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NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1
City of Austin, Texas Contract Bonds, Series 1985

| Fiscal Year | Assessed Valuation | Bond Tax Rate (per \$100) | Tax Coll. @ 95% | Capital Interest (1) | Reserve Fund | Base Rate Revenues (\$18.2) (2) | District Share (3) | City's Share (65.19%) | Available Funds | Debt Service Require. \$16,300,000 | Available Funds after Debt Ser. | Accum. Fund Balance |
|-------------|--------------------|---------------------------|-----------------|----------------------|--------------|---------------------------------|--------------------|-----------------------|-----------------|------------------------------------|---------------------------------|---------------------|
| 1986 | 43,743,698 | 0.00 | 0 | 3,139,050 | 180,544 | 105,706 | 0 | 0 | 3,244,756 | 1,499,768 | 1,744,987 | 1,744,987 |
| 1987 | 69,500,000 | 0.14 | 92,435 | | 180,544 | 202,238 | 0 | 0 | 475,217 | 1,569,525 | (1,094,308) | 650,679 |
| 1988 | 119,416,000 | 0.14 | 158,823 | | 180,544 | 321,485 | 483,504 | 905,477 | 1,566,329 | 1,569,525 | (3,196) | 647,483 |
| 1989 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 483,504 | 905,477 | 1,683,183 | 1,569,525 | 113,658 | 761,141 |
| 1990 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 579,232 | 1,084,749 | 1,862,455 | 1,844,525 | 17,930 | 779,071 |
| 1991 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,153 | 1,864,859 | 1,848,213 | 16,647 | 795,717 |
| 1992 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,849,213 | 16,298 | 812,016 |
| 1993 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 828,945 |
| 1994 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 838,826 |
| 1995 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 843,484 |
| 1996 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 844,836 |
| 1997 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 844,836 |
| 1998 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 844,836 |
| 1999 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 844,836 |
| 2000 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 844,836 |
| 2001 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 844,836 |
| 2002 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 844,836 |
| 2003 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 844,836 |
| 2004 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 844,836 |
| 2005 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 844,836 |
| 2006 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 844,836 |
| 2007 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 844,836 |
| 2008 | 140,114,000 | 0.14 | 186,352 | | 180,544 | 410,810 | 580,515 | 1,087,805 | 1,865,311 | 1,847,400 | 16,929 | 844,836 |
| 2009 | 140,114,000 | 0.14 | 186,352 | | 1,965,272 | 410,810 | 5,127 | 9,601 | 2,572,035 | 1,980,000 | 592,035 | 1,326,629 |

- (1) Interest on the bonds is 9.629%.
- (2) The district collects a special water and sewer base rate of \$18.20/month. These revenues are pledged to pay the District's obligation on the City of Austin, Texas Contract Bonds, Series 1985. All excess revenues will be used to pay Principal of and interest on any outstanding District Bonds.
- (3) The District's Pro Rata share of the debt service on the contract bonds is 34.81%.

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APPENDIX C

Financial Statements,
North Austin Municipal Utility District No. 1
For the Year Ending December 31, 1984

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CERTIFIED PUBLIC ACCOUNTANTS

1090 MBank Plaza □ 300 W. 5th Street □ Austin, Texas 78701-3198 □ (512) 474-5753

November 20, 1985

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

We have examined the combined balance sheet - all governmental fund types and account groups of North Austin Municipal Utility District No. 1 as of September 30, 1985, and the related combined statement of revenues, expenditures and changes in fund balances - all governmental fund types and the combined statement of revenues, expenditures and changes in fund balance - budget and actual - General Fund for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned combined financial statements present fairly the financial position of North Austin Municipal Utility District No. 1 at September 30, 1985, and the results of its operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Lanier, Locke & Ritter
Certified Public Accountants

NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1

COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUND TYPES AND ACCOUNT GROUPS

SEPTEMBER 30, 1985

| | <u>Governmental fund types</u> | | | <u>Account group General fixed assets</u> | <u>Totals (memorandum only)</u> |
|---|--------------------------------|-------------------------|-----------------------------|---|---|
| <u>ASSETS</u> | <u>General</u> | <u>Debt service</u> | <u>Capital projects</u> | | |
| CASH | \$ 36,570 | \$ - | \$ 5,747 | \$ - | \$ 42,317 |
| CERTIFICATE OF DEPOSIT | 92,005 | 40,273 | 2,325,995 | | 2,458,273 |
| DUE FROM OTHER FUNDS | | 13,024 | | | 13,024 |
| RECEIVABLES: | | | | | |
| Service accounts | 20,593 | | | | 20,593 |
| Accrued interest | 582 | 56 | 46,890 | | 47,528 |
| Builder damages | 4,130 | | | | 4,130 |
| Due from developer - operating costs | 200 | | | | 200 |
| ORGANIZATIONAL COSTS | | | | 198,516 | 198,516 |
| FIXED ASSETS (Note E) | | | | 6,241,104 | 6,241,104 |
| TOTAL ASSETS | <u>\$154,080</u> | <u>\$53,353</u> | <u>\$2,378,632</u> | <u>\$6,439,620</u> | <u>\$9,025,685</u> |
| <u>LIABILITIES AND FUND EQUITY (DEFICIENCY)</u> | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable and accrued expenses | \$ 31,484 | \$ - | \$ 210 | \$ - | \$ 31,694 |
| Contracts payable | | | 18,071 | | 18,071 |
| Due to other funds | 13,024 | | | | 13,024 |
| Refundable deposits | 11,010 | | | | 11,010 |
| Bond anticipation note payable (Note F) | | | 8,800,000 | | 8,800,000 |
| TOTAL LIABILITIES | 55,518 | | 8,818,281 | | 8,873,799 |
| CONTINGENT LIABILITIES (Note G) | | | | | |
| FUND EQUITY (DEFICIENCY): | | | | | |
| Investment in general fixed assets | | | | 6,439,620 | 6,439,620 |
| Fund balances (deficiency): | | | | | |
| Undesignated | 98,562 | | | | 98,562 |
| Designated for debt service | | 53,353 | | | 53,353 |
| Designated for authorized construction | | | (6,439,649) | | (6,439,649) |
| TOTAL FUND EQUITY (DEFICIENCY) | <u>98,562</u> | <u>53,353</u> | <u>(6,439,649)</u> | <u>6,439,620</u> | <u>151,886</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$154,080</u> | <u>\$53,353</u> | <u>\$2,378,632</u> | <u>\$6,439,620</u> | <u>\$9,025,685</u> |

See notes to financial statements.

NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - ALL GOVERNMENTAL FUND TYPES

YEAR ENDED SEPTEMBER 30, 1985

| | Governmental fund types | | | Totals (memorandum only) |
|---|-------------------------|-----------------|---------------------|--------------------------------|
| | General | Debt service | Capital projects | |
| REVENUES: | | | | |
| Water service (Note C) | \$ 38,392 | \$ - | \$ - | \$ 38,392 |
| Sewer service (Note C) | 29,111 | | | 29,111 |
| Maintenance taxes (Note D) | 10,726 | | | 10,726 |
| Customer surcharge (Note C) | | 51,913 | | 51,913 |
| Tap connection fees (Note C) | 137,391 | | | 137,391 |
| Sewer inspection fees (Note C) | 45,125 | | | 45,125 |
| Interest on time deposits | 5,788 | 925 | | 6,713 |
| Application fees | 1,643 | | | 1,643 |
| Penalty and interest | 691 | | | 691 |
| Reimbursement for builder damages | 4,130 | | | 4,130 |
| Miscellaneous income | 5,472 | | | 5,472 |
| TOTAL REVENUES | 278,469 | 52,838 | | 331,307 |
| EXPENDITURES: | | | | |
| Purchased water and sewer service | 46,468 | | | 46,468 |
| Professional fees | 56,047 | | | 56,047 |
| Contracted services | 34,099 | | | 34,099 |
| Meter expense | 14,262 | | | 14,262 |
| Utilities | 3,948 | | | 3,948 |
| Repairs and maintenance | 17,904 | | | 17,904 |
| Tax assessment and collection | 5,431 | | | 5,431 |
| Other expenditures | 1,265 | | 29 | 1,294 |
| Insurance | 1,964 | | | 1,964 |
| Directors' fees | 3,100 | | | 3,100 |
| Capital outlay | | | 6,439,620 | 6,439,620 |
| TOTAL EXPENDITURES | 184,488 | | 6,439,649 | 6,624,137 |
| EXCESS REVENUES (EXPENDITURES) | 93,981 | 52,838 | (6,439,649) | (6,292,830) |
| FUND BALANCE, beginning of year | 4,581 | 515 | | 5,096 |
| FUND BALANCE (DEFICIENCY), end of year | \$ 98,562 | \$53,353 | (\$6,439,649) | (\$6,287,734) |

See notes to financial statements.



NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 1985

| | General fund | | |
|---|--------------|-----------|--|
| | Actual | Budget | Variance favorable (unfavorable) |
| REVENUES: | | | |
| Water service (Note C) | \$ 38,392 | \$ 35,408 | \$ 2,984 |
| Sewer service (Note C) | 29,111 | 35,978 | (6,867) |
| Maintenance taxes (Note D) | 10,726 | | 10,726 |
| Tap connection fees (Note C) | 137,391 | 115,800 | 21,591 |
| Sewer inspection fees (Note C) | 45,125 | | 45,125 |
| Application fees | 1,643 | | 1,643 |
| Penalty and interest | 691 | | 691 |
| Reimbursement for builder damages | 4,130 | | 4,130 |
| Interest on time deposits | 5,788 | | 5,788 |
| Miscellaneous income | 5,472 | | 5,472 |
| TOTAL REVENUES | 278,469 | 187,186 | 91,283 |
| EXPENDITURES: | | | |
| Purchased water and sewer service | 46,468 | 65,239 | 18,771 |
| Professional fees | 56,047 | 55,000 | (1,047) |
| Contracted services | 34,099 | 54,875 | 20,776 |
| Meter expense | 14,262 | | (14,262) |
| Utilities | 3,948 | 6,000 | 2,052 |
| Repairs and maintenance | 17,904 | 15,000 | (2,904) |
| Tax assessment and collection | 5,431 | | (5,431) |
| Insurance | 1,964 | | (1,964) |
| Directors' fees | 3,100 | 3,500 | 400 |
| Other expenditures | 1,265 | | (1,265) |
| TOTAL EXPENDITURES | 184,488 | 199,614 | 15,126 |
| OTHER FINANCING SOURCES: | | | |
| Advance from developer, net | | 12,428 | (12,428) |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES | 93,981 | \$ - | \$ 93,981 |
| FUND BALANCE, beginning of year | 4,581 | | |
| FUND BALANCE, end of year | \$ 98,562 | | |

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

A. Creation of District:

North Austin Municipal Utility District No. 1 (District) was created by order of the Texas Water Commission effective November 15, 1983, in accordance with Chapter 54 of the Texas Water Code. The Board of Directors held its first meeting on January 24, 1984.

B. Summary of Significant Accounting Policies:

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

Basis of Accounting:

The accompanying financial statements have been prepared on the modified accrual basis of accounting applicable to governmental funds. Revenues of governmental funds are recognized when received except those accruable, which are recorded as receivables when they become measurable and available to pay current period liabilities. Expenditures are recognized as incurred, except for bond interest which is recognized when due.

Fund Accounting:

The financial transactions of the District are recorded in individual funds and account groups. The columns on the accompanying financial statements captioned "Totals (memorandum only)" are not necessary for a fair presentation of the financial statements nor do they present consolidated financial information, but are presented as additional analytical data.

The following fund types and account groups apply to the District:

Governmental Funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of interest and principal on, all general obligation debts of the District. The primary source of revenue for debt service is general property taxes and the monthly customer surcharge.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital facilities or improvements.

Account Groups:

General Fixed Assets Account Group -- To account for the fixed assets of the District.



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NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

(Continued)

B. Summary of Significant Accounting Policies (Continued):

General Fixed Assets:

General fixed assets are stated at the full cost of assets owned by the District. The cost of the general fixed assets includes all costs associated with the creation of the District and the sale of bonds. The interest cost during the construction period is capitalized. Depreciation is not recorded on general fixed assets.

Property Taxes:

Ad valorem taxes and penalties and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the fiscal year.

Interfund Transactions:

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

C. Water and Sewer Service Rates:

The District established the following rates effective September 5, 1984:

Water Rates:

| | |
|--|---------|
| First 2,000 gallons of water used (minimum bill) | \$ 4.55 |
| Each additional 1,000 gallons over 2,000 gallons | 1.83 |

Sewer Rates:

| | |
|---|------|
| First 2,000 gallons per connection (minimum bill) | 5.10 |
| Each additional 1,000 gallons over 2,000 gallons | 1.78 |



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NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

(Continued)

C. Water and Sewer Service Rates (Continued):

Monthly Water and Sewer Surcharge:

In addition to the above rates, each dwelling unit or for commercial customers, the equivalent thereof in Living Unit Equivalents, is charged a special water and sewer surcharge of \$18.20 per month.

Tap and Inspection Fees:

| | |
|----------------------------------|--------------|
| 5/8" tap | \$ 300.00 |
| 3/4" tap | 425.00 |
| 1" tap | 650.00 |
| 1-1/2" and over | 3 times cost |
| Residential sewer inspection fee | 100.00 |
| Commercial sewer inspection fee | 1,000.00 |

Security Deposits:

| | |
|---------------|--|
| 5/8" meter | \$ 50.00 |
| 3/4" meter | 75.00 |
| 1" meter | 150.00 |
| 1-1/2" meter | 250.00 |
| 2" meter | 375.00 |
| Over 2" meter | 3 times estimated monthly usage |

D. Property Taxes:

For the 1984 tax year, the District levied an ad valorem maintenance tax at the rate of \$.40 per \$100 of assessed valuation, which resulted in a tax levy of \$10,246 on the taxable valuation of \$2,561,422. This maintenance tax is being used by the General Fund to pay the operating expenses of the District's water and wastewater system. All taxes including penalty and interest were collected prior to September 30, 1985.

E. Changes in Fixed Assets:

A summary of changes in fixed assets follows:

| | Balance September 30 1984 | Additions | Deletions | Balance September 30 1985 |
|--|---------------------------------|--------------------|-------------|---------------------------------|
| Water, sewer and drainage facilities | \$ - | \$5,529,132 | \$ - | \$5,529,132 |
| City fees | | 228,081 | | 228,081 |
| Engineering fees | | 437,185 | | 437,185 |
| Construction in progress | | 46,706 | | 46,706 |
| | <u>\$ -</u> | <u>\$6,241,104</u> | <u>\$ -</u> | <u>\$6,241,104</u> |



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NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

(Continued)

F. Bond Anticipation Note Payable:

On December 31, 1984, the District issued North Austin Municipal Utility District No. 1 bond anticipation note, Series 1984, in the principal amount of \$8,800,000 at par, with interest at 80% of a defined prime not to exceed 15%. Principal and interest are due in one year or upon issuance of contract bonds if such issuance occurs within a year. Proceeds of the note are to be used to finance the acquisition and construction of the District's off-site wastewater projects.

G. Contingent Liabilities:

Under the Utility Construction Agreement between North Austin Municipal Utility District No. 1 and Milwood Joint Venture II (Developer) dated March 8, 1984, it was agreed that the Developer would fund the cost of projects to be constructed until such time as the District could issue bonds related to the projects. The agreement states that the District's obligation to reimburse the Developer for funds advanced is contingent upon the issuance of the bonds or bond anticipation notes for each specific project. As of September 30, 1985, the Developer has incurred construction costs, (excluding capitalized interest and net of reimbursements by the District to date from proceeds of bond anticipation notes) of approximately \$7,100,000. Since the District is not obligated to reimburse the Developer until bonds are issued, no part of this amount is reflected in the combined financial statements of the District.

H. Subsequent Event:

On December 3, 1985, the District participated in the issuance of North Austin Municipal Utility District No. 1, City of Austin, Texas Contract Revenue Bonds in the principal amount of \$16,300,000. The bonds mature over twenty-four years with the first maturities due in five years. The bonds were issued at an effective interest rate of approximately 9.96% with interest payable semi-annually. The District is responsible for a 34.8% share of the bond issue.



