

FINAL OFFICIAL STATEMENT

Dated January 6, 1999

NEW ISSUE - BOOK-ENTRY ONLY

Rating: Moody's Investors Service, Inc. "Aaa"
FSA Insured
(See "RATING" and "BOND INSURANCE" herein)

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.

\$ 3,350,000

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 1999

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

Dated: January 1, 1999

Due: August 1, as shown below

The \$3,350,000 North Austin Municipal Utility District No. 1 Unlimited Tax and Revenue Bonds, Series 1999 (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; Chapters 49 and 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 fifth 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 within the District. 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, other than the District, is obligated to pay the principal of or interest on or the redemption price 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 August 1 and February 1 of each year, commencing August 1, 1999, 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, and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will initially act as securities depository (the "Securities Depository") for the Bonds. The initial Paying Agent/Registrar shall be Chase Bank of Texas, National Association (the "Paying Agent/Registrar") (see "BOND INFORMATION - Paying Agent/Registrar" herein). 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 purchase from the Developer (herein defined) certain water distribution, wastewater collection and storm drainage facilities to serve several Milwood subdivisions, and to fund certain projects of the District. 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 issuance costs related to the Bonds. (See "BOND INFORMATION - Use and Distribution of Bond Proceeds" herein)

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



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 February 17, 1999.

COASTAL SECURITIES

P-NA01197

649

STATED MATURITY SCHEDULE
(Due August 1)

Stated Maturity	Principal Amount	Rate (%)	Yield (%)	Stated Maturity	Principal Amount	Rate (%)	Yield (%)
1999	\$ 75,000	5.75	3.50	2009	\$160,000	4.20	4.20
2000	90,000	5.75	3.60	2010*	175,000	4.30	4.30
2001	100,000	5.75	3.70	2011*	185,000	4.35	4.35
2002	105,000	5.75	3.80	2012*	195,000	4.40	4.40
2003	110,000	3.75	3.90	2013*	210,000	4.50	4.50
2004	120,000	3.75	3.95	2014*	225,000	4.65	4.65
2005	125,000	4.00	4.00	2015*	235,000	4.70	4.70
2006	135,000	4.05	4.05	2016*	250,000	4.75	4.75
2007	145,000	4.10	4.10	2017*	270,000	4.50	4.75
2008	155,000	4.15	4.15	2018*	285,000	4.50	4.75

**REDEMPTION PROVISION OF THE BONDS: The District reserves the right, at its sole option, to redeem Bonds having stated maturities on and after August 1, 2010 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, 2009 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	15	2000	Public Accounting
Terry Ripperda Vice-President/Assistant Treasurer	6	2000	Home Mortgage Company Executive
Don Conklin Assistant Secretary/Treasurer	First Term	2002	Optical Equipment Design Executive
Alan McNeil Treasurer	4	2002	Computer Company Finance Manager
Chuck Simms Secretary	2	2000	Consultant

CONSULTANTS AND ADVISORS:

Operator/General Manager

Eco Resources, Inc
Austin, Texas

General Counsel

Armbrust Brown & Davis L.L.P.
Austin, Texas

Tax Assessor/Collector

Nelda Wells Spears
Travis County Tax Assessor-Collector

Bond Counsel

McCall, Parkhurst & Horton L.L.P.
Austin, Texas

Engineers

Murfee Engineering Company, Inc.
Austin, Texas

Financial Advisor

Coastal Securities
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," and "CONTINUING DISCLOSURE OF INFORMATION."

Other than with respect to information concerning Financial Security Assurance Inc. ("FSA") contained under the caption "Bond Insurance" and Exhibit C specimen "Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by FSA and FSA makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

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 Coastal Securities, the Issuer's Financial Advisor (the "Financial Advisor"), 909 N.E. Loop 410, Suite 300, San Antonio, Texas, 78209.

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The Issuer's Audited Financial Statements for the Year Ended 9/30/98

Form of Opinion of Bond Counsel

Specimen Municipal Bond Insurance Policy

Appendix A

Appendix B

Appendix C

The cover page and subsequent pages hereof, and appendices attached hereto, are part of this Official Statement.

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	<p>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 Chapters 49 and 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. A portion of the District lies in Williamson County and a portion lies in Travis County. 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.)</p>
Status of Development	<p>Milwood Joint Venture II ("Milwood JV"), a joint venture consisting of Continental Homes of Austin L.P. ("Continental") and Palmar Associates, Ltd. ("Palmar") is the developer of the residential property in the District. As of July 1, 1998, the District includes approximately 2,379 completed homes, 28 homes under construction, and a 467,000 square foot office complex.</p> <p>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. Development including approximately 467,000 square feet of office space has been completed. Representatives of State Farm have informed the District that they intend to sell approximately 37.62 acres of the acreage it owns within the District to a development group which intends, over time, to construct six buildings totaling 266,000 square feet. No representation is made that the proposed development will actually occur. The District contains approximately 261 acres of as yet undeveloped but developable property. (See "STATUS OF DEVELOPMENT" herein.)</p>
The Bonds	<p>The Bonds are issued pursuant to an order of the Texas Natural Resource Conservation Commission ("TNRCC"), Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 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.</p>
Security for the Bonds	<p>The Bonds are the fifth 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 within the District. 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, Williamson County, Texas; the City of Austin, Texas; or any other political subdivision, 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.)</p>

Bond Insurance	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Financial Security Assurance Inc.
Ratings	Moody's Investor's Service, Inc. has rated the Bonds "Aaa" (See "RATING" herein) based upon insurance issued by Financial Security Assurance Inc.
Redemption Provision of the Bonds	The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature on and after August 1, 2010 on August 1, 2009, or any date thereafter, in whole or from time to time in part, at par, 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 has designated 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 purchase from the Developer certain water distribution, wastewater collection, storm drainage and water quality control facilities to serve certain Milwood subdivisions. 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 professional services fees. (See "BOND INFORMATION - Use and Distribution of Bond Proceeds" herein.)
Payment Record	The District has previously issued \$14,925,000 of combination unlimited tax and revenue bonds in four series (the "Outstanding District Bonds") of which \$10,445,000 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 \$13,965,000 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 1999. Following the issuance of the Bonds, the Issuer will have \$54,825,000 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 February 17, 1999.

