depending on the season and market conditions.

The price under the term contracts varies monthly with market indices and may also be subject to price reopeners. The spot prices are bid monthly.

In addition to its major gas supply contracts, the City also receives approximately 2,600 MMBTUs per day of gas from Coastal Corporation. This gas is provided pursuant to Texas Railroad Commission orders related to the Docket 500 litigation, and is sold to the City at a price discounted from the market price. The Coastal supplies continue through October 1, 1993.

The annual average price of gas delivered to the City's generating facilities is about \$2.00 per MMBTU

b -- South Texas Project (STP) Fuel Contracts

The three major components in the preparation of nuclear fuel for reactor use are uranium ore, ore enrichment, and fuel fabrication. The Project is currently relying for uranium supplies on its existing inventory, which will be sufficient to meet all needs through 1993. Conversion services are provided by British Nuclear Fuels Ltd. The Project also made a spot purchase of conversions services from Nukem in June 1992.

Uranium enrichment is provided for through a long-term contract with the U.S. Department of Energy, and is provided only by this source through the year 2000

Fuel fabrication for STP fuel elements is provided for through the Westinghouse Settlement at no charge for 10 years and a reduced charge for an additional 6 years.

**UTILITY FUNDS
NOTES TO FINANCIAL STATEMENTS
September 30, 1992**

CITY OF AUSTIN, TEXAS

14 -- COMMITMENTS AND CONTINGENCIES, continued

c -- Certificates of Participation

The City has entered into several capital lease arrangements through the issuance of Certificates of Participation as follows:

\$23,060,000	Certificates of Participation, City of Austin, Texas Electric Utility Office Project, Series 1987;
\$14,000,000	Certificates of Participation, City of Austin, Texas Water and Wastewater Utility Office Project, Series 1987;

The certificates represent proportionate interests in lease payments to be made by the City to a third-party lessor. The City has title to the office projects, pursuant to General Warranty Deeds; however, the trustee maintains a Vendor's Lien and Superior Title to the properties until all sums due are paid in full.

The City's obligation to make lease payments and any other obligations of the City under the Lease Agreements are subject to and dependent upon annual appropriations for such purpose being made by the City Council. The City's obligation to make lease payments under the Lease Agreement does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Thus the certificates are treated as capital lease obligations rather than long-term bonds.

The following table presents information regarding these certificates:

	Electric Office Project (1)	Water and Wastewater Office Project (1)
Date issued	February 1987	August 1987
Amount issued	23,060,000	14,000,000
Interest rates	4.00% - 7.00%	5.25% - 8.00%
Interest payable on	March 15 and September 15	May 15 and November 15
Maturity dates	September 15 1988 - 2007	November 15 1989 - 2007
Present value of lease payments	19,510,000	12,800,000
Reserve fund (2)	2,000,000	1,250,000

(1) Subject to mandatory redemption upon the occurrence of certain events.

(2) Held by trustee, to be used to make final payments

The Certificates are reflected as a capital lease liability in these financial statements in the fund for which the corresponding assets were acquired.

d -- Arbitrage Rebate Payable

The City's financial advisor has determined that the Utility Funds may have earned interest revenue on unused bond proceeds in excess of amounts allowed by applicable Federal regulations, which may have to be rebated to the Federal government. Estimated amounts payable at September 30, 1992, as arbitrage rebates are \$3,337,629 for the Utility Funds.

UTILITY FUNDS
NOTES TO FINANCIAL STATEMENTS
September 30, 1992

CITY OF AUSTIN, TEXAS

14 -- COMMITMENTS AND CONTINGENCIES, continued

e -- Other Commitments and Contingencies

The City is committed under various leases for building and office space, tracts of land and rights of way, and various equipment. These leases are considered for accounting purposes to be operating leases. Lease expense for the year ended September 30, 1992, amounted to approximately \$658,380. The City expects these leases to be replaced in the ordinary course of business with similar leases. Future minimum lease payments for these leases should be approximately the same amount.

The City does not subscribe to workers' compensation insurance. The City contributes amounts to an expendable trust fund based on an estimate of the cost of claims expected to be incurred each year. The amount to be paid out ultimately may be more or less than the amount accrued at September 30, 1992.

The City has entered into certain lease agreements, including the Certificates of Participation, as lessee for financing the purchase of equipment utilized in the Electric, Water and Wastewater Utility Funds. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following summarizes assets recorded at September 30, 1992, under capital lease obligations:

	1992	1991
Assets		
Machinery and equipment:		
Other	\$ 1,776,892	1,787,592
Building	28,930,834	20,180,834
	<u>30,707,726</u>	<u>21,968,426</u>
Accumulated Depreciation	4,404,612	2,403,835
	<u>\$ 26,303,114</u>	<u>19,564,591</u>

The following is an analysis of the future minimum lease payments under these capital leases, and Certificates of Participation and the present value of the net minimum lease payments as of September 30, 1992:

Fiscal Year Ended September 30	Electric System Fund	Water and Wastewater Fund
1993	\$ 2,576,138	1,400,181
1994	2,279,170	1,396,719
1995	2,115,730	1,390,256
1996	2,116,745	1,405,056
1997	2,118,545	1,391,231
Later years	21,168,075	15,294,692
Total minimum lease payments	<u>32,374,403</u>	<u>22,278,135</u>
Less:		
Amount representing interest	12,287,275	9,478,135
Present value of net minimum lease payments	<u>20,087,128</u>	<u>12,800,000</u>
Current portion	1,237,386	450,000
Long-term portion	<u>\$ 18,849,742</u>	<u>12,350,000</u>

15 -- OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Utility Funds provides certain other post-employment benefits to its retirees. Other post-employment benefits include health insurance for the retiree and the retiree's family and \$1,000 of life insurance on the retiree only.

All retirees who are eligible to receive pension benefits under any of the City of Austin Employees' Retirement and Pension Fund are eligible for other post-employment benefits. Retirees may also enroll eligible dependents under the medical and dental plan(s) in which they participate. Eligible dependents of the retiree include a legally married spouse, unmarried children under age 19 (under age 23 if a full-time student) who are dependent upon the retiree for support, and disabled children regardless of age who are unable to support themselves, and who were covered by the medical plan at the time the disability occurred. Surviving dependents of a deceased retiree may continue medical and dental coverage for 36 months by paying a full premium plus a two-percent administrative fee.

The City is under no obligation, statutory or otherwise, to pay any portion of the cost of other post-employment benefits to any retirees. Allocation of City funds to pay other post-employment benefits is determined on an annual basis by the City Council as part of the budget process.

The City pays a portion of the retiree's health insurance premium and a portion of the retiree's dependents' health insurance premium. The portion paid by the City varies according to age and coverage selection. The percentage of the health insurance premium paid by the City ranges as follows:

	<u>Range of City % of Contribution</u>
Retiree	60% - 100%
Retiree & Spouse	47% - 70%
Retiree & Children	49% - 72%
Retiree & Family	46% - 63%

The City pays 100% of the retiree's life insurance premium.

In 1992, the City made group dental coverage available to retirees and their eligible dependents. The full cost of the dental premium is paid by the retiree.

Other post-employment benefits are expensed and funded on a pay-as-you-go basis. The City recognizes the cost of providing these benefits as a payroll expense/expenditure in an operating fund with a corresponding revenue in the Health Benefits Fund. Payments for medical, dental and life insurance are then shown as an expenditure in the Health Benefits Fund. The cost of providing these benefits for 1,402 retirees and 9,282 active employees in 1992 and 1,401 retirees and 9,002 active employees in 1991 is not separable. Total payments to the Health Benefits Fund for retirees and active employees were \$21,633,698 in 1992 and \$18,179,961 in 1991.

16 -- SUBSEQUENT EVENTS

a -- Action against Houston Lighting & Power Company

On October 7, 1992, the Court of Appeals (Fifth District of Texas at Dallas) issued its opinions overruling all of Austin's points of error and affirming the trial court's judgment on a 3 - 0 vote. The City filed a timely motion for rehearing with the Court of Appeals, which was denied on November 18, 1992. The City then filed an application for writ of error seeking review by the Supreme Court of Texas on December 18, 1992, and the City continues to believe that its legal arguments will ultimately prevail.

b -- Fuel Contracts

Effective November 1, 1992, the city entered into core gas supply contracts with Enron, Tenngasco, and Mobil. These contracts provide in combination up to 60,000 MMBTUs per day of firm or interruptible gas supply daily through September 30, 1993. These contracts, and the earlier contract with UTTCO, can supply gas to the city through the Valero or Lone Star transportation systems.