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

**\$2,100,000
Unlimited Tax and Revenue Bonds
Series 1986A**

**Selling Tuesday, October 14, 1986
at 2:00 PM, CDT**

In the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1954, as amended, and existing regulations, published rulings and court decisions. SEE "TAX EXEMPTION AND PENDING FEDERAL LEGISLATION" HEREIN FOR A DESCRIPTION OF THE POSSIBLE EFFECT OF PENDING LEGISLATION ON SUCH EXEMPTION.

OFFICIAL STATEMENT DATED AUGUST 20, 1986

\$2,100,000
North Austin Municipal Utility District No. 1
Unlimited Tax and Revenue Bonds, Series 1986A
(Travis and Williamson Counties, Texas)

Payment of the principal of and interest on the Bonds is secured by the levy of an annual ad valorem tax, without legal limitation as to rate or amount, against all taxable property within the District and by a pledge of and lien on the net revenues of the District's waterworks and sanitary sewer system.

Dated: November 1, 1986

Due: August 1, as shown below

The Bonds will be issued as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof for any maturity. Principal and semiannual interest (February 1, 1987 and thereafter each February 1 and August 1) is payable by the MBank Austin, National Association, Austin, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check or draft, dated as of the interest payment date, and mailed on or before each interest payment date by the Paying Agent to registered owners as shown in the records of the Paying Agent/Registrar on the 15th day of the month next preceding each interest payment date.

| <u>Amount</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>Yield or Price</u> | <u>Amount</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>Yield or Price</u> |
|---------------|-----------------|--------------------------|-------------------------------|---------------|-----------------|--------------------------|-------------------------------|
| \$ 50,000 | 1991 | | | \$ 125,000 | 1999 | | |
| 50,000 | 1992 | | | 150,000 | 2000 | | |
| 75,000 | 1993 | | | 150,000 | 2001 | | |
| 75,000 | 1994 | | | 175,000 | 2002 | | |
| 75,000 | 1995 | | | 175,000 | 2003 | | |
| 100,000 | 1996 | | | 200,000 | 2004 | | |
| 100,000 | 1997 | | | 225,000 | 2005 | | |
| 125,000 | 1998 | | | 250,000 | 2006 | | |

The Bonds are offered for delivery when, as, and if issued, and subject to the unqualified approval of the Attorney General of Texas and of Brown Maroney Rose Barber & Dye, Austin, Texas, Bond Counsel, whose approving opinion will be printed on the Bonds (see "Tax Exemption and Pending Federal Legislation"). It is expected that the Bonds will be delivered on or about November 12, 1986.

BOARD OF DIRECTORS

| Name | Address | Occupation |
|---|--|--|
| Steve D. Pena President | 1717 N. IH-35, Suite 300 Round Rock, TX 78680 | Partner/Pena Swayze & Co. - Certified Public Accountants |
| Charles Morrison Vice President | 1006 Perry Brooks Bldg. Austin, TX 78701 | Owner/Morrison Properties - Real Estate Investments |
| David W. Gray Secretary/Treasurer | 12212-H Technology Blvd. Austin, TX 78727 | Partner/Haynie Kallman & Gray Inc. - Registered Civil Engineer |
| Dennis L. Miller Assistant Secretary | 9130 Jollyville #350 Austin, TX 78759 | Project Manager/VarSickle, Mickelson & Klein - Civil Engineer |
| Robert Schultz Assistant Treasurer | 314 Highland Mall, #560 Austin, TX 78752 | Utility Engineer/Freese and Nichols - Consultant Engineer |

DISTRICT CONSULTANTS

Brown Maroney Rose Barber & Dye Bond Counsel
Austin, Texas

Armbrust & Brown General Counsel
Austin, Texas

Carlson & Dippel District Engineer
Austin, Texas

Lanier Locke & Ritter Auditor
Austin, Texas

Texas Capital Markets, Inc. Financial Advisor
Austin, Texas

Amtex Corporation General Manager
Austin, Texas

Riata Associates, Inc. Administrative Manager
Austin, Texas

This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of these Bonds, and if given or made, such information or representation must not be relied upon. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

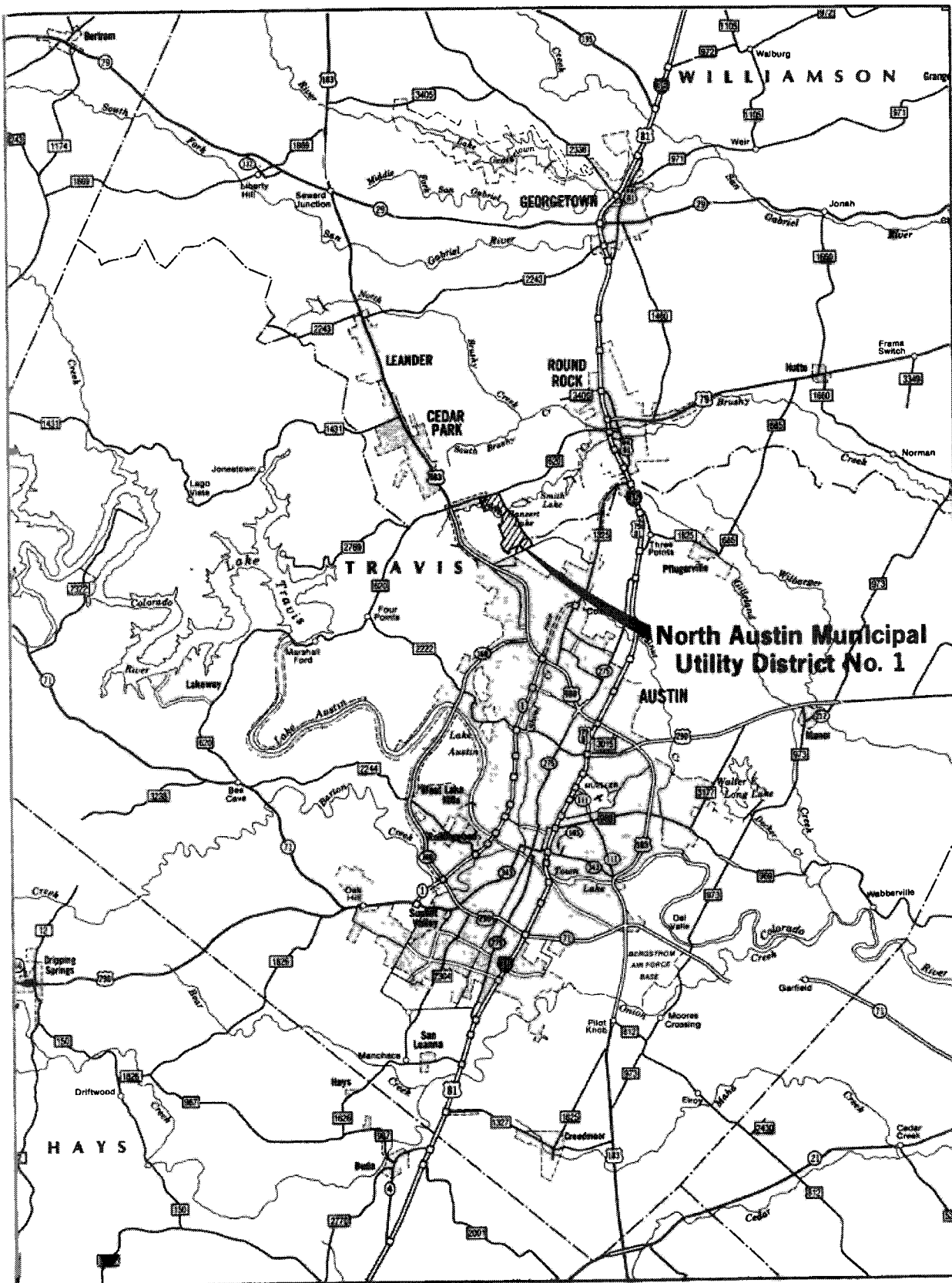
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| Financial Statements, North Austin Municipal | |
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OFFICIAL STATEMENT SUMMARY

The following material is qualified in all respects by more complete information and financial statements contained in this Official Statement.