BOND INFORMATION

General

The Bonds are dated January 1, 1999. Interest on the Bonds accrues from January 1, 1999, or from the most recent date to which interest has been paid or duly provided for, and is payable semiannually on August 1 and February 1 of each year, commencing August 1, 1999. 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 Chase Bank of Texas, 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 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.

DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

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; Chapters 49 and 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.)

Pursuant to an Order dated June 12, 1998, 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 fifth 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 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 1999 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 customers of 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, Williamson County, Texas; the City of Austin, Texas; or any other political subdivision, other than the District, is pledged to the payment of the principal of or interest on or the redemption price of the Bonds.

Funds

In the Bond Order, the Series 1999 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 1999 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 1999 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 1999 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, 2010 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, 2009, 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 Chase Bank of Texas, 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.

Chase has developed and is implementing a program to prepare its systems and applications for the Year 2000, including those used to render Paying Agent/Registrar services. In that connection, Chase intends to have such systems and applications capable of processing, on and after January 1, 2000, date, and date-related data consistent with the functionality of such systems and applications, without a material adverse effect upon performance of Paying Agent/Registrar services.

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 designated office for payment 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 canceled 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 the denomination 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; and \$4,250,000 Unlimited Tax and Revenue Bonds, Series 1995 (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 waterworks and 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 contract payments (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, levied 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 \$54,825,000 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 enter into various contracts and 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 1999.

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" and "Strategic Partnership 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 Chapter 2256, Public Funds Investment Act of 1987, as amended, Texas Governance Code, 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 any 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 for the cost of construction of the items shown in the following table and to fund certain future projects of the District. 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 previously 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 36 Utilities	\$ 370,518.80
Milwood Section 37A Utilities	217,341.20
Milwood Section 37B Utilities	125,780.10
Milwood Section 37B (Phase B) Utilities	223,168.00
Milwood Section 40 Utilities	617,287.40
Milwood Section 42 Utilities	842,892.70 *
Peabody Drive Trickle Channel	6,160.00 *
Master Meter	21,000.00 *
Engineering	382,668.30 *
Detention Fees	120,907.50
TOTAL CONSTRUCTION COSTS	\$2,927,724.00
NON-CONSTRUCTION COSTS	
Developer Interest	\$ 108,504.91
Original Issue Discount	60,836.00
Cost of Issuance and Contingency	252,936.09 **
TOTAL NON-CONSTRUCTION COSTS	\$ 422,277.00
TOTAL BOND PROCEEDS NEEDED	\$3,350,000.00

* Based upon Engineer's estimate

**In its approval of the issuance of the Bonds, the TNRCC 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 TNRCC rules on surplus funds

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("FSA") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement

THE POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

Financial Security Assurance Inc.

FSA is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is a New York Stock Exchange listed company whose major shareholders include Fund American Enterprises Holdings, Inc., EXEL Limited, The Tokio Marine and Fire Insurance Co., Ltd. and MediaOne Capital Corporation. The shareholders of Holdings are not liable for the obligations of FSA.

In November, 1998, Holdings made an additional investment in FSA as part of a joint venture with EXEL Limited and the issuance by Holdings of additional shares and debt (the "November 1998 transaction"). At September 30, 1998, FSA's total policyholders' surplus and contingency reserves were approximately \$843,099,000 (\$993,099,000 as adjusted for the November 1998 transaction) and its total unearned premium reserve was approximately \$567,462,000 in accordance with statutory accounting principles. At September 30, 1998, FSA's total shareholders' equity was approximately \$997,855,000 (\$1,067,885,000 as adjusted for the November 1998 transaction) and its total net unearned premium reserve was approximately \$480,089,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds.

Copies of such materials incorporated by reference will be provided upon request to FSA: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. FSA makes no representation regarding the Bonds or the advisability of investing in the Bonds. FSA makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that FSA has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

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 Chapters 49 and 54 of the Texas Water Code, as amended, 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 a fire department. The District provides 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.

Strategic Partnership Agreement

Pursuant to Section 43.0751 of the Texas Local Government Code, as amended, a municipal utility district and a municipality may enter into a strategic partnership agreement which outlines various terms and conditions under which services will be provided and funded by the parties to the agreement and under which the district will continue to exist for an extended period of time if the land within the district is annexed for limited or full purposes by the municipality. A strategic partnership agreement may govern the ability of a district to incur additional debt, liabilities or obligations and construct additional utility facilities or otherwise transfer property without the prior approval of the municipality. In order to effectuate a strategic partnership agreement the governing bodies of the municipality and the district must approve such agreement by resolution and certain public hearings must be held.

Approximately 14 months ago in a press conference the Mayor of the City of Austin expressed a desire for the City to enter into a strategic partnership agreement with the District. Representatives of the District have met with the Mayor and the Board of Directors of the District has sent a letter to the City expressing an interest in negotiating a strategic partnership agreement. No assurances can be given regarding whether the District and the City will negotiate a strategic partnership agreement and if approved what terms and conditions may be contained in any such agreement.

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.

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 are residents of 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	2000	Public Accounting
Terry Ripperda	Vice-President/Assistant Treasurer	2000	Home Mortgage Company Executive
Don Conklin	Assistant Secretary/ Treasurer	2002	Optical Equipment Design Executive
Alan McNeil	Treasurer	2002	Computer Company Finance Manager
Chuck Simms	Secretary	2000	Consultant

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	998	2,403 ¹	8,333 ²
Developed from Prior Bond Issues	507	2,051	2,697
To be Developed from the Bonds	116	216	618
District Meters Serving Non-Bondable Sites	---	33	33
Remaining Acreage	375	0	4,980
Undevelopable Acreage			
Streets	32	---	---
Drainage Easements	N/A	---	---
Permanent Floodplain	75	---	---
Parks & Recreational Open Spaces	5	5	5
Fire Station	2	---	---
Remaining Developable Acreage	261		

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

¹ As of 6/1/98

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

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	136	767
Milwood 27A	Single family	137	29.90	137	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	123	123
Milwood 31A	Single family	120	21.00	120	120
Milwood 31A, Phase B	Single family	85	15.29	85	85
Milwood 32	Single family	154	18.46	152	153
Milwood 33	Single family	33	6.12	29	33
Milwood 34	Single family	109	20.28	102	109
Milwood 35	Single family	84	16.11	81	84
Milwood 38A	Single family	47	20.83	47	47
Milwood 38B, Phase 1	Single family	48	11.65	48	48
Milwood 38B, Phase 2	Single family	52	14.52	52	52
State Farm	Commercial	1	93.00	100	100
TOTALS			506.99	2051	2697

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

² Includes 630 multi-family units

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 approximately 92 acres of park land which includes a swimming pool and bathhouse, tennis courts, soccer field, jogging trails and playscape, 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.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

Available District funds are invested as authorized by Texas law and in accordance with investment policies approved by the Board of Directors. Both state law and the District's investment policies are subject to change.