UTILITY FUNDS
NOTES TO FINANCIAL STATEMENTS
September 30, 1992

CITY OF AUSTIN, TEXAS

16 -- SUBSEQUENT EVENTS, continued

c -- Refunding of Revenue Bonds

On February 23, 1993, the City issued \$203,166,245 in Combined Utility Systems Revenue Refunding Bonds, Series 1993.

The bonds were used to refund a total of \$196,772,739 of the City's previously issued bonds and to fund issuance costs. The refunding resulted in a reduction in cash flow requirements to service the debt of \$9,038,455. The bonds consisted of the following:

	Principal	Maturity	Interest Rate
Serial Bonds	\$97,700,000	1993 - 2006	2.65% - 5.80%
Term Bonds	90,755,000	2013 & 2018	5.25% - 6.00%
Capital Appreciation Bonds*	14,711,245	2007 - 2010	6.20% - 6.30%*

* Approximate yields

The total interest requirement on the bonds is \$161,301,740.

The net proceeds were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be legally defeased.

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APPENDIX D
FORM OF LEGAL OPINION

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**NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1
CITY OF AUSTIN, TEXAS CONTRACT REVENUE REFUNDING BONDS,
SERIES 1994
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$16,570,000**

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 January 26, 1994, 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, together with the District's outstanding City of Austin, Texas Contract Revenue Bonds, Series 1985 and City of Austin, Texas Contract Revenue Refunding Bonds, Series 1987 from and secured by a first lien on and pledge of City contract payments to be made by the City of Austin, Texas pursuant to a contract between the District and the City. Such payment in amounts sufficient to pay principal of, premium, if any, and interest on the Bonds.

THE DISTRICT reserves the right to issue additional bonds which will be payable from City Contract Payments on a parity with the Bonds.

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.

Respectfully,

McCall, Parkhurst & Horton L.L.P.

APPENDIX E
SPECIMEN BOND INSURANCE POLICY

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FINANCIAL
SECURITY
ASSURANCE.

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.:

Effective Date:

OBLIGATIONS:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security") is 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 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 Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (TX 3/91)

OFFICIAL STATEMENT

Dated June 21, 1995

NEW ISSUE - BOOK-ENTRY ONLY

Ratings: Moody's Investors Service: "Aaa"
Standard & Poor's Ratings Group: "AAA"
(See "RATINGS" and "BOND INSURANCE" herein)
Capital Guaranty Insured

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

\$4,250,000

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 BONDS
SERIES 1995

*The Issuer has designated the Bonds as
"Qualified Tax-Exempt Obligations" for Financial Institutions*

Dated: June 1, 1995

Due: August 1, as shown below

The \$4,250,000 North Austin Municipal Utility District No. 1 Unlimited Tax and Revenue Bonds, Series 1995 (the "Bonds") are being issued by the North Austin Municipal Utility District No. 1 (the "Issuer" or "District"), a political subdivision of the State of Texas located within Travis and Williamson Counties, Texas, pursuant to an order of the Texas Natural Resource Conservation Commission ("TNRCC"); Article XVI, Section 59 of the Texas Constitution; Chapter 54 of the Texas Water Code, as amended; the general laws of the State of Texas; and the Bond Order (the "Bond Order") adopted by the Board of Directors (the "Board") of the District. (See "BOND INFORMATION - Authority for Issuance" herein.) The Bonds described above are obligations solely of the Issuer and are not obligations of the State of Texas; Travis County, Texas; Williamson County, Texas; the City of Austin, Texas; or any entity other than the District.

The Bonds are the fourth series of bonds issued out of an aggregate of \$73,100,000 principal amount of unlimited tax and revenue bonds authorized at an election held within the District on June 4, 1984, for the purpose of purchasing and constructing a water, wastewater and storm drainage system. The Bonds 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; or any other political subdivision or municipality thereof, other than the District, is obligated to pay the principal of or interest on or the redemption of the Bonds. (See "BOND INFORMATION - Security for the Bonds" herein.)

Interest on the Bonds will accrue from the dated date as shown above and will be payable February 1 and August 1 of each year, commencing February 1, 1996, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The definitive Bonds will be issued only as fully registered obligations in the denomination of \$5,000 or any integral multiple thereof within a stated maturity. The initial Paying Agent/Registrar shall be Texas Commerce Bank National Association (the "Paying Agent/Registrar") (see "BOND INFORMATION - Paying Agent/Registrar" herein), and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC which will initially act as securities depository (the "Securities Depository") for the Bonds. So long as the Bonds are in Book-Entry-Only form, individual purchases will be made in Book-Entry-Only form. Purchasers will not receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as Securities Depository with respect to the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by the Board directly to DTC. Disbursements of payments to DTC Participants (herein defined) is the responsibility of DTC and disbursement of such payments to Beneficial Owners (herein defined) is the responsibility of DTC Participants or Indirect Participants (herein defined). (See "BOND INFORMATION - Book-Entry-Only System" herein.)

Proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for the cost of constructing water distribution, wastewater collection and storm drainage facilities to serve the Milwood Subdivision and to reimburse State Farm Insurance Company for the cost of constructing a 16-inch water main. In addition, Bond proceeds will be used to pay interest on funds that have been advanced on behalf of the District for the above described construction projects; pay engineering fees related to the above described projects; and pay bond issuance costs and professional services fees. (See "BOND INFORMATION - Use and Distribution of Bond Proceeds" herein.)

Payment of principal and interest on the Bonds as the same become due and payable (other than by reason of acceleration) is insured by a Municipal Bond Guaranty Insurance Policy to be issued by Capital Guaranty Insurance Company simultaneously with the delivery of the Bonds.

CAPITAL GUARANTY

SEE FOLLOWING PAGE FOR STATED MATURITIES,
PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS
AND REDEMPTION PROVISIONS

The Bonds are offered for delivery, when, as and if issued and received by the initial purchasers (the "Purchasers") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on the Bonds. (See "Legal Opinions and No-Litigation Certificate" herein). It is expected that the Bonds will be available for delivery through the services of the DTC on or about July 11, 1995.

P-NA01117

STATED MATURITY SCHEDULE
(Due August 1)

Stated Maturity	Principal Amount	Rate (%)	Yield (%)	Stated Maturity	Principal Amount	Rate (%)	Yield (%)
1997	\$ 125,000	7.000	4.10	2007*	\$ 250,000	5.375	5.40
1998	135,000	7.000	4.30	2008*	260,000	5.400	5.50
1999	150,000	7.000	4.45	2009*	275,000	5.500	5.55
2000	150,000	7.000	4.55	2010*	290,000	5.125	5.60
2001	160,000	7.000	4.70	2011*	320,000	5.000	5.70
2002	115,000	7.000	4.80	2012*	325,000	5.000	5.80
2003	135,000	7.000	4.90	2013*	345,000	5.000	5.85
2004	130,000	7.000	5.00	2014*	365,000	5.000	5.90
2005	100,000	7.000	5.10	2015*	390,000	5.000	5.90
2006*	230,000	5.200	5.25				

**REDEMPTION PROVISION OF THE BONDS: The Issuer reserves the right, at its sole option, to redeem Bonds having stated maturities on or after August 1, 2006 in whole or from time to time in any part thereof, in principal amounts of \$5,000 or any integral multiple thereof on August 1, 2005 or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. (See "BOND INFORMATION - Redemption Provision of the Bonds" herein.)*

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NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1

BOARD OF DIRECTORS:

Name	Years Served	Term Expires (May)	Primary Occupation
Steve D. Pena President	11½	1996	Public Accounting
Jared R. Stallones Vice-President	6½	1996	Teacher
Robert K. Schultz Secretary	8½	1998	Engineer
Terry J. Ripperda Treasurer	2½	1996	Home Mortgage Company Executive
Alan McNeil Assistant Secretary/Treasurer	8 months	1998	Banker

CONSULTANTS AND ADVISORS:

Operator/General Manager	Eco Resources, Inc. Austin, Texas
General Counsel	Strasburger & Price, L.L.P. Austin, Texas
Tax Assessor/Collector	Nelda Wells Spears Travis County
Bond Counsel	McCall, Parkhurst & Horton L.L.P. Austin, Texas
Engineers	Murfee Engineering Company, Inc. Austin, Texas
Financial Advisor	Rauscher Pierce Refsnes, Inc. San Antonio, Texas

This Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

No dealer, broker, salesman, or other person has been authorized by the Issuer to give any information or to make any representation with respect to the Bonds, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale 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 set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Issuer. 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 information or opinions set forth herein after the date of this Official Statement. However, the Issuer has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the Issuer 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 Purchaser and thereafter only as specified in "PREPARATION OF THE OFFICIAL STATEMENT - Updating the Official Statement".