- The Issuer..... North Austin Municipal Utility District No. 1 (the "District") is a governmental agency of the State of Texas located in Travis and Williamson Counties, Texas.
- The Issue..... \$2,100,000 Unlimited Tax and Revenue Bonds, Series 1986A (the "Bonds") will be issued pursuant to a resolution (the "Bond Resolution") of the Board of Directors of the District.
- Source of Payment..... Payment of the principal of and interest on the Bonds is secured by the levy of an annual ad valorem tax, without legal limitation as to rate or amount, against all taxable property within the District and by a pledge of and lien on the net revenues of the District's waterworks and sanitary sewer system. The Bonds are obligations only of North Austin Municipal Utility District No. 1 and are not obligations of the City of Austin, Texas or any other entity.
- Use of Proceeds..... Proceeds from the sale of the Bonds will be used to (1) purchase certain water, wastewater and drainage facilities, (2) capitalize interest on the Bonds for a period of one year, (3) reimburse certain developer interest costs, and (4) pay certain costs of issuance.
- Rating..... Ratings on the Bonds have not been requested of Moody's Investors Service or Standard & Poor's Corporation. Prospective purchasers are urged to examine carefully the Official Statement with respect to the investment quality of the Bonds.
- Legal Investments..... Under Texas law, the Bonds are legal investments for all banks, trust companies, savings and loan associations, insurance companies, fiduciaries and trustees. The Bonds are eligible to secure all deposits of public funds of the State of Texas and all instrumentalities of the State, including counties, cities and school districts.



**OFFICIAL STATEMENT
RELATED TO
\$2,100,000
North Austin Municipal Utility District No. 1
Unlimited Tax and Revenue Bonds, Series 1986A
(Travis and Williamson Counties, Texas)**

The purpose of this Official Statement is to set forth certain information in connection with the issuance of the above-captioned bonds (the "Bonds") by the North Austin Municipal Utility District No. 1 (the "District").

THE BONDS

Description

The Bonds will be dated November 1, 1986, will bear interest at the rates and will mature in the amounts and on the dates set forth on the cover page of this Official Statement. Interest will be payable on February 1, 1987 and semiannually thereafter on February 1 and August 1.

The Bonds will be issued as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof for any one maturity.

Principal of the Bonds will be payable to the registered owner (the "Registered Owner") at maturity or redemption upon presentation to the MBank Austin, National Association, Austin, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check or draft, dated as of the interest payment date, and sent by U.S. mail, first class postage prepaid, on or before the interest payment date, by the Paying Agent/Registrar to Registered Owners as shown in the records of the Paying Agent/Registrar on the Record Date.

Record Date

The Record Date shall be the 15th day of the month next preceding any interest payment date.

Optional Redemption

The Bonds will be redeemable on or after August 1, 1996 at the option of the District, as a whole or from time to time in part, in principal amounts of \$5,000 or any multiple thereof, on any date at the respective redemption prices, expressed as percentages of the principal amount of the Bonds to be redeemed, set forth below, together with accrued interest to the redemption date:

| <u>Redemption Period</u> <u>(both dates inclusive)</u> | <u>Redemption</u> <u>Prices</u> |
|---|------------------------------------|
| August 1, 1996 to July 31, 1997 | 101.5% |
| August 1, 1997 to July 31, 1998 | 101.0 |
| August 1, 1998 to July 31, 1999 | 100.5 |
| August 1, 1999 and thereafter | 100.0 |

Extraordinary Optional Redemption

On any date following the date which is four years after the date of the annexation of the District in its entirety by the City of Austin, Texas (the "City"), the dissolution of the District, and the City's assumption of the District's obligations, including the Bonds, the Bonds are subject to optional redemption and may be redeemed prior to their scheduled maturities at the option of the City. The Bonds may be so redeemed as a whole on any date at the redemption price (expressed as a percentage of principal amount) applicable to the date of redemption falling within the applicable redemption period, as set forth in the following schedule, plus accrued interest to the date of redemption:

| <u>Redemption Periods</u> <u>(both dates inclusive)</u> | <u>Redemption</u> <u>Prices</u> |
|--|------------------------------------|
| Date of Delivery of the Bonds to July 31, 1996 | 103.0% |
| August 1, 1996 to July 31, 1997 | 101.5 |
| August 1, 1997 to July 31, 1998 | 101.0 |
| August 1, 1998 to July 31, 1999 | 100.5 |
| August 1, 1999 and thereafter | 100.0 |

Notice of Redemption

At least thirty (30) days prior to any date on which any of the Bonds are to be redeemed, a written notice of redemption identifying the Bonds or portions thereof to be redeemed will be published at least once in a newspaper, journal or publication of general circulation in The City of New York, New York and in the State of Texas. A similar notice will be mailed by the District to the Registered Owner of each Bond to be redeemed at the address appearing on the bond registration books maintained by the Registrar. Failure to receive any such notice, or any defect therein or in the mailing thereof, shall not affect the validity of the proceedings for the redemption of such Bonds.

Sale to Initial Purchaser

After requesting and receiving competitive bids for the Bonds, the District will accept the bid containing the lowest net effective interest rate. 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 "Initial Purchaser"). The District has no control over the price at which the Bonds will be subsequently sold, and the initial yield prices at which the Bonds will be reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

PAYING AGENT/REGISTRAR

Registration, Transfer and Exchange

The Bonds may be transferred, registered and assigned only on the registration books of the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owners, 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 Bonds 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 Bond being transferred or exchanged at the principal office of the Paying Agent/Registrar, or sent by United States registered mail to the new Registered Owner at the owner's request, risk and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three (3) business days after the receipt of the Bonds to be cancelled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one maturity or any integral multiple thereof and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer.

Successor Paying Agent/Registrars

If the Paying Agent/Registrar becomes unable for any reason to act as Paying Agent/Registrar, or if the Board of Directors of the District determines that a successor Paying Agent/Registrar should be appointed, a successor Paying Agent/Registrar shall be selected by the District. Any successor Paying Agent/Registrar shall be either a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

TAX RATE LIMITATION

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct annual ad valorem tax sufficient to pay principal of and interest on the Bonds, the District's \$5,225,000 Series 1986 Bonds (the "Series 1986 Bonds"), the District's pro rata share of the Series 1985 City of Austin, Texas Contract Revenue Bonds and any future bonds which may be authorized and issued from time to time without legal limit as to rate or amount. Additionally, the District has the statutory authority to levy a maintenance tax in an amount not to exceed \$1.50 per \$100 assessed valuation as approved by the voters within the District on April 7, 1984. The proceeds of the maintenance tax can be used for maintaining and operating the District's facilities and for making contract payments to the City for water and sewer service. See "AGREEMENT FOR WATER AND SEWER SERVICE."

THE DISTRICT

The District was created by order of the Texas Water Commission on November 15, 1983, and confirmed by an election held within the District on February 18, 1984. The District contains 997.690 acres of land and is located adjacent to the northwestern City limits approximately 10 miles from the central business district of the City. Approximately 11.61 acres of the District lie within the City limits.

Of the 997.690 acres located within the District, approximately 290 acres have been developed into single-family and multifamily residences and into commercial developments. The remaining 707.69 acres include approximately 13.7 acres for schools, 64 acres for park land and 630 acres of raw land. The school and parkland acreage is excluded from the District's ad valorem tax rolls.

Currently, 622 residential units are occupied and an additional 30 units are complete and ready for occupancy. There are 138 additional units in various stages of construction, with new starts occurring daily. Residential development within the District includes single family units.

Upon buildout, land within the District is expected to accommodate approximately 23,401 persons and to contain approximately 8,333 residential water and sewer connections.

The land within the District is being developed by the Milwood Joint Venture II. See "THE DEVELOPERS" for more information.

The net assessed valuation of the District was \$77,596,738 as of January 1, 1986. The estimated net assessed valuation as of January 1, 1987 is \$122,000,000. (1)

(1) Source: Williamson County Appraisal District.

THE PROJECT

The proceeds from the sale of the Bonds will be used to purchase water distribution, wastewater collection and drainage facilities within the District that have already been constructed. Water distribution improvements include approximately 15,585 feet of 6-inch to 16-inch water lines and 1,850 feet of preblasting for future construction. Wastewater system improvements include approximately 24,068 feet of 6-inch to 15-inch wastewater collection lines and appurtenances. Drainage improvements include approximately 9,170 feet of 18-inch to 66-inch storm sewer pipe and appurtenances, approximately 372 feet of ditch and roughly 675 feet of preblasting for future construction.