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for District deposits, (7) certificates of deposit and share certificates issued by a state or federal credit union domiciled in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (5) or in any other manner and amount provided by law for District deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provides the investing entry with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that has a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are continuously rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than ninety (90) days. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived". At least quarterly the investment

officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest District funds without express written authority from the Board of Directors.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said order or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in mutual funds in the aggregate to more than 80% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

Current Investments

The District is currently invested in Treasury Securities (48.14%) and TexPool (51.86%). This portfolio is generally representative of the District's investment practices although the District may in the future increase or decrease the percentage held in these vehicles. State law requires the District to mark its investment to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

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" or "Developer"), a joint venture between Continental Homes of Austin L.P. ("Continental") and Palmar Associates, Ltd. ("Palmar"). Continental operates in Austin under the name Milburn Homes. Continental is the managing venture partner, however, certain decisions, such as financing and land planning, require approval of both venture partners. Continental is a Texas limited partnership having CH Homes of Texas Inc., a Delaware corporation, as its general partner and CH Investments II, Inc., a Delaware corporation, as its limited partner. Both

entities are wholly owned by D. R. Horton, Inc., a Delaware corporation ("D.R. Horton") as the result of a merger between D. R. Horton and Continental Homes Holding Corporation, which was completed April 20, 1998. 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 entered into with Milwood JV, Continental is developing Milwood, Sections 40 and 42.

Continental 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, Cherry Creek, Meadows at Willow Run, Bratton Park, Carriage Hills, Crestview, Park Ridge, Picadilly Ridge, Blockhouse Creek, Preston Oaks, Remington Heights, Rolling Ridge, Sendera Glen, Sendera Oaks, Tanglewood Oaks, Park North, Willow Ridge, High Mesa, Quest Village, Jester Farms, and Canterbury Trails.

D. R. Horton is a Delaware corporation whose stock is traded on the New York Stock Exchange. D. R. Horton operates in 23 states and 39 markets. D. R. Horton 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 and the New York Stock Exchange.

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. All of the property in the District subject to such agreements has been purchased by Milwood JV or Continental. Pursuant to an agreement reached between the Milwood JV partners, Continental has purchased the property being developed as Milwood, Sections 40 and 42, which are currently being developed. These purchases will conclude the single family development of Milwood JV in the District in that there remains no additional single family property within the District.

Home Building

All of the vacant lots currently located within the District are owned by Continental. The homes being constructed in the District generally range in price from \$90,000 to \$170,000. During 1996, Milburn Homes closed the sale of 191 homes. During 1997, Milburn Homes closed the sale of 60 homes. During the first six (6) months of 1998, Milburn Homes closed the sale of 41 homes.

THE SYSTEM

Water, Sanitary Sewer, and Drainage System

Proceeds from the sale of the Bonds will be used to purchase from the Developer certain water distribution, wastewater collection, storm drainage and water quality control facilities to serve certain Milwood subdivisions and to rehabilitate certain drainage facilities funded by the District. 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.)

Regulation

According to the Engineer, the water, sewer, drainage and water quality control facilities acquired or constructed by the District (the "System") have been designed in accordance with accepted engineering practices and the regulations of 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 wholesale 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 through its 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 of Rattan Creek 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.

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Water and Wastewater Rate Fee Schedule - Table 1

The Board establishes rates and fees for water and wastewater service, subject to change from time to time.

Monthly Water, Wastewater and Solid Waste Collection Rates

Usage Charge per Fee Unit (includes once a week solid waste collection, 1,000 gallons of water service and 1,000 gallons of wastewater service)	\$20.00
Water gallonage charge - per 1,000 gallons of water over first 1,000	\$ 2.25
Wastewater gallonage charge - per 1,000 gallons over first 1,000 gallons	\$ 3.15

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, as well as solid waste disposal service.

All Services Charged

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

Tap Fees

The District's water tap fees are 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 three

The District's sanitary sewer tap fees are 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 - Table 2

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 A" herein for further and more complete information.)