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 Rauscher Pierce Refsnes, Inc., the Issuer's Financial Advisor (the "Financial Advisor"), 300 Convent, Suite 1600, San Antonio, Texas: 78205.

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SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer

The North Austin Municipal Utility District No. 1 (the "Issuer" or "District") was created on November 15, 1983 by the Texas Water Commission (the "TWC"); pursuant to Article XVI, Section 59 of the Texas Constitution and operates pursuant to the provisions of Chapter 54 of the Texas Water Code and other general statutes applicable to municipal utility districts. The District was created to provide water, sewer and drainage facilities to 998 acres located approximately 11 miles north from the central business district of the City of Austin, Texas and three miles east of the intersection of U.S. Highway 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, Texas and the remainder lies wholly within the exclusive extraterritorial jurisdiction of the City of Austin, Texas and within the boundaries of the Round Rock Independent School District. Portions of the District lie both in Williamson and Travis Counties. The District is governed by the Board of Directors (the "Board") consisting of five members which have 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. (See "THE DISTRICT" and "MANAGEMENT OF THE DISTRICT" herein.)

Status of Development

Milwood Joint Venture II ("Milwood JV") 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 for home construction. Recently, development within the District has been undertaken directly by Milburn pursuant to certain agreements with Milwood JV. The District currently includes 1,960 completed homes, 36 homes under construction, 140 vacant lots and a 467,000 square foot office complex.

State Farm Mutual Automobile Insurance Company ("State Farm") currently owns approximately 266 acres in the District and has developed approximately 71 acres as the site of a regional headquarters facility. The first phase of development, including approximately 467,000 square feet of office space has been completed. (See "STATUS OF DEVELOPMENT" herein.)

The Bonds

The Bonds are issued pursuant to an order of the Texas Natural Resource Conservation Commission ("TNRCC"), Article XVI, Section 59 of the Texas Constitution; Chapter 54 of the Texas Water Code, as amended; the general laws of the State of Texas; and the Bond Order (the "Bond Order") adopted by the Board. (See "BOND INFORMATION -Authority for Issuance" herein.) The Bonds described above are obligations solely of the Issuer and are not obligations of the State of Texas; Travis County, Texas; Williamson County, Texas; the City of Austin, Texas; or any entity other than the Issuer.

Security for the Bonds

The Bonds are the fourth series of bonds issued out of an aggregate of \$73,100,000 principal amount of unlimited tax and revenue bonds authorized at an election held within the District on June 4, 1984, for the purpose of purchasing and constructing a water, wastewater and storm drainage system. The Bonds 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; or any other political subdivision or municipality thereof, other than the District, is obligated to pay the principal of or interest on or the redemption of the Bonds. (See "BOND INFORMATION - Security for the Bonds" herein.)

Bond Insurance

Payment of principal and interest on the Bonds as the same become due and payable (other than by reason of acceleration) is insured by a Municipal Bond Guaranty Insurance Policy to be issued simultaneously with the delivery of the Bonds by Capital Guaranty Insurance Company. (See "BOND INSURANCE" herein.)

Ratings

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Group ("S&P's") have rated the Bonds "Aaa", "AAA", respectively, based upon a municipal bond guaranty insurance policy issued by Capital Guaranty Insurance Company. (See "BOND INSURANCE" and "RATINGS" herein.)

Redemption Provision of the Bonds

The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature on or after August 1, 2006 on August 1, 2005, or any date thereafter, in whole or from time to time in part, in the principal amount of \$5,000 or any integral multiple thereof plus accrued interest to the date fixed for redemption. (See "BOND INFORMATION - Redemption Provision of the Bonds" herein.)

Tax Matters

In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing law subject to matters discussed herein under "TAX MATTERS". (See "TAX MATTERS" and Appendix B - "Form of Bond Counsel's Opinion" herein.)

Qualified Tax-Exempt Obligations

The Issuer will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)

Use of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Developer for the cost of constructing water distribution, wastewater collection and storm drainage facilities to serve certain Milwood Subdivisions and to reimburse State Farm for certain water distribution facilities. In addition, Bond proceeds will be used to pay interest on funds that have been advanced on behalf of the District for the above described construction projects; pay engineering fees related to the above described projects; and pay bond issuance costs and professional services fees. (See BOND INFORMATION - Use of Bond Proceeds" herein.)

Payment Record

The District has previously issued \$10,675,000 of combination unlimited tax and revenue bonds in three series (the "Outstanding District Bonds") of which \$9,250,000 remain outstanding. In addition, the District makes payments to the City of Austin for the District's 34.81% pro rata share of certain construction costs related to improvements financed with \$17,375,000 of outstanding City of Austin, Texas Contract Revenue Bonds (the "Outstanding Contract Bonds") issued pursuant to a utility construction contract (the "Contract"). The District has never defaulted on either the principal or interest payments on the Outstanding District Bonds or failed to make its payments pursuant to the Contract. (See "BOND INFORMATION - Payment Record" herein.)

Investment Considerations

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".

Future Bond Issues

The Issuer does not anticipate the issuance of any additional indebtedness in 1995. Following the issuance of the Bonds, the Issuer will have \$58,195,000 authorized but unissued combination unlimited tax and revenue bonds remaining. (See BOND INFORMATION - Issuance of Additional Debt" herein.)

Delivery

When issued, anticipated on or about July 11, 1995.

BOND INFORMATION**General**

The Bonds are dated June 1, 1995. Interest on the Bonds accrues from June 1, 1995, or from the most recent date to which interest has been paid or duly provided for, and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 1996. The Bonds will bear interest at the rates, and will mature on the dates and in the amounts set forth on the inside cover page of the Official Statement and will be subject to redemption as set forth below. Interest on the Bonds shall be computed on the basis of a 360-day year composed of twelve 30-day months. The Bonds are issuable in denominations of \$5,000 or any integral multiple thereof. The principal and redemption price of the Bonds shall be payable, without exchange or collection charges, in lawful money of the United States of America, to the respective registered owners thereof upon presentation and surrender thereof at maturity or upon the date fixed for redemption prior to maturity at the designated office of the Texas Commerce Bank, National Association, the initial paying agent/registrar ("Paying Agent/Registrar") in Dallas, Texas. Interest on the Bonds shall be payable by the Paying Agent/Registrar on each interest payment date, in lawful money of the United States of America, by check or draft dated as of such interest payment date, sent by United States mail, first-class postage prepaid, to the respective owners thereof, at the address of each such registered owner as it appears in the registration books on the record date preceding each such interest payment date. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar requested by, at the risk and expense of, the respective registered owners of the Bonds. Any accrued interest due upon the redemption of any Bond prior to maturity as provided in the Bond Order shall be payable to the registered owner thereof at the designated office for payment of the Paying Agent/Registrar in Dallas, Texas, upon presentation and surrender thereof for redemption and payment at such principal office.

The Bonds are issued as fully registered bonds, and, when issued will be registered in the name of Cede & Co., as nominee of DTC. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of, premium, if any, and interest on the Bonds will be made directly to DTC. Disbursement of such payments to the individual purchasers ("Beneficial Owners") is the responsibility of DTC and DTC Participants or Indirect Participants as more fully described herein. (See "Book-Entry-Only System" below.) So long as the Bonds are in a Book-Entry-Only system, individual purchases of Bonds will be made in Book-Entry form only. Beneficial Owners of the Bonds will not receive physical delivery of bond certificates.

Book-Entry-Only System

The Depository Trust Company ("DTC") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code ("UCC"); and a "clearing agency" registered pursuant to the provisions of UCC Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("DTC Participants") deposit with DTC. DTC also facilitates the settlement, among DTC Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic Book-Entry-Only changes in accounts of 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. DTC is owned by a number of the DTC Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the

DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly. The rules applicable to DTC and the DTC Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the Book-Entry-Only System for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Nether DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as Securities Depository with respect to the Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical Bonds will be printed and delivered to the Beneficial Owners.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement, it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

Information concerning DTC and the Book-Entry-Only system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District.