NEED FOR THE IMPROVEMENTS

These improvements are needed to further extend City water and wastewater service to the District, and construct a master meter vault located outside the District. Anticipated development in the District could not occur without these facilities.

BASIS OF DESIGN

The facilities have been designed to meet the requirements and criteria of the Texas Department of Health, Travis County, Williamson County and City. Sizing of the facilities was based on the estimated needs of the anticipated development and existing flows in the service area and was coordinated with the City of Austin.

ESTIMATED DISPOSITION OF BOND PROCEEDS

The estimated disposition of Bond proceeds is set forth below. These estimates have been provided by the District's engineer and are based on completed Project construction expenditures, including construction change orders.

| | |
|---|--------------------|
| Construction Costs | |
| Water Distribution | \$ 334,444 |
| Wastewater Collection | 484,950 |
| Storm Drainage | 318,257 |
| Master Meter Vault | 23,000 |
| Engineering | 99,311 |
| City of Austin Inspection Fees | <u>69,030</u> |
| Subtotal | <u>\$1,328,992</u> |
| Non-Construction Costs | |
| Developer Interest | \$ 340,294 |
| Bond Discount | 42,000 (1) |
| Capitalized Interest | 210,000 (2) |
| Legal, Fiscal and other costs of issuance | <u>178,714</u> |
| Subtotal | <u>\$ 771,008</u> |
| TOTAL | <u>\$2,100,000</u> |

(1) 2% of Bond Issue

(2) The District will capitalize one year of interest at the rate of the Bonds, not to exceed \$210,000.

PROJECTED DEBT SERVICE REQUIREMENTS
\$2,100,000
North Austin Municipal Utility District No. 1
Unlimited Tax and Revenue Bonds, Series 1986A
(Dated 11/1/86)

| <u>Fiscal Year Ending 9/30</u> | <u>Principal</u> | <u>Interest (1)</u> | <u>Total Requirements</u> |
|--|--------------------|---------------------|-------------------------------|
| 1987 | \$ | \$ 175,000 | \$ 175,000 |
| 1988 | | 210,000 | 210,000 |
| 1989 | | 210,000 | 210,000 |
| 1990 | | 210,000 | 210,000 |
| 1991 | 50,000 | 210,000 | 260,000 |
| 1992 | 50,000 | 205,000 | 255,000 |
| 1993 | 75,000 | 200,000 | 275,000 |
| 1994 | 75,000 | 192,500 | 267,500 |
| 1995 | 75,000 | 185,000 | 260,000 |
| 1996 | 100,000 | 177,500 | 277,500 |
| 1997 | 100,000 | 167,500 | 267,500 |
| 1998 | 125,000 | 157,500 | 282,500 |
| 1999 | 125,000 | 145,000 | 270,000 |
| 2000 | 150,000 | 132,500 | 282,500 |
| 2001 | 150,000 | 117,500 | 267,500 |
| 2002 | 175,000 | 102,500 | 277,500 |
| 2003 | 175,000 | 85,000 | 260,000 |
| 2004 | 200,000 | 67,500 | 267,500 |
| 2005 | 225,000 | 47,500 | 272,500 |
| 2006 | <u>250,000</u> | <u>25,000</u> | <u>275,000</u> |
| | <u>\$2,100,000</u> | <u>\$3,022,500</u> | <u>\$ 5,122,500</u> |

AVERAGE LIFE

14.022 Years

(1) Interest has been calculated at a rate of 10.00% per annum for purposes of illustration.

VALUATION AND DEBT INFORMATION

1986 Net Taxable Assessed Valuation..... \$ 77,596,738 (1) (2)

District Funded Debt Payable from
Ad Valorem Taxes

| | |
|--------------------------|-------------------|
| The Contract Bonds | \$ 5,674,030 (3) |
| District Bonds | 5,225,000 |
| The Bonds..... | <u>2,100,000</u> |
| TOTAL..... | \$ 12,999,030 |

Ratio Total Debt to 1986 Net Taxable
Assessed Valuation..... 16.75%

1987 Estimated Net Taxable Assessed Valuation.... \$122,000,000 (2) (4) (5)

Ratio Total Debt to 1987 Estimated Net Taxable
Assessed Valuation..... 10.65%

1986 District Population Estimate - 1,200 (6)
Per Capita Net Debt - \$10,833
Area - 997.690 acres

- (1) Source: Williamson County Appraisal District
- (2) The District allows property tax exemptions for disabled veterans only.
- (3) In December, 1985, the District issued \$16,300,000 of City of Austin Contract Revenue Bonds. The District is obligated to pay 34.81% of the debt service attributable to the contract bonds. Payment of the District's share of the principal and interest on the contract bonds is secured by a pledge of and first lien on certain revenues of the District and by the District's ad valorem tax revenues, if necessary. See "CONTRACT BONDS" and "AGREEMENT FOR WATER AND SEWER SERVICE".
- (4) Source: Behrens Tax Service, Tax Collector for the District.
- (5) All assessed values are estimated at 100% of market value in compliance with the new property tax code of the State of Texas.
- (6) Source: The District

VALUATION AND FUNDED DEBT HISTORY

| <u>Fiscal Year</u> | <u>Net Taxable Assessed Valuation</u> | <u>Funded Debt Outstanding at Year End</u> | <u>Ratio Funded Debt to Net Taxable Assessed Valuation</u> |
|------------------------|---|--|--|
| 1984-85 (1) | \$ 2,291,152 | \$ -0- | -0- |
| 1985-86 | 43,743,698 | 10,890,030 | 24.90% |
| 1986-87 | 77,989,554 | 12,990,030 (2) | 16.67% |

- (1) The 1984-85 fiscal year was the first year the District assessed and levied a tax.
- (2) Includes the Bonds.

ESTIMATED OVERLAPPING FUNDED DEBT PAYABLE FROM AD VALOREM TAXES

| <u>Taxing Jurisdiction</u> | <u>Total Funded Debt</u> | <u>% (1) Applicable</u> | <u>Overlapping Funded Debt</u> |
|--|------------------------------|-----------------------------|------------------------------------|
| The District | \$ 12,999,030 (2) (3) | 100.00% | \$12,999,030 |
| Round Rock Independent School District | 122,991,000 | 1.18% | 1,451,294 |
| Travis County | 85,284,011 | 1.37% | 1,168,391 |
| Williamson County | <u>0</u> | .26% | <u>0</u> |
| TOTAL OVERLAPPING DEBT | | | <u>\$15,618,715</u> |

Ratio Overlapping Funded Debt to 1986

Net Taxable Assessed Valuation..... 20.13%

- (1) Source: Williamson County Appraisal District
 (2) Includes the Bonds.
 (3) Includes contract bonds.

TAX DATA

| <u>Fiscal Year</u> | <u>Net Taxable Assessed Valuation</u> | <u>Bond Tax</u> | <u>Operation and Maintenance Tax</u> | <u>Current Collections (1)</u> | <u>Total Collections (1)</u> |
|------------------------|---|---------------------|--|------------------------------------|----------------------------------|
| 1984-85 | \$ 2,291,152 | \$ 0 | \$0.40 | 99.7% | 99.7% |
| 1985-86 (2) | \$43,743,698 | \$ 0 | \$0.40 | 94.8% | 94.8% |

- (1) Source: The District
 (2) 1985-86 was a reappraisal year for The District.

TAX ADEQUACY

1986 Net Taxable Assessed Valuation \$ 77,596,738 (1)
 Maximum Annual Debt Service Requirements
 (includes this issue at 10.00%) \$ 1,592,132 (2)
 A Tax Rate of \$2.16 per \$100 of 1986 Net Taxable
 Assessed Valuation assuming a 95% collection,
 produces \$ 1,592,285

1987 Estimated Net Taxable Assessed Valuation \$122,000,000 (1)
 Maximum Annual Debt Service Requirements
 (includes this issue at 10.00%) \$ 1,592,132 (2)
 A Tax Rate of \$1.38 per \$100 of 1987 Estimated Net
 Taxable Assessed Valuation assuming a 95% collection,
 produces \$ 1,599,420

- (1) Assessed Valuation as of January 1.
 (2) Includes the District's pro rata share of the contract bonds, the
 outstanding District Bonds and the Bonds.