	Fiscal Year Ended				
	9/30/98	9/30/97	9/30/96	9/30/95	9/30/94
Fund Balance - Beginning of Year	\$ 398,472	\$ 667,655	\$ 752,340	\$ 636,948	\$ 734,767
Revenues					
Utilities					
Water and Sewer Service	\$1,427,679	\$1,181,271	\$1,135,347	\$ 906,052	\$ 892,256
Commercial Tap Fees	-0-	-0-	-0-	-0-	-0-
Water and Sewer Tap Connection Fees	91,850	37,600	153,500	130,100	122,060
Penalties and Interest	-0-	-0-	-0-	-0-	-0-
Application Fees	46,385	39,482	38,370	28,600	30,088
Other	225,016	218,814	140,861	-0-	-0-
Property Taxes	382,681	362,522	340,389	329,421	182,060
Pool and Park Fees	68,319	60,580	59,469	57,957	52,380
Interest and Other	<u>127,337</u>	<u>102,735</u>	<u>113,426</u>	<u>88,448</u>	<u>63,793</u>
Total Revenues	\$2,369,267	\$2,003,004	\$1,981,362	\$1,540,578	\$1,342,637
Expenditures					
Utilities					
Purchased Water and Sewer Service	\$1,152,277	\$1,177,201	\$1,056,218	\$ 769,759	\$ 760,872
Repairs and Maintenance	23,485	41,190	11,910	5,487	42,658
Electric Utilities	28,534	28,180	34,396	34,258	29,877
Water and Sewer Tap Connection Charges	13,212	4,975	26,881	17,200	16,844
Commercial Tap Connection Charges	-0-	-0-	-0-	-0-	-0-
Other	206,950	201,576	120,495	-0-	-0-
Professional Services	117,371	114,911	111,616	81,400	86,923
Service Account Collection	213,500	208,851	178,087	161,000	121,369
Pool Management Fee and Other					
Pool and Park Costs	322,547	288,696	223,798	199,181	253,449
Tax Assessment and Collection	5,427	6,451	5,777	5,511	3,288
Insurance	4,013	6,524	4,613	10,150	10,071
Office	-0-	-0-	-0-	-0-	-0-
Bad Debts	-0-	-0-	-0-	-0-	598
Official and Other	48,175	69,481	14,501	10,815	11,782
Capital Outlay	<u>111,865</u>	<u>210,472</u>	<u>277,755</u>	<u>130,425</u>	<u>102,725</u>
Total Expenditures	\$2,247,356	\$2,358,508	\$2,066,047	\$1,425,186	\$1,440,456
Interfund Transfer		<u>86,321</u>			
Excess (Deficit) of Revenues Over Expenditures	\$ 121,911	\$ (269,183)	\$ (84,685)	\$ 115,392	\$ (97,819)
Fund Balance - End of Year	<u>\$ 520,383</u>	<u>\$ 398,472</u>	<u>\$ 667,655</u>	<u>\$ 752,340</u>	<u>\$ 636,948</u>

DISTRICT VALUATION AND DEBT INFORMATION - Table 3
(December 1, 1998)

1998 Actual Market Value of Taxable Property	\$332,787,425
1998 Certified Net Taxable Assessed Valuation as of 07/24/98	330,268,023*

* This Certified Assessed Valuation figure from the Williamson County Appraisal District is net of the following exemptions

Homestead Cap Adjustment	\$ 144,289
Exempt Property	522,958
Local, Optional Over-65 and/or Disabled Homestead Exemptions	707,205
Disabled and Deceased Veterans' Exemptions	197,500
Productive Valuation of Open-Space Land and Timberland under Texas Constitution Article 8, Section 1-d-1	947,032
House Bill 366	418
TOTAL EXEMPTIONS	\$2,519,402

GROSS GENERAL OBLIGATION BONDED DEBT:

Unlimited Tax and Revenue Bonds	\$ 10,445,000
City of Austin Contract Revenue Bonds	13,965,000
The Bonds	3,350,000

TOTAL GROSS GENERAL OBLIGATION BONDED DEBT [Includes the City of Austin's portion of the Contract Bonds]	<u>\$27,760,000</u>
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LESS: CITY OF AUSTIN'S PORTION OF GENERAL OBLIGATION DEBT:

City of Austin Contract Revenue Bonds (65.19%) ¹	\$9,103,783
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NET GENERAL OBLIGATION BONDED DEBT	<u>\$18,656,217</u>
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General Obligation Interest and Sinking Fund Balance as of November 1, 1998	\$1,930,769
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Ratio of Gross General Obligation Bonded Debt to 1998 Market Value	8.34%
Ratio of Gross General Obligation Bonded Debt to 1998 Net Taxable Value	8.40%
Ratio of Net General Obligation Bonded Debt to 1998 Market Value	5.61%
Ratio of Net General Obligation Bonded Debt to 1998 Net Taxable Value	5.65%

1998 District Population Estimate - 8,326²
Per Capita 1998 Estimated Net Taxable Assessed Valuation - \$39,667
Per Capita Gross General Obligation Bonded Debt - \$3,334.13
Per Capita Net General Obligation Bonded Debt - \$2,240.72
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 single family connection

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. (See "BOND INFORMATION - OUTSTANDING OBLIGATIONS")

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. For the current year 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 roll 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 roll.

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 roll.

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 Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

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") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states that (i) no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary lien shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) 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.

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by state property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorneys fees, costs of abstract and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

FLOATING DEBT (As of January 1, 1999)

- NONE -*

*Source: Information supplied by the Issuer

TAX DATA - Table 4

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	Tax Rate	Tax Levy	% Collections		Year Ended
				Current	Total	
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	100.93	9-30-95
1995	282,056,001	0.8230	2,321,320	99.51	100.52	9-30-96
1996	301,439,253	0.7500	2,260,794	99.77	100.03	9-30-97
1997	318,462,960 ¹	0.7500	2,388,472	99.50	100.01	9-30-98
1998	330,268,023	0.7100	2,344,903	N/A	N/A ²	9-30-99

¹ Source: Williamson County Appraisal District.

² In process of collection.

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 \$0.73 per \$100 of assessed valuation be levied in the initial year of the Bonds, which is 1999. On August 5, 1998, the District was granted an amendment to the TNRCC order which approved a reduction in the recommended tax rate to \$0.59 per \$100 of assessed valuation 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 - Table 5

	1998	1997	1996	1995	1994	1993	1992
M&O	\$0.1200	\$0.1200	\$0.1200	\$0.1200	\$0.1400	\$0.1100	\$0.1500
I&S Fund	.5900	.6300	.6300	.7030	0.4670	0.5710	0.5140
Contract Bonds Tax ¹	-0-	-0-	-0-	-0-	0.2530	0.3290	0.4860
TOTAL	<u>\$0.7100</u>	<u>\$0.7500</u>	<u>\$0.7500</u>	<u>\$0.8230</u>	<u>\$0.8600</u>	<u>\$1.0100</u>	<u>\$1.1500</u>

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 - Table 6

Name	Type of Property	1998 Net Taxable Assessed Valuation	% of Total 1998 Assessed Valuation
State Farm Mutual Auto Insurance Company	Office Complex, Personalty and Land	\$36,067,298	10.92%
State Farm Mutual Automobile	Office Complex, Personalty and Land	22,885,855	6.93%
Continental Homes of Austin	Residential Land, Lots	2,413,536	73%
CFF Investments Ltd.	Real Property	1,543,727	.47%
Southern Union Gas Company	Gas Utility	508,500	15%
Milwood Joint Venture II	Residential Land, Lots	365,064	11%
H. and Betty Ting Chiu	Investment Property	333,889	10%
Robert T. Mar	Residential	319,402	10%
Secretary of Housing and Urban Dev.	Real Estate	293,828	09%
Southwestern Bell Telephone	Telephone Utility	283,110	08%
Total (19.68% of 1998 Net Taxable Assessed Valuation)		\$65,014,209	