Authority for Issuance

The Bonds are issued pursuant to an order of the Texas Natural Resource Conservation Commission ("TNRCC"); Article XVI, Section 59 of the Texas Constitution; Chapter 54 of the Texas Water Code, as amended; the general laws of the State of Texas;

and the Bond Order (the "Bond Order") adopted by the Board. The Bonds are obligations solely of the Issuer and are not obligations of the State of Texas; Travis County, Texas; Williamson County, Texas; the City of Austin, Texas; or any entity other than the Issuer.

At a bond election held within the District on June 4, 1984, the voters of the District authorized (1) the issuance of \$73,100,000 in unlimited tax and revenue bonds; (2) \$1.50 per \$100 valuation maintenance tax; and (3) a special tax up to \$1.10 per \$100 valuation to make payments to the City of Austin under its Utility Construction Contract associated with the District's contract revenue bonds. (See "Outstanding Obligations" and "Issuance of Additional Debt" below.)

At a hearing conducted on March 12, 1995, the TNRCC authorized the District to sell the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in "Use And Distribution Of Bond Proceeds" below.

Security for the Bonds

The Bonds are the fourth series of bonds issued out of an aggregate of \$73,100,000 principal amount of unlimited tax and revenue bonds authorized at an election held within the District on June 4, 1984, for the purpose of purchasing and constructing a water, wastewater and storm drainage system. The Bonds 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. 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 1995 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, the Outstanding Contract Bonds and the outstanding District Bonds 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. Neither 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.

Funds

In the Bond Order, the Series 1995 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 1995 Interest and Sinking Fund upon receipt. The remaining proceeds of sale of the Bonds, including interest earnings thereon, shall be deposited into the Construction Fund, which is created in the Bond Order, as the capital improvements fund of the District. The Bond Order requires the District to deposit to the credit of the Construction Fund the balance of the proceeds of the Bonds remaining after the deposits to the Series 1995 Interest and Sinking Fund. The Construction Fund may be applied solely (i) to pay the costs of issuance in connection with the Bonds and (ii) the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued. Any monies remaining in the Construction Fund after completion of construction of the entire System may be transferred to the Series 1995 Interest and Sinking Fund. (See "Use and Distribution of Bond Proceeds" below and "THE SYSTEM" herein.)

Redemption Provision of the Bonds

The Issuer reserves the right, at its sole option, to redeem Bonds scheduled to mature August 1, 2006 and thereafter in whole or from time to time in part, in the principal amount of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar) on August 1, 2005, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The election of the Issuer to redeem Bonds, identifying the stated maturity or maturities and the amount thereof to be redeemed, shall be entered in the minutes of the Board, and a copy thereof shall be

delivered to the Paying Agent/Registrar. If less than all of the Bonds within a stated maturity are to be redeemed, the particular Bonds to be redeemed shall be selected at random and by lot by the Paying Agent/Registrar.

At least 30 days prior to the date fixed for any redemption of any Bonds or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Bonds of a particular stated maturity, the Paying Agent/Registrar is required to select the Bonds of such stated maturity to be redeemed by such random method as it deems fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Bonds of a denomination larger than \$5,000.

Paying Agent/Registrar

The initial Paying Agent/Registrar is Texas Commerce Bank, National Association. In the Bond Order, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking institution, shall be an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and shall be authorized by law to serve as a Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

The Bonds will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized to close, then 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 date payment was due.

Transfer, Exchange and Registration

In the event the book-entry-only system should be discontinued, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at its designated office for payment in Dallas, Texas, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the principal corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be cancelled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the

Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "Book-Entry-Only System" above for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.)

Mutilated, Destroyed, Lost, or Stolen Bonds

In the event the book-entry-only system should be discontinued, the Issuer has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. (See "Book-Entry-Only System" above for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.)

Limitation on Transfer of Bonds Called for Redemption

Neither the Issuer nor the Paying Agent/Registrar shall be required to transfer or exchange (i) any Bond selected for redemption in whole or from time to time in part within 45 days of the date fixed for redemption; provided, however, this limitation shall not be applicable to the transfer or exchange of the unredeemed balance of a Bond called for redemption in part or (ii) during the period convening with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

Record Date for Interest Payment

The record date ("Record Date") for the semiannual interest payable on any interest payment date is the fifteenth (15th) day of the month next preceding such interest payment date, as specified in the Bond Order. In the event of 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, if and when funds for the payment of such interest have been received from the Issuer. 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 at the close of business on the last business day next preceding the date of mailing of such notice.

Outstanding Obligations

The District has previously issued \$5,225,000 Unlimited Tax and Revenue Bonds, Series 1986; \$2,100,000 Unlimited Tax and Revenue Bonds, Series 1986A; \$3,350,000 Unlimited Tax and Revenue Bonds, Series 1993; and \$5,625,000 Unlimited Tax and Revenue Refunding Bonds, Series 1993A which refunded a portion of the then outstanding Series 1986 and 1986A Unlimited Tax and Revenue Bonds (collectively referred to herein 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; and \$16,570,000 City of Austin, Texas Contract Revenue Refunding Bonds, Series 1994, which refunded a portion of the then outstanding \$16,300,000 City of Austin, Texas Contract Revenue Bonds, Series 1985 and a portion of the \$16,280,000 City of Austin, Texas Contract Revenue Refunding Bonds, Series 1989 (collectively referred to herein 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, V.A.T.C.S. (now Texas Local Government Code, Section 402.014). The Contract Payments constitute a special revenue obligation of the City of Austin, Texas 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 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. The Contract is in effect until the Contract Bonds are paid, not to exceed 40 years.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TNRCC, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. (See "THE DISTRICT - General" herein.) 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. Following the issuance of the Bonds, the District will have \$58,175,000 of unlimited tax and revenue bonds authorized but unissued. In addition to such bonds, the District has the right to issue such additional tax bonds as may hereafter be authorized by the voters. The District also has the right to issue revenue bonds, revenue notes, bond anticipation notes and tax anticipation notes without the necessity of voter approval. Neither Texas law nor the Bond Order places a limitation on the amount of additional bonds which may be issued by the District. The District could also incur contractual obligations payable from taxes if approved by its voters. The District does not anticipate the issuance of any additional tax and revenue bonds in 1995.

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" herein.)

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 system 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 and Bankruptcy Limitation to Registered Owners' Rights" herein.)

Defeasance

The Bond Order provides that any Bond will be deemed paid and shall no longer be considered to be outstanding within the meaning of the Bond Order when payment of principal of and interest on such Bond to its stated maturity has been made or provided for. Payment may be provided for by deposit of any combination of (1) money in an amount sufficient to make such payment and (2) direct obligations of the United States of America and as further provided in the Bond Order.

Investments

The Bond Order provides that funds on deposit in the Funds established by the Bond Order shall be secured by the depository bank of the Issuer in the manner and to the extent required by law to secure other public funds of the Issuer and may be invested from time to time in any investment authorized by Article 842a-2 Public Funds Investment Act of 1987, as amended, Texas Revised Civil Statutes Annotated at the direction of the appropriate officials of the Issuer. Income and profits from such investments shall be deposited in such Funds. It is further, provided, however, that any interest earnings on Bond proceeds which are required to be rebated to the United States of America in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings.

Specific Tax Covenants

In the Bond Order, the Issuer has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed 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 Issuer 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 Issuer 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 Issuer.

Amendments to Bond Order

The Issuer 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 Issuer may, with the written consent of 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 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. In addition, a State, consistent with federal law, may in the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

Payment Record

The Issuer has never defaulted in the payment of its Outstanding District Bonds or payments due under the Contract.

Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Developer and State Farm Insurance Company for the cost of construction of the items shown in the following table. Additionally, a portion of the proceeds from the sale of the Bonds will be used to pay certain non-construction costs associated with the construction outlined below and costs associated with the issuance of the Bonds.

The District's present estimate of construction costs has been provided by the District's Engineer, based on the actual cost of completed facilities. To the extent the amounts shown exceed actual costs, the surplus funds may be expended for any lawful purpose for which surplus construction funds may be used.