TOP TEN TAXPAYERS

| Name of Taxpayer | Nature of Property | 1986 Assessed Valuation | % of Total Assessed Valuation |
|-----------------------------|--------------------------|-------------------------------|-------------------------------------|
| 1. Milwood Joint Venture II | Residential | \$27,372,084 | 35.27% |
| 2. Austin 620 Joint Venture | Commercial & Multifamily | 11,591,185 | 14.94 |
| 3. Bill Milburn, Inc. | Residential | 6,336,538 | 8.17 |
| 4. Parmer Investments | Commercial Land | 896,467 | 1.16 |
| 5. Southern Union Gas | Utilities | 823,530 | 1.06 |
| 6. Milburn Cable Co. | Utilities | 125,000 | .16 |
| 7. Milligan, Doug | Residential | 121,581 | .16 |
| 8. Caudill, T. T. | Residential | 116,840 | .15 |
| 9. Barz, Kurt W. | Residential | 116,608 | .15 |
| 10. Mitchell, A. L. | Residential | 115,608 | .15 |
| TOTAL | | \$47,615,441 | 61.36% |

UNFUNDED DEBT AND LEASE OBLIGATIONS

The District currently has no outstanding unfunded debt or lease obligations.

CONTRACT BONDS

On February 21, 1984, the City entered into a Utility Construction Contract (the "Contract") with the District. Under the terms of the Contract, the District has agreed to acquire and construct certain water and wastewater facilities for the benefit of the City and to issue City of Austin contract bonds to provide financing for such purpose. Pursuant to the Contract, the District issued its \$16,300,000 City of Austin, Texas Contract Bonds, Series 1985, dated December 1, 1985 (the "Contract Bonds").

The District is obligated to pay 34.81% of the debt service attributable to the Contract Bonds.

Payment of the principal and interest on the Contract Bonds is secured by a pledge of and first lien on certain revenues and or taxes to be received by the District pursuant to the Contract, wherein the City has agreed to make semiannual payments to the District's Trustee in amounts sufficient to pay principal of and interest on the Contract Bonds when due.

AGREEMENT FOR WATER AND SEWER SERVICE

Simultaneously with entering into the Utility Construction Contract as described above, the District entered into another agreement with the City entitled Agreement Concerning Creation and Operation of North Austin Municipal Utility District No. 1 (the "Agreement"). The Agreement has been amended and any references to the Agreement are as amended. The Agreement provides, among other matters, that the City shall provide water and sanitary sewer service to the District and that the District shall pay for such service at rates to be established by the District, which shall not be less than the rates established by the City for comparable customers within the City, and the District shall, in

addition, make semiannual payments to the City equal to a pro rata share of the debt service payments to be made by the City pursuant to the Contract. The Agreement also provides that the District will establish a special water and sewer service rate. The District has set this rate at \$18.20 per month for each single family residential customer, or the equivalent, of the District's water or sewer system as calculated under the terms of the Agreement. All such revenues, as collected, are placed into a segregated fund and can be used by the District to pay either debt service requirements on the District's outstanding bonds (including the Bonds) or the District's pro rata share of the debt service requirements on the Contract Bonds, or both.

See "SEWAGE CAPACITY" for explanation of the current status of the supply of sanitary sewer service to the District by the City and for a discussion of the efforts being undertaken by the District to supply sanitary sewer service to its new customers.

DISTRICT DEVELOPMENT STATUS

Residential development within the District includes single family, duplex, fourplex and apartment units.

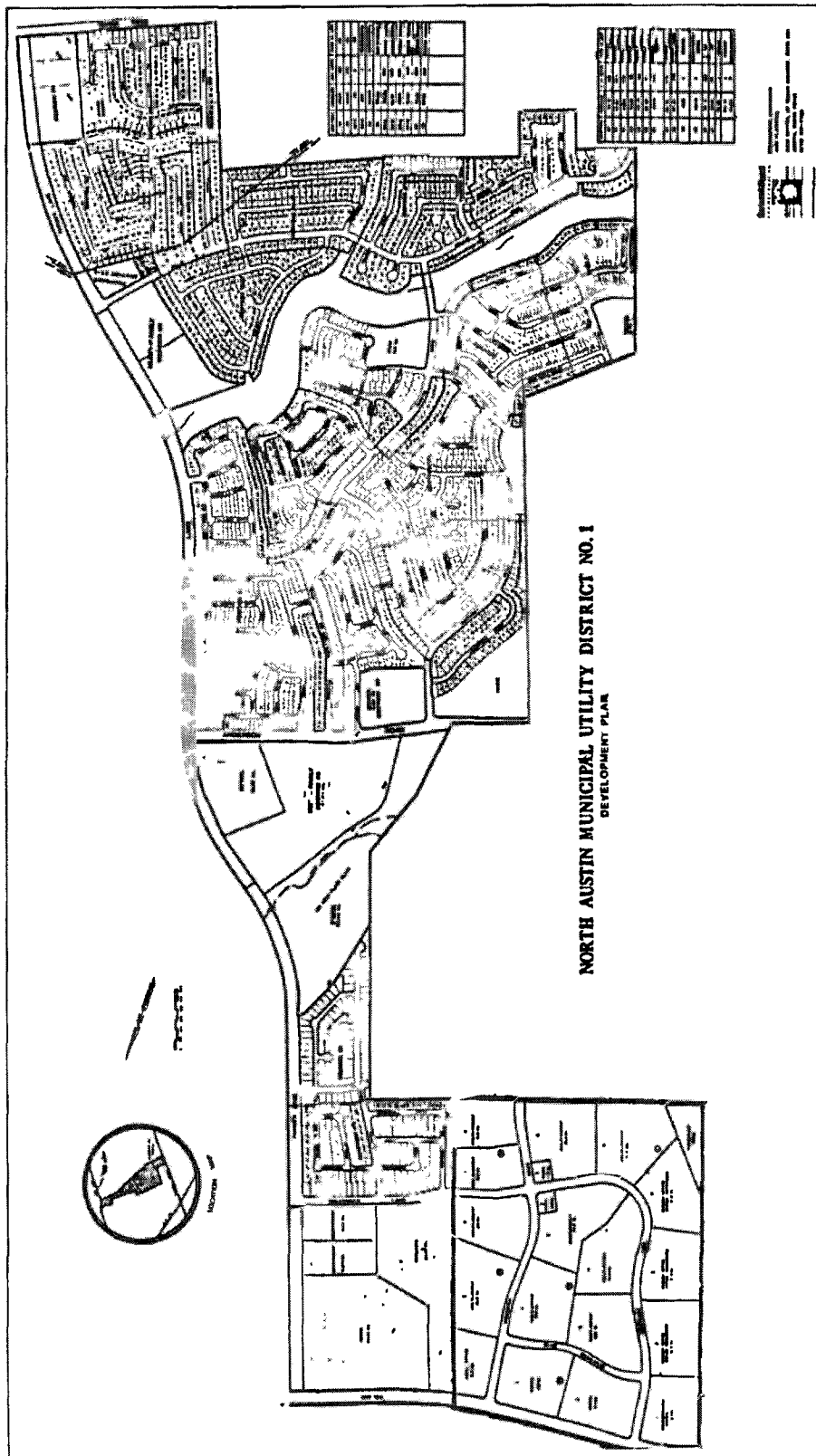
As of September 15, 1986, the District's development status of residential units is as follows:

| <u>Units Started</u> | <u>Units Completed</u> | <u>Units Occupied</u> |
|----------------------|------------------------|-----------------------|
| 700 | 652 | 622 |

There are 14.48 acres of platted and developed commercial property in the District. One section of this property has a cable company building on it.

DISTRICT MANAGEMENT

The District is governed by a Board of five Directors, three of whom own property in the District subject to a note and deed of trust in favor of the Developer. The other two Board members live in and own property in the District. The Board meets monthly and has control over and management supervision of all affairs of the District. The general management of the facilities and administrative duties are handled by Am-Tex Corporation. David Yohe is associated with Am-Tex and is in charge of this account. Mr. Yohe also is in charge of seven other municipal utility districts for Am-Tex Corporation.