TAXABLE ASSESSED VALUATION FOR TAX YEARS 1988 - 1998

Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
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%
1995-96	282,056,001	48,623,907	20.83%
1996-97	301,439,253	19,383,252	6.87%
1997-98	318,462,960 ¹	17,023,707	5.64%
1998-99	330,268,023	11,805,063	3.70%

Source: Williamson County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION - Table 7

	1998	% OF TOTAL	1997	% OF TOTAL	1996	% OF TOTAL
Real, Residential, Single-Family	\$266,448,410	80.19%	\$258,485,566	80.66%	\$235,137,691	78.77%
Real, Residential, Multi-Family	-0-	0.00	-0-	0.00	-0-	0.00
Real, Vacant Lots/Tracts	1,920,381	.58	3,064,211	.95	4,478,301	1.50
Real, Acreage (Land Only)	6,050,336	1.82	6,566,522	2.05	4,789,301	1.61
Real, Farm and Ranch Improvements	-0-	0.00	-0-	0.00	-0-	0.00
Real, Commercial and Industrial	31,898,916	9.60	31,057,970	9.70	36,276,555	12.15
Real & Tangible, Personal Utilities	983,380	.29	892,910	.28	815,090	.27
Tangible Personal, Business	23,481,044	7.07	20,395,451	6.36	17,011,630	5.70
Tangible Personal, Other	-0-	0.00	-0-	0.00	-0-	0.00
Real, Inventory	<u>1,482,000</u>	<u>.45</u>	<u>-0-</u>	<u>0.00</u>	<u>-0-</u>	<u>0.00</u>
Total Appraised Value	\$332,264,467	100.00%	\$320,462,630	100.00%	\$298,508,928	100.00%

Note: The above figures were taken from the State Property Tax Board District Report of Property Value or Report of the Property Tax Division of the State Comptroller's Office which is compiled during the initial phase of the tax year. Actual value of taxable property and assessed valuation figures shown elsewhere in this Official Statement represent final year-end figures.

ASSESSED VALUATION AND TAX RATES OF OVERLAPPING ISSUERS

	1997 Assessed Valuation	% of Actual	1997 Tax Rate
Round Rock Independent School District	6,481,082,147	100%	\$1.6396
Williamson County	9,141,157,458	100%	0.2960
Travis County	34,168,638,729	100%	0.4938
City of Austin	27,535,990,208	100%	0.5426

¹ Includes \$815,333,961 in property in the appeals process.

**OVERLAPPING TAXING JURISDICTIONS
GENERAL OBLIGATION BONDS AUTHORIZED BUT UNISSUED**

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Round Rock Independent School District	10-22-94	Sch. Bldg.	\$100,135,000	\$100,135,000	-0-
	10-22-94	Sch. Bldg.	<u>6,800,000</u>	<u>6,800,000</u>	<u>-0-</u>
Total			\$106,935,000	\$106,935,000	-0-
Williamson County	None				
Travis County ¹	09-08-84	Road Imp	\$157,912,000	\$76,620,000	\$81,292,000
	11-02-93	Jail/Parking	67,700,000	59,965,000	7,735,000
	11-04-97	Road Imp.	43,540,000	18,060,000	25,480,000
	11-04-97	Perm. Imp.	<u>50,890,000</u>	<u>32,895,000</u>	<u>17,995,000</u>
Total			\$320,042,000	\$187,540,000	\$132,502,000
City of Austin ²	Various	Various	\$746,975,000	\$355,310,000	\$391,665,000
North Austin Municipal Utility District No. 1	6-4-84	W&S and Dr.	\$73,100,000	\$18,275,000 ³	\$54,825,000

Source: Travis County

² Since the City of Austin's overlapping portion is less than 0.001%, the dates and purposes of authorization have not been listed individually

³ Includes the Bonds

ESTIMATED DIRECT AND OVERLAPPING DEBT STATEMENT
(As of December 1, 1998)

Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statement of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of direct and overlapping funded debt of these various taxing bodies:

Taxing Body	Gross Debt	%	Amount
		Overlapping	Overlapping
Round Rock Independent School District	256,301,167	3.98%	10,200.786
Williamson County	32,230,000	2.34%	754.182
Travis County	277,874,014	0.14%	389.024
City of Austin ⁽¹⁾	<u>634,769,277</u>	less than 0.001%	<u>634</u>
Total Gross Overlapping Debt	1,201,174,458		11,344.626
North Austin Municipal Utility District No. 1 ⁽²⁾	<u>27,760,000</u>	100.00%	<u>27,760.000</u>
Total Direct and Overlapping Debt	<u>1,228,934,458</u>		<u>\$39,104.626</u>
Ratio of Direct and Overlapping Debt to 1998 Net Taxable Value			11.84%
Per Capita 1998 (Est.) Direct and Overlapping Debt			\$4,697

Note: The above figures show Gross General Obligation Debt for North Austin Municipal Utility District No. 1. The Issuer's Net General Obligation Debt after a reduction for the City of Austin, Texas share of the Contract Revenue Bonds is \$18,656,217. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Direct and Overlapping Debt	\$30,333.843
Ratio of Direct and Overlapping Debt to 1998 Net Taxable Value	9.08%
Per Capita 1998 (Est.) Direct and Overlapping Debt	\$3,603

⁽¹⁾ The 11.61 acres which lie within the City of Austin comprise public right-of-way.