CONSTRUCTION COSTS	DISTRICT SHARE OF COST
Milwood Section 31A Utilities	\$ 93,190
Milwood Section 31A (Phase B) Utilities	209,367
Milwood Section 32 Utilities	404,141
Milwood Section 33 Utilities	170,678
Milwood Section 34 Utilities	288,448
Milwood Section 35 Utilities	238,234
Milwood Section 38A Utilities	379,889
Milwood Section 38B (Phase 1) Utilities	265,416
Milwood Section 38B (Phase 2) Utilities	221,985
State Farm 16" Water Line	151,147
Engineering for Milwood Sections 31A-38B	293,881
Engineering for Milwood Sections 22, 25, 26A, 27A, 27B, 28, 29, 30	292,041
City of Austin Plans Review and Inspection Fees	240,460
TOTAL CONSTRUCTION COSTS	\$3,248,877
NON-CONSTRUCTION COSTS	
Developer Interest	\$ 370,000
Original Issue Discount	127,500
Cost of Issuance and Contingency	503,623 *
TOTAL NON-CONSTRUCTION COSTS	1,001,123
TOTAL BOND PROCEEDS NEEDED	\$4,250,000

**In its approval of the issuance of the Bonds, the TNRC directed any surplus bond proceeds resulting from the sale of the Bonds at a lower interest rate (than anticipated in the Bond Application) be shown as a contingency line item subject to the TNRC rules on surplus funds.*

BOND INSURANCE

A Municipal Bond Guaranty Insurance Policy ("Insurance Policy") will be issued by Capital Guaranty Insurance Company ("Capital Guaranty") simultaneously with the issuance and delivery of the Bonds which provides for the full and complete payment of an amount equal to (i) the principal of (either at the stated maturity or by any 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 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 avoidable preference to such owner within the meaning of any applicable bankruptcy law.

For specific information on the coverage provided in Appendix D, reference should be made to the text of the Insurance Policy, which has been reproduced in specimen form in this document. The Insurance Policy does not insure any payment to any investor to compensate for any loss or limitation of the tax exemption, either past or future. Furthermore, the Insurance Policy does not insure against nonpayment of principal or interest caused by the insolvency or negligence of the Paying Agent/Registrar.

Capital Guaranty Insurance Company is a monoline stock insurance company incorporated in the State of Maryland, and is a wholly owned subsidiary of Capital Guaranty Corporation, a Maryland insurance holding company. Capital Guaranty Corporation is a publicly owned company whose shares are traded on the New York Stock Exchange. Other than their investment in Capital Guaranty Corporation, the investors of Capital Guaranty Corporation are not obligated to pay the debts of, or the claims against, Capital Guaranty Insurance Company.

The balance sheet of Capital Guaranty in Appendix D is incorporated herein by reference and reflects certain financial information prepared in accordance with statutory insurance accounting principles as was reported by Capital Guaranty to the Insurance Department of the State of Maryland.

Neither Capital Guaranty nor its affiliates make any representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws and regulations.

Capital Guaranty's role is limited to providing the coverage set forth in the Insurance Policy.

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THE DISTRICT

General

The District, a municipal utility district created on November 15, 1983 by the Texas Water Commission (now the Texas Natural Resource Conservation Commission [the "TNRCC"]), pursuant to Article XVI, Section 59 of the Texas Constitution, operates pursuant to the provisions of Chapter 54 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 TNRCC. The District has no present plans to provide solid waste collection and disposal service or a fire department. The District is currently considering providing solid waste collection disposal through an independent contractor. The District is also empowered to operate and maintain recreational facilities. The District is subject to the continuing supervision of the TNRCC.

City of Austin Consent Agreement

Under Texas law, the City of Austin (the "City") was required to give its consent to the creation of the District. The vehicle for this consent is an ordinance passed by the City, a part of which includes the agreement concerning creation and operation of North Austin Municipal Utility District No. 1 (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 Creation Agreement provides that the District will not serve customers outside its boundaries without prior City permission. 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, wastewater and drainage 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. Highway 183 and RR 620. There have been no annexations or exclusions of area since creation. 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. The District lies partially within the Edwards Aquifer Recharge Zone. (See "APPENDIX A - 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:

Name	District Board Title	Term Expires (May)	Primary Occupation
Steve D. Pena	President	1996	Public Accounting
Jared R. Stallones	Vice-President	1996	Teacher
Robert K. Schultz	Secretary	1998	Engineer
Terry J. Ripperda	Treasurer	1996	Home Mortgage Company Executive
Alan McNeil	Assistant Secretary/ Treasurer	1998	Banker

STATUS OF DEVELOPMENT

The following tables depict the development status and land use of the project:

USE OF LAND

Land Uses	Acreage	Equivalent Connection	
		Active	Allocated
Total District Acreage	997.70	1,979 ¹	8,333 ²
Developed from Prior Bond Issues	299.80	1,446	2,010
Developed, included in the "Bonds"	215.26 ³	533	732
Currently Developed with Facilities to be Funded by Future Bonds	0	0	0
Remaining Acreage	482.64	0	5,591
Undevelopable Acreage			
Streets	32.04	---	---
Drainage Easements	N/A	---	---
Permanent Floodplain	80.00	---	---
Parks & Recreational Open Spaces	5.00	---	---
Other	0.00	---	---
Remaining Developable Acreage	365.60 ³		

Note: These areas are gross acreage including internal streets and easements.

¹ As of March 1, 1995.

² Includes the 71 acre tract which is the site of the State Farm regional office complex.

³ Milburn has obtained approval of the plat of Milwood, Section 36 (24.52 acres, 134 lots) and Milwood, Section 37 (33.99 acres, 140 lots). Milburn anticipates beginning development of such property by mid-1995 and completing development by the first quarter of 1996.

DEVELOPMENT FROM PRIOR BONDS

Section	Type of Development	Number of Lots	Acreage	Equivalent Connections	
				Active	At Full Development
Milwood 22	Single family	191	43.41	191	191
Milwood 23	Single family	166	40.03	166	166
Milwood 26A, Phase A ¹	N/A	N/A	N/A	N/A	N/A
Milwood 22 Detention Pond		N/A	N/A	N/A	N/A
Rattan Creek Drainage		N/A	N/A	N/A	N/A
Milwood 25 & 26A ²	Multi & Single family	132	50.89	137	767
Milwood 27A	Single family	137	29.90	136	137
Milwood 27B	Single family	124	25.98	124	124
Milwood 28	Single family	213	30.42	213	213
Milwood 29	Single family	145	21.91	145	145
Milwood 30	Single family	123	27.19	120	123

¹ Includes off-site wastewater main and preblasting for internal water, wastewater and drainage improvements.

² Includes 630 multi-family units.

DEVELOPMENT FROM PROPOSED BONDS

Section	Type of Development	Number of Lots	Acreage	Equivalent Connections	
				Active	At Full Development
Milwood 31A	Single family	120	21.0	120	120
Milwood 31A, Phase B	Single family	85	15.29	85	85
Milwood 32	Single family	154	18.46	151	154
Milwood 33	Single family	33	6.12	28	33
Milwood 34	Single family	109	20.27	74	109
Milwood 35	Single family	84	16.11	36	84
Milwood 38A	Single family	81	20.83	79	81
Milwood 38B, Phase 1	Single family	48	11.65	43	48
Milwood 38B, Phase 2	Single family	50	14.52	10	50
State Farm 16" Waterline	Commercial	N/A	71.00	1	1

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 the Contract, the District constructed the Rattan Creek Lift Station which services 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. The judgment against the surety was appealed by the surety to the Texas Supreme Court. In June 1995, the judgment was reversed in part and

remanded to the trial court to enter judgment. The Supreme Court reversed the trebling of damages and affirmed the damages for the amount of the surety's bond, plus attorneys' fees. The District will be filing a motion for rehearing at the Supreme Court.

In 1993, the District authorized the Engineer to prepare plans for repairing the lift station so that it will meet the City of Austin's requirements. According to the Engineer, the cost of repairing the lift station is approximately \$850,000, excluding engineering fees. The repairs and upgrades to the lift station are currently underway. In the event the lift station is not repaired so that it meets the City of Austin's 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. All other additional development within the District would be served by other lift stations already constructed and accepted by the City of Austin.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

The District invests its investable funds in securities and investments prescribed by the Texas Public Funds Investment Act, Subchapter 2256, Texas Government Code, as amended (the "Investment Act"). The Investment Act requires that the District establish an investment policy to ensure that District funds are invested only in accordance with State Law. The District has established a written investment policy. The District's investments are managed by its General Manager, who reports to the District's board of directors. The Investment Act requires that investments be made with judgment and care, under prevailing circumstances that a person of prudence, discretion and intelligence would exercise in the management of his or her own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. The Investment Act requires that investment policies be written, primarily emphasize safety of principal and liquidity, and address investment diversification, yield and maturity and the quality and capability of investment management. The District's investment policies meet these criteria.