THE DEVELOPERS

Milwood Joint Venture II ... The land within the District is being developed for residential, multifamily, commercial and retail use pursuant to a Milwood Joint Venture II Agreement, a partnership agreement between Bill Milburn, Inc. ("Milburn") and Palmar Associates, Ltd. ("Palmar"), collectively, the "Developers".

Bill Milburn Company ("Milburn") ... Pursuant to the Joint Venture Agreement, Milburn is responsible for the planning and management of development of the property held by the Developers. Its activities include platting, obtaining approval of plats in the subdivisions, coordinating and obtaining approvals and permits from the City, Williamson and Travis Counties and other governmental entities and authorities which have authority over the activities and the properties located inside the District; providing job supervision, inspection and quality control with respect to the development of the property in the District; conducting sales and/or lease programs relating to tracts or sites and the property located inside the District; and supervising the management of the development of the properties generally.

Milburn, one of the largest individually-owned homebuilding and development firms in the nation (45th-1981), has operated in the City since 1961. Milburn is presently developing land and building homes in Austin, Cedar Park, Oak Hill and Round Rock, Texas. Current subdivision activity includes Milwood, Anderson Mill West, Maple Run, Texas Oaks, Shadow Ridge Crossing, Fern Bluff, The Settlement, Stony Brook, Oakmont Crossing, Willow Run and Windmill Run. Milburn has developed more than 4,000 acres and built and sold over 15,000 homes in the past 15 years. Milburn is the only home builder in the District.

Palmar ... Pursuant to the Joint Venture Agreement, Palmar is in the Joint venture partnership with Bill Milburn, Inc. Palmar is a limited partnership consisting of various members of the Robinson family who own the land within the District. General partners of Palmar Association are A. H. Robinson III and J. O. Robinson. Bill Milburn, Inc. is the managing venture partner; however, certain decisions, such as financing and land planning, require approval of both venture partners.

THE WATER AND WASTEWATER SYSTEM

The City agrees to sell and deliver to the District all water reasonably required by customers within the boundaries of the District for domestic and commercial uses, such water to be supplied from the City's water distribution system as extended by the District pursuant to the Agreement, at a point or points of delivery adjacent to the boundaries of the District to be designated by the District's engineer and approved by the City. The sale of water to the District shall be nondiscriminatory and shall be uniform with the policy or policies established by the Austin City Council for the provision of utilities outside the City limits. Water as used in this context means potable water meeting the requirements of the Texas Department of Health for human consumption and other domestic uses. The City will increase its present facility size and maintain an adequate water supply to provide service to the District.

The City shall furnish, install, operate and maintain, at its expense, at each point of delivery to the District, the necessary metering devices to measure the water delivered to the District under this Contract. The District shall furnish and install a meter house or pit and appurtenances to accept the water meter. The City shall calibrate the metering equipment whenever requested by the District, but no more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless the City and the District agree on a different amount. The metering equipment shall be read once each calendar month.

SEWAGE CAPACITY

Pursuant to the Agreement, the City agrees to receive, treat and dispose of all sewage collected by the District and delivered to the City at a point or points of delivery into the City's sanitary sewer trunk line as extended by the District pursuant to the Agreement, said point or points of delivery to be designated by the District's engineer and approved by the City. In the Agreement, the City covenanted that sewage treatment and disposal services provided to the District shall be nondiscriminatory and uniform with the policy or policies established by the Austin City Council for the provision of utilities outside the City limits. In the Agreement, the City covenanted that it would construct and maintain adequate sewage treatment capacity to provide service to the District. According to the District's engineer's design criteria, this contractual capacity would be adequate for full District development, assuming that the City's sewage treatment facilities are adequate to meet their contractual obligations. The City receives, treats and disposes of sewage collected by the District at its Walnut Creek Wastewater Treatment Facility (the "Walnut Creek Facility").

STORM DRAINAGE SYSTEM

The District's storm drainage system has been reviewed and approved by the City of Austin. The City has also inspected and approved the construction of this system.

WATER AND WASTEWATER SERVICE RATES, CHARGES AND TAP FEES

Monthly Sewer Rates Per Connection (Effective November 1, 1985)

- | | |
|--|--------|
| A. Minimum Charge per connection (includes 2,000 gallons) | \$5.10 |
| B. Gallonage Charge (per 1,000 gallons) after first 2,000 | \$3.28 |

Monthly Water Rates Per Living Unit Equivalent (Effective November 1, 1985)

- | | |
|--|--------|
| A. Minimum Charge per Living Unit Equivalent (includes 2,000 gallons) | \$4.55 |
| B. Gallonage Charge (per 1,000 gallons) after first 2,000 | \$2.03 |

Monthly Water and Sewer Surcharge

In addition to the regular water and sewer rates of the District, the District shall charge and collect a special water and sewer service rate. The District has set this rate at \$18.20 per month for each single family residential customer or its equivalent in accordance with the Agreement as amended. See "AGREEMENT FOR WATER AND SEWER SERVICE."

All Services Required

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

All Services Charged

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

Tap and Inspection Fees

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

| <u>Meter Size</u> | <u>Tap Fee</u> |
|---------------------------|--|
| 5/8" | \$300.00 |
| 3/4" | \$425.00 |
| 1" | \$650.00 |
| 1-1/2" and over 1-1/2" | To be installed by the District at cost times 3 |

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

| | |
|-------------|------------|
| Residential | \$ 100.00 |
| 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.

If more than one (1) inspection is required before a tap is approved by the District, the fee for each additional inspection shall be \$75.00.

Security Deposit

A security deposit per connection shall be paid to the District's representative by each customer in the following amounts:

| <u>Meter Size</u> | <u>Security Deposit</u> |
|-------------------|------------------------------------|
| 5/8" | \$ 50.00 |
| 3/4" | \$ 75.00 |
| 1" | \$150.00 |
| 1-1/2" | \$250.00 |
| 2" | \$375.00 |
| over 2" | 3 times estimated monthly usage |

Security deposits shall not be transferable and shall be held by the District to assure the prompt payment of all bills for water and wastewater services to the customer. Following eight (8) months of prompt payment, when due, of the District's utility bills, a customer who owns and occupies a residence within the District shall, upon written request to the District's representative, be entitled to a refund of its security deposit; provided, however, that the District may require the customer to replace the security deposit in the event the customer thereafter makes late payments for two (2) or more consecutive months. At its option, the District may apply all or any part of a customer's security deposit against any delinquent bill of the customer. Upon discontinuation of service, the deposit shall be applied against amounts due, including any disconnection fees, whether because of the customer's delinquency or upon the customer's request. Any portion of the deposit remaining after deduction of such amounts shall be refunded to the customer. In no event shall the security deposit bear interest for the benefit of the customer.

Additional Charges

Any non-routine charges incurred by the District in connection with any water tap, sewer tap and/or inspection shall be the responsibility of the applicant for such connection and shall be payable to the District upon demand.

Charges for Reconnection

In the event of any discontinuation of service, whether because of a customer's delinquency or upon a customer's request, the District shall charge the following charge per connection prior to reconnecting such customers:

1. Water System
 - a. when meter removed \$100.00
 - b. when meter not removed \$ 40.00
2. Wastewater System - Two times the cost to the District.

Delinquent Accounts

A late charge of ten percent (10%) of the amount of the bill shall be added for each monthly billing date the delinquent amount remains unpaid. If a bill remains delinquent for thirty (30) days, or is paid with a check which is dishonored, water service shall be discontinued in accordance with this paragraph. The customer shall be notified in the next billing after such thirty (30) day period of the delinquency and the date upon which water service shall be terminated if the account is not paid, which date shall be not less than five (5) days from the date such notice is sent. Such notice shall state the time and place at which the account may be paid and that any errors in the bill may be corrected by contacting the District's representative, whose telephone number shall also be given in such notice. A similar notice shall be left by the District's representative on the door at the address to which the service in question was provided.

GENERAL AND ECONOMIC INFORMATION REGARDING THE DISTRICT AND ITS SURROUNDING AREA

Employers

There are several major employers within close proximity of the District. These include Schlumberger, Texas Instruments, Abbott Labs, Columbia Scientific, 3M, IBM, Tandem and MCC. The District is located approximately 11 miles north of the central business district of Austin.