⁽²⁾ Includes the Bonds and the City of Austin Contract Bonds.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS - Table 8
(Includes The Bonds)

Fiscal Year Ending 9/30	Current Total Debt Service ¹	City of Austin Contract Bonds ²	The Bonds		Principal & Interest	Combined Debt Service
			Principal	Interest		
1999	\$ 1,492,611	\$ 550,209	\$ 75,000	\$ 88,331.25	\$ 163,331.25	\$ 2,206,151.25
2000	1,483,301	546,132	90,000	147,112.50	237,112.50	2,266,545.50
2001	1,486,421	559,873	100,000	141,937.50	241,937.50	2,288,231.50
2002	1,458,691	559,987	105,000	136,187.50	241,187.50	2,259,865.50
2003	1,467,891	569,164	110,000	131,500.00	240,150.00	2,277,205.00
2004	1,470,191	564,871	120,000	126,025.00	246,025.00	2,281,087.00
2005	1,467,166	566,327	125,000	121,525.00	246,525.00	2,280,018.00
2006	888,576	571,471	135,000	116,525.00	251,525.00	1,711,572.00
2007	685,771	576,604	145,000	111,057.50	256,057.50	1,518,432.50
2008	680,778	579,891	155,000	105,112.50	260,112.50	1,520,781.50
2009	685,488	581,545	160,000	98,680.00	258,680.00	1,525,713.00
2010	693,363	<u>620,836</u>	175,000	91,960.00	266,960.00	1,581,159.00
2011	710,500		185,000	84,435.00	269,435.00	979,935.00
2012	700,750		195,000	76,387.50	271,387.50	972,137.50
2013	400,000		210,000	67,807.50	277,807.50	677,807.50
2014	402,750		225,000	58,357.50	283,357.50	686,107.50
2015	<u>409,500</u>		235,000	47,895.00	282,895.00	692,395.00
2016			250,000	36,850.00	286,850.00	286,850.00
2017			270,000	24,975.00	294,975.00	294,975.00
2018			<u>285,000</u>	<u>12,825.00</u>	<u>297,825.00</u>	<u>297,825.00</u>
	<u>\$16,583,748</u>	<u>\$6,846,910</u>	<u>\$3,350,000</u>	<u>\$1,824,136.25</u>	<u>\$5,174,136.25</u>	<u>\$28,604,794.25</u>

¹ Does not include the City of Austin Contract Bonds.

² The District's share of debt service of the Contract Bonds is approximately 34.81%.

TAX ADEQUACY - Table 9

1998 Net Taxable Valuation	\$330,268,023
Maximum Annual Net Debt Service Requirements; Fiscal Year Ending 9/30/2001	\$ 2,288,231
Indicated Interest and Sinking Fund Tax Rate	\$0.6950
Indicated Interest and Sinking Fund Tax Levy	\$ 2,295,363

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE - Table 10
(Includes the Bonds)

Fiscal Year Ending 9-30	Currently Outstanding Obligations Principal Repayment Schedule ¹	City of Austin Contract Bonds Principal Repayment Schedule ²	The Bonds Repayment Schedule	Combined Principal Repayment Schedule	Obligations Remaining Outstanding End of Year	Percent of Principal Retired (%)
1999	975,000	\$ 315,031	\$ 75,000	\$1,365,031	\$17,606,219	
2000	1,015,000	323,733	90,000	1,428,733	16,177,486	
2001	1,070,000	351,581	100,000	1,521,581	14,655,905	
2002	1,095,000	367,246	105,000	882,246	13,773,659	21.77%
2003	1,120,000	393,353	110,000	933,353	12,840,306	
2004	1,140,000	407,277	120,000	957,277	11,883,029	
2005	1,155,000	428,163	125,000	1,708,163	10,174,866	
2006	635,000	454,271	135,000	1,224,271	8,950,595	
2007	465,000	482,119	145,000	1,092,119	7,858,476	55.37%
2008	485,000	509,967	155,000	1,149,967	6,708,509	
2009	515,000	537,815	160,000	1,212,815	5,495,694	
2010	550,000	605,694	175,000	1,330,694	4,165,000	
2011	595,000		185,000	780,000	3,385,000	
2012	615,000		195,000	810,000	2,575,000	85.37%
2013	345,000		210,000	555,000	2,020,000	
2014	365,000		225,000	590,000	1,430,000	
2015	<u>390,000</u>		235,000	625,000	805,000	
2016			250,000	250,000	555,000	
2017			270,000	270,000	285,000	
2018			<u>285,000</u>	<u>285,000</u>	-0-	100.00%
	<u>\$12,530,000</u>	<u>\$5,176,250</u>	<u>\$3,350,000</u>	<u>\$18,971,250</u>		

¹ Does not include the City of Austin Contract Bonds

² Includes only the Issuer share under the Contract which is approximately 34.81%

INTEREST AND SINKING FUND MANAGEMENT INDEX - Table 11

General Obligation Interest and Sinking Fund Accumulated Balance as of December 1, 1998	\$1,930,769
Estimated Tax Revenue for Fiscal Year Ending 9-30-99	<u>1,948,581</u>
Estimated Revenue Available for Debt Service	\$3,879,350
General Obligation Principal and Interest Requirements for Year Ending 9-30-99	\$2,206,151

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the Issuer and are not obligations of the State of Texas; Travis County or Williamson County; the City of Austin, Texas; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District, and by a pledge of and lien on certain Net Revenues, if any, of the System. It is not expected any Net Revenues will be available to contribute to the payment of the Bonds (See "BOND INFORMATION - Security for the Bonds" herein.) The ultimate security for payment of principal and interest on the Bonds depends on the ability of the Issuer to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the Issuer and by other taxing authorities. The collection by the Issuer of delinquent taxes owed to it and the enforcement by registered owners of the Issuer's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the Issuer cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property (See "Registered Owners' Remedies" below.)

Factors Affecting Taxable Values and Tax Payments

Economic Factors and Interest Rates: A substantial percentage of the taxable value of the Issuer results from the current market value of single-family residences and developed lots and will result from the market value of developed lots which are currently being developed by the Developer for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots of this type and the construction of residential dwellings therein can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Lenders have been selective in recent years in making real estate loans in the Austin area because of the negative impact to their real estate portfolios. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the Issuer is unable to assess the future availability of such funds for continued construction within the District. In addition, although located approximately eleven (11) miles from the central downtown business district of the City of Austin, the success of development within the District and growth of Issuer taxable property values are, to a great extent, a function of the Austin metropolitan and region economics.