The Investment Act and other state laws provide that political subdivisions in the State may invest in, (i) obligations of the United States or its agencies and instrumentalities, (ii) direct obligations of the State or its agencies, (iii) other obligations unconditionally guaranteed or insured by or backed by full faith and credit of the State, the United States or its agencies or instrumentalities, (iv) obligations of states and political subdivisions of any state which are rated as to investment quality at least "A" or its equivalent, (v) certificates of deposit issued by state and national banks or savings and loan associations domiciled in the State, (vi) prime domestic banker's acceptances, (vii) commercial paper with a stated maturity of 270 days or less that meets certain rating criteria, (viii) fully collateralized repurchase agreements having a defined termination date which are secured by obligations described in clause (i) that are pledged to the District and deposited with a third party, (ix) no load money market mutual funds which are regulated by the Federal Securities and Exchange Commission with a dollar weighted average stated maturity of 90 days or less and whose objectives include seeking to maintain a stable net asset value of \$1.00 per share, (x) an eligible public funds investment pool, (xi) bonds issued, assumed, or guaranteed by the State of Israel, and (xii) a qualified common trust fund or comparable investment device that is owned or administered by a Texas-domiciled bank and consists exclusively of obligations described above. The District may invest in such obligations directly or through government investment pools that invest solely in such obligations.

THE DEVELOPER

Role of the Developer

In general, the activities of a developer within a utility district, such as the District, include purchasing land within the district, designing the subdivision, designing utilities and streets to be placed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including in some cases water, sewer, and drainage facilities pursuant to the rules of the TNRCC, as well as gas, telephone, and electric service). In most instances, the developer is required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in the utility district pursuant to the rules of the TNRCC. The relative success or failure of the developer to perform such activities in development of the property within a utility district may have a profound effect on the security for the bonds issued by a district.

Description of the Developer

The developer within the District is Milwood Joint Venture II ("Milwood JV"), a joint venture between Milburn Investments, Inc. ("Milburn") and Palmar Associates, Ltd. ("Palmar"). Milburn is a Texas corporation which, until July 30, 1993, was wholly owned by Mr. William Milburn. Milburn is the managing venture partner, however, certain decisions, such as financing and

land planning, require approval of both venture partners. Palmar is a Texas limited partnership whose general partners are A.H. Robinson, III and J.O. Robinson, and whose limited partners are other members of the Robinson family.

Pursuant to an agreement reached with Milwood JV, Milburn developed Milwood, Sections 38A, 38B, 34 and 35, and is developing Milwood, Sections 36 and 37. It is uncertain at this time as to whether Milburn will request and whether Milwood JV will grant Milburn the right to develop additional property in the District. (See "Options Contracts" herein.) Hereinafter, all references to the "Developer" shall refer collectively to Milwood JV and Milburn.

Milburn and related joint ventures are developing land and building homes within and nearby the Central Texas cities of Austin, Cedar Park, Killeen, Pflugerville and Round Rock. Current subdivision activities include the following development projects: Milwood, Anderson Mill West, the Settlement, Windmill Run, Cherry Creek, Willow Run, Bratton Park, Morning Glen, Heather Glen, and Buttercup Creek. Companies owned by Mr. Milburn have developed more than 4,000 acres and sold over 22,000 homes in the past 30 years.

On July 30, 1993, Mr. William O. Milburn sold to Continental Homes Holding Corporation ("Continental") all of the issued and outstanding common stock of Milburn and certain other companies owned by Mr. Milburn.

Continental is a Delaware corporation whose stock is traded on the New York Stock Exchange. Continental builds homes in Phoenix, Arizona, Denver, Colorado, Southern California, San Antonio and Dade County, Florida. For the fiscal year ended May 31, 1994, Continental had gross revenues of approximately \$348,620,000 of which approximately 98% came from its home-building activities; approximately \$305,490,000 in total assets; and approximately \$98,560,000 of shareholder equity. Continental is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the Securities and Exchange Commission ("Commission"). Copies of such material can be obtained by mail from public reference section of the Commission, 450 Fifth Street, Washington, D.C. 20549 at prescribed rates. In addition, such reports and other information may be obtained from the American Stock Exchange.

Development Financing

Originally, the existing residential and multi-family development within the District was funded by a series of development loans to Milwood JV by Texas Commerce Bank, National Association, Austin, Texas ("TCB"). Subsequent to the Continental closing, the only remaining TCB loan is \$579,597 for the raw land purchase of the multi-family tract known as Milwood Section 25. This is also the only remaining debt of Milwood JV. All future financing of development by Milburn will be carried through a \$25,000,000 revolving line of credit whose funding levels are based upon and subject to available collateral. As of March 1, 1995, \$23,046,000 of the revolving line of credit has been funded leaving available credit of approximately \$1,954,000. The terms of this revolving line of credit include interest payable monthly with all principal maturing July 28, 1995. Milburn currently is in negotiations with its lenders to extend the maturity date. Future development within the District undertaken by Milburn will be funded either by this line of revolving credit or corporate cash.

Option Contracts

On September 15, 1982, Milwood JV entered into separate option agreements with the Robinson Ranch and Austin White Lime Company for the purchase of approximately 1,251 acres. Approximately 821 of such acres lie within the boundaries of the District. Pursuant to each option contract, Milwood JV is required to purchase varying amounts of property within specific option periods until all of the property has been purchased. Pursuant to the agreements, all of the property is to be purchased by the end of 1997. In consideration for the option, Milwood JV has deposited earnest money with the seller and makes quarterly option payments. In the event Milwood JV defaults on its obligations, the seller's sole remedy is retention of the earnest money and termination of the option contract. Milwood JV currently is in compliance with all material terms of the option contracts.

Pursuant to an agreement reached between the Milwood JV partners, Milwood JV has assigned to Milburn its rights to purchase the property being developed as Milwood, Sections 36 and 37.

Homebuilding

All of the homes within the District have been constructed by Milburn. All of the remaining lots currently located within the District are owned by Milburn. The homes being constructed in the District generally range in price from \$95,000 to \$180,000. During 1993, Milburn closed the sale of 128 homes. During 1994, Milburn closed the sale of 148 homes. During the first calendar quarter of 1995, Milburn has closed the sale of 25 homes.

THE SYSTEM

Water, Sanitary Sewer, and Drainage System

The proceeds from the sale of the Bonds will be used to fund the District's share of water distribution lines, wastewater collection and trunk lines, and drainage facilities serving residential subdivisions in the District and for a water distribution main serving the State Farm Regional Headquarters facility. (See "BOND INFORMATION - Use And Distribution Of Bond Proceeds" herein.)

Regulation

According to the Engineer, the water, sewer and drainage facilities acquired or constructed by the District (the "System") have been designed in accordance with accepted engineering practices and the regulations of the Texas Department of Health, Travis County, Williamson County, the City of Austin and the TNRCC. Construction and operation of the facilities are subject to the inspection of the TNRCC, for determining compliance with approved construction plans, and by the TNRCC, the United States Environmental Protection Agency and various local agencies for compliance with environmental requirements.

Water Supply: The District receives its water supply from the City of Austin water system, which obtains surface water from the Colorado River. Pursuant to the Consent Agreement, the City agrees to sell and deliver all water necessary for domestic and commercial purposes by users within the District on a retail basis as determined by the actual cost of service. The sale and furnishing of water to the customers within the District shall be nondiscriminatory and uniform with the policies and ordinances relating to the City's utility service area. The supply of water to the City's customers may be reasonably limited by the City on the same basis and to the same extent as to any other customer within the City's service area.

Wastewater Treatment: Permanent wastewater treatment service for the District is provided by the City of Austin's Walnut Creek Wastewater Treatment Plant, which has a capacity of 60 million gallons per day average flow. The City has agreed to provide wastewater treatment service at the Walnut Creek Wastewater Treatment Plant for the ultimate development in the District.

100-Year Floodplain

Portions of the District, primarily along Rattan Creek and Lake Creek, are within the projected 100-year floodplain. No future development is proposed in these areas.

In 1993, the Board of Directors of the District authorized the Engineer to review the location of the 100-year floodplain in relation to the existing development within the District. Based on the results of this study, as many as 111 lots, virtually all of which contain homes, may lie within the 100-year floodplain. Future development along the floodplain may have to be slightly altered to avoid encroachment by the 100-year floodplain.