Competition: The demand for and construction of single-family homes in the District could be affected by competition from other residential developments including other residential developments located in other utility districts located near the Issuer, many of which have a more mature development status. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Austin that are for sale. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developer in the sale of developed lots and in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the Issuer. The Issuer can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Developer Under No Obligation to the Issuer: The Developer has informed the Board of its current plans to continue to develop its land and market its homes and that it has no current plans otherwise to sell its land within the District. However, the Developer is not obligated to implement such plans on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developer and home construction should not be interpreted as such a commitment. The Issuer makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowner to whom the Developer may sell all or a portion of its holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The Issuer can

make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. (See "THE DEVELOPER" herein.)

Impact on District Tax Rates

Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 1998 assessed valuation of the Issuer is \$330,268,023 (see "DISTRICT VALUATION AND DEBT INFORMATION"). After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$2,353,319 in 2001 and the Average Debt Service Requirement will be \$1,473,217 for 1999 through 2018, inclusive. Assuming (1) no increase or decrease from the 1998 assessed valuation, and (2) no use of funds on hand, a tax rate of \$0.7271 per \$100 assessed valuation, at a 98% collection rate, would be necessary to pay the Maximum Annual Debt Service requirement of \$2,353,319, and a tax rate of \$0.4552 per assessed valuation at a 98% collection rate would be necessary to pay the Average Annual Debt Service Requirement of \$1,473,217. The Issuer's 1998 tax rate is \$0.59 per \$100 assessed valuation. (See "DEBT SERVICE REQUIREMENTS" and "TAX DATA - Tax Adequacy for Debt Service" herein.)

Tax Collections and Foreclosure Remedies

The Issuer has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Registered owners are entitled under Texas law to a writ of mandamus to compel the Issuer to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, the registered owners to enforce such remedies. The rights and remedies of the registered owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

Registered Owners' Remedies

In the event of default in the payment of principal or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, although the Bond Order does not specifically provide for remedies to protect and enforce the interest of registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the Issuer, such a judgment could not be enforced by direct levy and execution against the Issuer's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Issuer.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Issuer. Subject to the requirements of Texas law discussed below, a political subdivision such as the Issuer may voluntarily file a petition for relief from creditors under chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the Issuer, may qualify as a debtor eligible to proceed in a chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable State law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impractical. Under recent Texas legislation, a municipal utility district, such as the Issuer, must obtain the approval of the TNRCC as a condition to seeking relief under the Federal Bankruptcy Code. The TNRCC is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding non-compliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the registered owners could potentially and adversely impair the value of the registered owners' claim.

If a petitioning district were allowed to proceed voluntarily under chapter 9 of the Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owner's claim against a district.

Marketability

The Issuer has no understanding with the Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Continuing Compliance with Certain Covenants

Failure of the Issuer to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. (See "TAX MATTERS - Collateral Federal Income Tax Consequences" herein.)

Future Debt

The Issuer has the right to issue obligations other than the Bonds, including tax anticipation notes, bond anticipation notes, borrowings secured by a contract tax, and to borrow for any valid corporate purpose. The Issuer's voters have authorized (i) the issuance of \$73,100,000 of unlimited tax and revenue bonds for the purpose of providing water, wastewater and storm drainage facilities to the land within its boundaries and (ii) certain obligations secured by a contract bond tax. Following the issuance of the Bonds, the Issuer will have \$54,825,000 of unlimited tax and revenue bonds authorized but unissued. The Bond Order imposes no limitation on the amount of additional debt which may be incurred by the Issuer and secured by ad valorem taxes. The incurring of additional debt may increase the Issuer's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

After reimbursements made with Bond proceeds, the Issuer will owe the Developer approximately \$0.00 for the development currently existing within the District. (See "STATUS OF DEVELOPMENT" herein.) The Issuer does not anticipate the issuance of bonds over the next several years. The Issuer does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TNRCC pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof, (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. (See Appendix B - "Form of Opinion of Bond Counsel" herein.)

In rendering their opinion, Bond Counsel will rely upon (a) the Issuer's federal tax certificate and (b) covenants of the Issuer with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the Issuer to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The law upon which Bond Counsel have based their opinion is subject to change by the United States Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," which are designated by an issuer as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any subordinate issuer) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as referring to any corporation described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business which is subject to federal or state supervision as a financial institution.

The Issuer has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer will covenant to take such action which would assure, or to refrain from such action which would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public (or, in the case of discount bonds, the amount payable at maturity) exceeds \$10,000,000, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be "qualified tax-exempt obligations".

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for certain of the Bonds, in such event, as stated on the cover of the Official Statement (the "Original Issue Discount Bonds"), is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year, the difference between (i) the "stated redemption price at maturity," and (ii) the initial offering to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year. Under existing law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such original issue discount equal to that portion of the amount of such original issue discount allocable to the period that such original issue discount continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be includable as an adjustment for "adjusted earnings and profits" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for noncorporate taxpayers (28 percent for taxable income exceeding \$175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Interest on the Bonds may be subject to the "branch profits tax" imposed on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e. the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the District has accepted the bid of Coastal Securities (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the cover page of this Official Statement at a price of 98.184% of par plus accrued interest to date of delivery. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the Registered and Beneficial Owners (the "Owners"). The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports

The District will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 1 through 11, "Investment Authority and Investment Practices of the District - Current Investments," and in Appendix A. The District will update and provide this information within six months after the end of each fiscal year ending in or after 1998. The District will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include annual audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Issuer will provide unaudited statements and audited financial statements when and if such audited financial statements become available. Any such financial statements of the Issuer will be prepared in accordance with the accounting principles described in Appendix A hereof or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is September 30, 1999. Accordingly, it must provide updated information by February 28 or February 29, as appropriate, in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify each NRMSIR and any SID of the change.

Material Event Notices

The District will also provide timely notices of certain events to certain information vendors. The District will provide notice of any of the following events with respect to the Bonds if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. Neither the Bonds nor the Resolution make any provision for debt service reserves, redemption, credit enhancement, or liquidity enhancement. In addition, the Issuer will provide timely notice of any failure by the Issuer to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The Issuer will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

Availability of Information from NRMSIRs and SID

The District has agreed to provide the foregoing information only to NRMSIRs or the MSRB and any SID. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The Municipal Advisory Council of Texas has been designated by the State of Texas as a SID, and recognized by the staff of the SEC as a SID. The address of the Municipal Advisory Council is 600 West 8th Street, P O Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947.