Water and Wastewater Rate Fee Schedule

The Board establishes rates and fees for water and wastewater service, subject to change from time to time. The following rates became effective July 20, 1994:

Water Service

	Charge Per LUE Per Month
Minimum monthly charge up to 1,000 gallons of water	\$6.00
Per 1,000 gallons of water over 1,000	\$1.69

Sewer Service*

	Charge Per LUE Per Month
Minimum monthly charge up to 1,000 gallons of water	\$5.00
Per 1,000 gallons of water over 1,000	\$2.66

*Sewer usage employs winter averaging.

All Services Required

Except as otherwise expressly authorized by the District, no service shall be provided by and through the District's System unless the applicant agrees to take both water and wastewater service.

All Services Charged

At no time shall the District render water and/or sewer services without charge to any person, firm, corporation, organization or entity.

Tap Fees

The District's water tap fees shall be as follows:

Meter Size	Tap Fee
5/8"	\$400.00
3/4"	\$425.00
1"	\$650.00
1-1/2" and over	To be installed by the District at cost times 3

The District's sanitary sewer tap fees shall be as follows:

	Tap Fee
Residential	\$ 400.00
Commercial	\$1,000.00

Sewer tap installation involving excavation of the sewer main shall be performed by the District at cost plus 25% in addition to the above sewer tap fee.

Operating Statement of the System

General Fund: The Outstanding District Bonds and the Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The District's share of the debt service on the Outstanding Contract Bonds is payable from a limited ad valorem tax on any taxable property in the District. In addition, Net Revenues from the operation of the District's System, if any, are pledged to the payment of debt service on all of the Outstanding District Bonds, Outstanding Contract Bonds, and the Bonds. However, it is not anticipated that any Net Revenues will be sufficient to pay debt service on the Bonds or the other outstanding obligations. (See "BOND INFORMATION - Security for the Bonds" herein.)

The following statement sets forth the General Fund as derived from the District's audited financial statements. Accounting principals customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. (See "APPENDIX C" herein for further and more complete information.)

	Fiscal Year Ended				
	9/30/94	9/30/93	9/30/92	9/30/91	9/30/90
Fund Balance - Beginning of Year	\$ 734,767	\$ 471,821	\$ 405,460	\$ 281,266	\$ 199,194
Revenues					
Utilities:					
Water and Sewer Service	\$ 892,256	\$ 788,239	\$ 761,142	\$ 702,625	\$ 648,196
Commercial Tap Fees	-0-	199,222	-0-	-0-	-0-
Water and Sewer Tap Connection Fees	122,060	110,400	104,950	103,600	98,800
Penalties and Interest	-0-	16,534	15,374	13,829	17,845
Application Fees	30,088	13,530	12,840	10,725	2,137
Other	-0-	4,115	-0-	-0-	-0-
Property Taxes	184,068	196,032	188,200	253,602	232,305
Pool and Park Fees	52,380	50,734	49,474	41,291	40,523
Interest and Other	61,785	35,708	29,205	36,753	35,939
Lawsuit Settlement	-0-	-0-	33,334	-0-	-0-
Total Revenues	\$1,342,637	\$1,414,514	\$1,194,519	\$1,162,425	\$1,075,745
Expenditures					
Utilities:					
Purchased Water and Sewer Service	\$ 760,872	\$ 610,259	\$ 676,964	\$ 603,291	\$ 597,324
Repairs and Maintenance	42,658	29,168	36,986	25,038	75,341
Electric Utilities	29,877	41,474	39,242	35,701	33,545
Water and Sewer Tap Connection Charges	16,844	12,684	11,848	10,849	13,397
Commercial Tap Connection Charges	-0-	76,967	-0-	-0-	-0-
Other	-0-	10,689	3,072	2,333	1,739
Professional Services	86,923	86,733	128,658	97,319	80,755
Service Account Collection	121,369	96,707	89,216	81,886	75,523
Pool Management Fee and Other					
Pool and Park Costs	253,449	162,142	95,065	105,099	67,761
Tax Assessment and Collection	3,288	3,447	24,730	18,852	16,196
Insurance	10,071	10,016	11,245	11,376	11,559
Office	-0-	-0-	-0-	6,111	7,055
Bad Debts	598	899	982	6,062	6,915
Official and Other	11,782	10,383	6,842	3,384	1,893
Capital Outlay	102,725	-0-	3,308	30,930	4,670
Total Expenditures	\$1,440,456	\$1,151,568	\$1,128,158	\$1,038,231	\$993,673
Excess (Deficit) of Revenues Over Expenditures	\$ (97,819)	\$ 262,946	\$ 66,361	\$ 124,194	\$ 82,072
Fund Balance - End of Year	\$ 636,948	\$ 734,767	\$ 471,821	\$ 405,460	\$ 281,266

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DISTRICT VALUATION AND DEBT INFORMATION
(As of May 1, 1995)

1994 Actual Market Value of Taxable Property	\$236,097,179
1994 Net Taxable Assessed Valuation (100% of Actual)	\$233,432,094*
1995 Estimated Assessed Valuation as of 4-1-95**	\$273,896,571

* This Assessed Valuation figure from the Williamson County Appraisal District as of 2-10-94 and is net of the following exemptions:

** As estimated by the Williamson County Appraisal District. Such Amount reflects an estimate of the taxable value within the District on the date indicated and is subject to review and changes by the Appraisal District and the Williamson County Appraisal Review Board. No tax will be levied on such amount unless it is certified by the Appraisal District. (See "Ad Valorem Taxation" herein.). This figure is not used in the following calculations.

Local, Optional Over-65 and/or Disabled Homestead Exemptions	\$ 420,000
Disabled and Deceased Veterans' Exemptions	4,500
Productive Valuation of Open-Space Land and Timberland under Texas Constitution Article 8, Section 1-d-1	<u>2,240,585</u>
TOTAL EXEMPTIONS	\$2,665,085

GROSS GENERAL OBLIGATION BONDED DEBT:

Unlimited Tax and Revenue Bonds	\$ 3,890,000
Unlimited Tax and Revenue Refunding Bonds	5,360,000
City of Austin Contract Revenue Bonds	19,125,000 ¹
The Bonds	<u>4,250,000</u>

TOTAL GROSS GENERAL OBLIGATION BONDED DEBT **\$ 32,625,000**
[Includes the City of Austin's portion of the Contract Bonds]

LESS: CITY OF AUSTIN'S PORTION OF GENERAL OBLIGATION DEBT:

City of Austin Contract Revenue Bonds (65.19%) ¹	\$12,467,588
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NET GENERAL OBLIGATION BONDED DEBT **\$ 20,157,412**

General Obligation Interest and Sinking Fund Balance as of March 31, 1995	\$ 2,577,623
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Ratio of Gross General Obligation Bonded Debt to 1994 Assessed Valuation	13.98%
Ratio of Gross General Obligation Bonded Debt to 1994 Actual Value	13.82%
Ratio of Net General Obligation Bonded Debt to 1994 Assessed Valuation	8.64%
Ratio of Net General Obligation Bonded Debt to 1994 Actual Value	8.54%

1994 District Population Estimate - 6,961²
Per Capita 1994 Assessed Valuation - \$33,534.28
Per Capita Gross General Obligation Bonded Debt - \$4,686.83
Per Capita Net General Obligation Bonded Debt - \$2,895.76
Area of District - 997.70 Acres

¹ The Contract Revenue Bonds are payable by the City of Austin, Texas from a subordinate lien on the net revenues of the City's Waterworks and Sewer System. The District's pro rata share of certain construction costs related to improvements financed with the Contract Bonds is approximately 34.81%.

² Population estimated by the District Manager based on 3.5 persons per 1989 connections.

AD VALOREM TAXATION

Authority to Levy Taxes

The Issuer is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on general obligation bonds, including the Bonds, the Outstanding District Obligations and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt"). Under Texas law, the Issuer is authorized to levy an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations. An election was held at which a maintenance tax was approved not to exceed \$1.50 per \$100 assessed valuation. (See "TAX RATE LIMITATIONS" herein.) Additionally pursuant to an election held on April 7, 1984, the District is authorized to levy a contract tax not to exceed \$1.10 per \$100 assessed valuation to pay the District's obligations pursuant to the Contract.

Texas Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Texas Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the Issuer. The provisions of the Texas Tax Code are complex and are not fully summarized here.