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of the financial results of operations, condition, or prospects of the Issuer, or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District. If the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally-recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The Issuer may also repeal or amend the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Issuer also may amend these provisions in its discretion in any other manner or circumstance, but in either case, only if and to the extent, that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

The District has not previously entered into any continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Pursuant to Section 49.186 of the Water Code, bonds, notes or other obligations issued by a municipal utility district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic." Additionally, Section 49.186 of the Water Code provides that

bonds, notes or other obligations issued by a municipal utility district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

The Issuer makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The Issuer has made no investigation of other laws, regulations or investment criteria which might apply to otherwise limit the availability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds and as to the acceptability of the Bonds for investment or collateral purposes.

LEGAL OPINIONS

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P. has reviewed the information appearing in this Official Statement under the captions "BOND INFORMATION", "TAX MATTERS", "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE", "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS", and "LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE" to determine whether such information fairly summarizes the material and documents referred to therein and is correct as to matters of law. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will be printed on the definitive Bonds and the form of such opinion is attached hereto as Appendix B.

YEAR 2000 ISSUE

Possible Impact of the Issue. The Year 2000 issue results from computer programs that do not differentiate between the Year 1900 and the Year 2000 because they were written using two digits rather than four to define the applicable year. Accordingly, computer systems and equipment with embedded computer hardware that have time-sensitive calculations or functions may not properly recognize the year 2000.

Interdependency with Other Entities. The District contracts with numerous third party vendors (the "vendors"), including Travis County Appraisal District for tax collection, and various entities for various services. The District is seeking confirmation from its vendors that they are or will be Year 2000 compliant on a timely basis. While the District has no expectation that utility service providers will experience service interruptions as a result of malfunctions caused by the Year 2000 issue, the District's ability to deliver municipal services to its residents could be adversely impacted by any such service interruptions. In addition to utility service interdependency, the District, like other municipalities and business, is interdependent with, among others, financial service sector entities, which collect tax payments and process financial transactions for the District. The District cannot control the operations of such entities. Any particular manifestation of the Year 2000 issue by entities with whom the District does business or any material and adverse manifestation of Year 2000 issues in the economy as a whole could materially and adversely affect the ability of the District to deliver its governmental services and/or its financial condition.

RATING

Moody's Investors Service, Inc., has rated the Bonds "Aaa." The rating of the Bonds reflects only the view of the rating agency at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that any rating will continue for any given period of time, or that a rating will not be revised downward or withdrawn entirely if, in the judgment of the applicable rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

NO-LITIGATION CERTIFICATE

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge of the certifying officers, threatened against the District contesting or attacking the Bonds or the Bond Order; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the Bond Order, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

NO MATERIAL ADVERSE CHANGE

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

PRICES AND MARKETABILITY

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

PREPARATION OF THE OFFICIAL STATEMENT

Financial Advisor

Coastal Securities is employed as the Financial Advisor to the Issuer to render certain professional services, including advising the Issuer on a plan of financing and assisting in the preparation of the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Coastal Securities has assisted in compiling certain financial information and editing this Official Statement. The Financial Advisor has not, however, independently verified the factual information contained in this Official Statement nor has it conducted an investigation into the affairs of persons or firms referred to in this Official Statement for the purpose of passing upon the accuracy or completeness of this Official Statement. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds. The Issuer has permitted Coastal Securities the option to bid on the Bonds. Coastal Securities may submit a bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds.

Sources of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the Issuer's records, the Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the Issuer as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the Issuer to such effect. Furthermore,

there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, orders, engineering and other related information set forth in the Official Statement are included herein 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 for further information.

The Issuer has not, however, independently verified the factual information contained in this Official Statement nor has it conducted an investigation into the affairs of persons or firms referred to in this Official Statement for the purpose of passing upon the accuracy or completeness of this Official Statement.

Experts

In approving this Official Statement, the Issuer has relied upon the following experts. Each expert has consented to the use of information provided by such firms.

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| <i>Engineer:</i> | The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT", and "THE SYSTEM" has been provided by Murfee Engineering Company, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering. |
| <i>Appraisal District:</i> | The information contained in this Official Statement relating to the historical breakdown of the certified taxable assessed valuations has been provided by the Williamson County Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Williamson County, including the Issuer. |
| <i>Tax Assessor/
Collector:</i> | The information contained in this Official Statement relating to the historical breakdown of the certified taxable assessed valuations, tax collection rates, principal taxpayers and certain other historical data concerning tax rates and tax collections has been provided by Ms. Nelda Wells Spears and is included herein in reliance upon the authority of Ms. Spears as an expert in assessing and collecting property taxes. |

Updating the Official Statement

If, subsequent to the date of the Official Statement, the Issuer learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Bonds, the Issuer will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser; provided, however, that the obligation of the Issuer to so amend or supplement the Official Statement will terminate when the Issuer delivers the Bonds to the Purchaser, unless the Purchaser notifies the Issuer on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the Issuer's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the Issuer delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

Certification of the Official Statement

The Issuer, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that, to the best of its knowledge and belief, the information, statements, and descriptions or any addenda, supplements or amendments thereto pertaining to the Issuer and its affairs contained herein, contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the Issuer, the Issuer has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the Issuer.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement was approved by the Board of Directors of North Austin Municipal Utility District No. 1, as of the date shown on the cover page.

ATTEST:

Secretary, Board of Directors
North Austin Municipal Utility District No. 1

President, Board of Directors
North Austin Municipal Utility District No. 1

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APPENDIX A

Excerpts from the North Austin Municipal Utility District No. 1 Audited Financial Statements for the fiscal year ended September 30, 1998, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Annual Financial Report for further information.

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**NORTH AUSTIN MUNICIPAL
UTILITY DISTRICT NO. 1
GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION FOR THE
YEAR ENDED SEPTEMBER 30, 1998 AND
INDEPENDENT AUDITORS' REPORT**

NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1

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