The Texas Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Williamson County Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Williamson County. Such appraisal values are subject to review and change by the Williamson County Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the Issuer

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the Issuer. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the Issuer may, by its own action, exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Issuer. The Issuer may be required to offer such an exemption if a majority of voters approve it at an election. The Issuer would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The Issuer is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the Issuer's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the Issuer. Furthermore, the Issuer must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of \$3,000 of taxable valuation. The Issuer has voted to grant a \$10,000 homestead exemption for those persons 65 years or older or who are disabled.

Residential Homestead Exemptions

The Texas Tax Code authorizes the governing body of each political subdivision in the State of Texas, at its option, to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. The Issuer has never voted to grant a homestead exemption.

Freeport Goods Exemption

Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and other petroleum products, which have been acquired or brought into the State for assembling, storing, manufacturing, repair, maintenance, processing or fabricating, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the State within 175 days. As a result of a State constitutional amendment passed by Texas Voters on November 7, 1989, goods in transit ("freeport goods") are exempted from taxation effective January 1, 1990. The Issuer did not take official action before January 1, 1990 to tax Article VIII, Section 1-j exempt property.

Tax Abatement

The City of Austin and Travis and Williamson Counties may designate all or part of the area within the District as a reinvestment zone. Thereafter, Travis and Williamson Counties, Round Rock Independent School District, the District and the City of Austin may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity with taxing authority over the property will follow in granting tax abatement to owners of property. The tax abatement agreement may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the Issuer, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. The terms of all tax abatement agreements must be substantially the same. The Issuer has not entered into any abatement agreements and has not adopted criteria therefor, which is a prerequisite to the execution of abatement agreements.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal role is prepared and finally approved by the Appraisal Review Board, it is used by the Issuer in establishing its tax rolls and tax rate. Assessments under the Texas Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Texas Tax Code.

The Texas Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Texas Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Texas Tax Code are complex and are not fully summarized herein. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation, and the appraiser is required by the Texas Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the Issuer can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Texas Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The Issuer, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District.

- While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal role.

Issuer and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the Issuer) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Texas Tax Code.

The Texas Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Issuer and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Texas Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal role.

Levy and Collection of Taxes

The Issuer is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Issuer based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the

amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the Issuer. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Texas Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. The Issuer does not allow split payments and discounts.

Issuer's Rights in the Event of Tax Delinquencies

Taxes levied by the Issuer are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the Issuer, having power to tax the property. The Issuer's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Issuer is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the Issuer may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Issuer must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the District records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

The Financial Institutions Act of 1989

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") and the Resolution Trust Corporation ("RTC").

Under FIRREA, real property held by the FDIC or RTC is still subject to ad valorem taxation, but such act states that (i) no real property of the FDIC or RTC shall be subject to foreclosure or sale without the consent of the FDIC or RTC and no involuntary lien shall attach to such property, (ii) the FDIC or RTC shall not be liable for any penalties or fines, including those arising from the failure to pay any real property tax when due, (iii) no personal property owned by FDIC or RTC is subject to ad valorem taxation, and (iv) notwithstanding failure of a person to challenge an appraisal in accordance with State law, such value shall be determined as of the period for which such tax is imposed.

As of the date hereof, the Issuer is not aware of any significant properties in the District which are under the control of the FDIC and the RTC, however, real property could come under their control while acting as the receiver of an insolvent financial institution. Accordingly, to the extent the FIRREA provisions are valid and applicable to property in the District, and to the extent that the FDIC or RTC attempts to enforce the same, the provisions may affect the time at which the Issuer can collect taxes on property owned by the FDIC or RTC, if any, in the District.

FLOATING DEBT (As of March 1, 1995)

- NONE -

Source: The Issuer's annual financial report for the fiscal year ended September 30, 1994 and information supplied by the Issuer.

TAX DATA

Taxes are due October 1 and become delinquent after January 31. No split payments or discounts are allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 15% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation ¹	Tax Rate	Tax Levy	% Collections		Year Ended
				Current	Total	
1985	\$ 43,303,415	\$0.4000	\$ 173,214	98.56	103.25	9-30-86
1986	78,677,059	0.8500	668,755	99.43	99.58	9-30-87
1987	106,876,941	0.8500	908,454	99.36	99.36	9-30-88
1988	107,674,588	0.8500	915,234	96.54	97.39	9-30-89
1989	112,846,159	0.9500	1,072,039	97.45	99.88	9-30-90
1990	114,492,408	1.1660	1,334,981	99.51	105.27	9-30-91
1991	113,579,150	1.1660	1,324,333	99.01	99.51	9-30-92
1992	127,352,087	1.1500	1,464,549	99.03	100.74	9-30-93
1993	159,173,132	1.0100	1,607,649	101.86	103.34	9-30-94
1994	233,432,094	0.8600	2,007,516	98.23 ²		9-30-95

¹ Source: Williamson County Appraisal District.

² Collections As of May 31, 1995

TAX RATE LIMITATIONS

District Bond Tax: The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. In the order approving the issuance of the Bonds, the TNRCC recommended that a debt service tax rate of not less than \$0.90 per \$100 of assessed valuation be levied in the initial year of the Bonds, which is 1995. The District may seek an amendment to the TNRCC order which may reduce the recommended tax rate to be levied in the initial year of the Bonds.

Contract Bond Tax: The Board has the statutory authority to enter into agreements with other political subdivisions and to secure its obligations thereunder with a special ad valorem tax. On April 7, 1984, voters within the District authorized the Board to enter into certain agreements with the City of Austin which resulted in the issuance of the Outstanding Contract Bonds. The District's portion of the Outstanding Contract Bonds is secured by the levy of a limited ad valorem tax in an amount not exceeding \$1.10 per \$100 assessed valuation and levied on a parity with the taxes levied to pay the Bonds.

Maintenance Tax: The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted April 7, 1984, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. The Issuer has levied a maintenance tax every year since 1985.

TAX RATE DISTRIBUTION

	1994	1993	1992	1991	1990	1989
M&O	\$0.1400	\$0.1100	\$0.1500	\$0.1660	\$0.2000	\$0.2000
I&S Fund	0.4670	0.5710	0.5140	0.4540	0.4260	0.3650
Contract Bonds Tax ¹	<u>0.2530</u>	<u>0.3290</u>	<u>0.4860</u>	<u>0.5460</u>	<u>0.5400</u>	<u>0.3850</u>
TOTAL	\$0.8600	\$1.0100	\$1.1500	\$1.1660	\$1.1660	\$0.9500

¹ Payments to the City of Austin under the Utility Construction Contract are secured by a combined pledge of contract ad valorem taxes, which may be levied at a rate not to exceed \$1.10 per \$100 assessed valuation, and a subordinate lien on the Net Revenues from the operation of the District's System.

PRINCIPAL TAXPAYERS

Name	Type of Property	1994 Net Taxable Assessed Valuation	% of Total 1994 Assessed Valuation
State Farm Insurance Company	Office Complex, Personalty and Land	\$35,803,074	15.34%
Milburn Investments, Inc.	Lots, Houses	3,075,812	1.32%
Palmar Investments, Inc.	Commercial Land	477,418	0.20%
Southern Union Gas	Gas Utility	467,880	0.20%
Milwood Joint Venture II	Residential Land, Lots	363,421	0.16%
Secretary of Housing and Urban Development	Houses	351,640	0.15%
Mar, Robert T	Residential	321,253	0.14%
Gordon Atkinson	Residential	252,065	0.11%
Margaret Stephens	Residential	233,217	0.10%
Grace Lynn	Residential	<u>212,995</u>	0.09%

Total (17.80% of 1994 Net Taxable Assessed Valuation)

\$41,558,775

TAXABLE ASSESSED VALUATION FOR TAX YEARS 1985 - 1994

Year	Net Taxable Assessed Valuation ¹	Change From Preceding Year	
		Amount (\$)	Percent
1985-86	\$ 43,303,415	---	---
1986-87	78,677,059	35,373,644	81.69%
1987-88	106,876,941	28,199,882	35.84%
1988-89	107,674,588	797,647	0.75%
1989-90	112,846,159	5,171,571	4.80%
1990-91	114,492,408	1,646,249	1.46%
1991-92	113,579,150	(913,258)	(0.80%)
1992-93	127,352,087	13,772,937	12.13%
1993-94	159,173,132	31,821,045	24.99%
1994-95	233,432,094	74,258,962	46.65%

¹ Source: Williamson County Appraisal District.