Retail Centers

The District is primarily dependent upon strip centers located along U.S. Highway 183. The largest shopping mall within close proximity, the Arboretum, is located approximately six miles south of the District. The Arboretum contains a hotel, bank, specialty shops, a large clothing store and four movie theatres. In addition, plans exist for a regional mall at the intersection of U.S. 183 and FM 620, approximately one mile west of the District.

Schools

The District is located in the Round Rock Independent School District which has an enrollment for the 1985-86 school year of 16,199. The school district consists of two high schools, four middle schools and 13 elementary schools. One high school, one middle school and 3 elementary schools presently are under construction.

Recreational Facilities

Sixty-four acres have been set aside for parkland and playground equipment. There is a six acre park with recreational facilities being built in the District. These facilities include a junior olympic pool, wading pool, bath house, two tennis courts, sport court, picnic tables and grills.

SUMMARY OF THE BOND RESOLUTION

General

The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of principal of and interest on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Resolution. Capitalized terms in such summary are used as defined in the Bond Resolution. Such summary is not a complete description of the entire Bond Resolution and is qualified by reference to the Bond Resolution, copies of which are available from the District's Financial Advisor upon request.

Security

The Bonds are secured by and payable from the levy of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property within the District and by a pledge of and lien on the net revenues of the District's waterworks and sanitary sewer system.

Funds

The Bond Resolution affirms the creation of the following funds: (1) the Debt Service Fund, and (2) the Construction Fund. Each fund is to be kept separate from other funds of the District and used solely as provided in the Bond Resolution so long as any of the Bonds are outstanding. The District reserves the right to invest the moneys on deposit in such funds, and all profits or interest income realized from such investments will belong to the fund from which the moneys for the investment were taken, provided that the Board of Directors may authorize the transfer of profits or interest income on any investment to the Debt Service Fund.

Flow of Funds

Taxes levied and collected by the District pursuant to the provisions of the Bond Resolution, after paying the expenses incurred in connection with the levy and collection of such taxes, are to be deposited into the applicable debt service funds for the payment of debt service on the Bonds, and any additional unlimited tax bonds.

Debt Service

The Bond Resolution provides that the District will transfer from the Debt Service Fund to the Registrar, no later than five business days prior to any principal or interest payment date on the Bonds, an amount sufficient to pay the principal and/or interest due on such payment date.

Bond Proceeds

From the proceeds of the Bonds, the District will deposit in the Debt Service Fund an amount sufficient to pay one (1) year of interest on the Bonds. In addition, moneys received from the purchasers of the Bonds representing accrued interest on the Bonds from their date to the date of delivery, will be deposited into the Debt Service Fund. All other Bond proceeds will be deposited into the Construction Fund. The District covenants to use the Bond proceeds in such manner that the Bonds will not be "arbitrage bonds" under Section 103(c)(2) of the Internal Revenue Code of 1954, as amended, and the regulations prescribed from time to time thereunder.

Remedies in Event of Default

The Bond Resolution provides that in the event of default in the payment of principal of or interest on any of the Bonds when due or, in the event the District fails to make the payments required to be made into the Debt Service Fund or any other fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, the Registered Owners will be entitled to a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Resolution.

Registration, Transfer, and Exchange

The Bonds are transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity in any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Registrar. No service charge will be made for any transfer or exchange, but the District may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

RISK FACTORS

General

The security for payment of the principal of and interest on the Bonds depends on the ability of the Tax Assessor/Collector to collect the levy on behalf of the District in an amount sufficient to meet debt service requirements and, in the event of foreclosure, on the priority of the District's tax lien over conventional liens and similar taxing authorities. The District cannot and does not make any representation that over the life of the Bonds the construction of taxable improvements or continued development of taxable property within the District will accumulate or maintain taxable values sufficient to assure continued payment of taxes by property owners.

The District makes no representation about the probability of development or about the ability of owners of property within the District to implement development plans. Prospective investors and purchasers are urged to personally inspect the District and to make such investigations as are deemed necessary concerning possible future development of the District.

Registered Owners' Remedies

The Order obligates the District to assess and collect an annual ad valorem tax sufficient to pay the principal of and interest on the Bonds, as more fully described herein. Although a Registered Owner could presumably obtain a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds, such judgment could not be satisfied by foreclosure on the Improvements or by execution against any property of the District. The Registered Owners' only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to assess and collect the levy in an amount sufficient to pay principal of and interest on the Bonds as they become due. Under those circumstances, the Registered Owners could be required to enforce such remedy on a periodic basis because no provision exists for acceleration of maturity of the Bonds.

The enforcement or claim for payment of principal of or interest on the Bonds, including the remedy of mandamus, and the validity of the pledge of and lien on taxes and revenues, would be subject to the applicable provisions of the federal bankruptcy laws and to any similar laws affecting the rights of creditors of political subdivisions generally.

Dependence on Construction of Future Improvements

Unless the District's tax base grows rapidly and continuously as a result of construction of housing, commercial property, and other taxable improvements, the District will be required to levy taxes at a rate substantially higher than projected in the Section entitled "TAX ADEQUACY." Should no development occur in the District beyond that reflected by the 1987 estimated net taxable assessed valuation of \$122,000,000, a tax rate of approximately \$1.38 per \$100 of assessed valuation (assuming 95% collection) would be required to pay the maximum annual debt service requirements on the Bonds.

Economic Factors

Continued development in the District is directly related to the housing industry. The housing industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. An increase in mortgage rates to higher than present levels may adversely affect the availability and desirability of mortgage financing for new homes and the number of new housing starts, hence reducing demand for lots within the District available for sale to builders.

The housing industry in the Austin area is competitive and the District can give no assurance that the building programs planned by the Developers will be implemented or completed. Competition from developers and developments outside the District is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Investment Earnings and Other Federal Income Tax Considerations

The possible investment earnings on the unexpended amount of Bond proceeds to be used for the payment of capitalized interest are based on assumed earnings rates, as indicated herein.

Additional Bonds

The District may issue bonds necessary to provide improvements and facilities, with approval of the Texas Water Commission (the "TWC"), and in the case of bonds payable from taxes, the voters of the District. The District is further empowered to borrow money for any corporate purpose and may do so through issuance of revenue notes, bonds, bond anticipation notes and tax anticipation notes. Subsequent to the issuance of the Bonds, \$49,475,000 of District bonds will remain authorized but unissued.

Regulation of Issuance

Neither the Attorney General of Texas, the Texas Water Commission, nor the District guarantees or passes upon the safety of the Bonds as an investment, or passes upon the adequacy of the information contained in this Official Statement.

OFFICIAL BID FORM

October 14, 1986

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

Gentlemen:

Reference is made to your Official Statement and Notice of Sale and Bidding Instructions, dated August 20, 1986, of \$2,100,000 NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1, UNLIMITED TAX AND REVENUE BONDS, SERIES 1986A.

For your legally issued Bonds, as described in said Notice of Sale and Bidding Instructions and Official Statement, we will pay you _____% of par and accrued interest from date of issue to date of delivery to us, plus a cash premium of \$_____ for Bonds maturing and bearing interest as follows:

| Maturity | Interest Rate | Maturity | Interest Rate |
|-----------|---------------|-----------|---------------|
| 8-01-1991 | _____% | 8-01-1999 | _____% |
| 8-01-1992 | _____% | 8-01-2000 | _____% |
| 8-01-1993 | _____% | 8-01-2001 | _____% |
| 8-01-1994 | _____% | 8-01-2002 | _____% |
| 8-01-1995 | _____% | 8-01-2003 | _____% |
| 8-01-1996 | _____% | 8-01-2004 | _____% |
| 8-01-1997 | _____% | 8-01-2005 | _____% |
| 8-01-1998 | _____% | 8-01-2006 | _____% |

Our calculation (which is not a part of this bid) of the interest cost from the above is:

| | |
|-------------------------------|----------|
| Total Interest Cost | \$ _____ |
| Less Premium | \$ _____ |
| Plus Discount | \$ _____ |
| NET INTEREST COST | \$ _____ |
| EFFECTIVE INTEREST RATE | _____% |

A Cashier's Check of the _____ Bank, _____, in the amount of \$42,000, which represents our Good Faith Deposit, is attached hereto or has been made available to you prior to the opening of this bid, and is submitted in accordance with the terms as set forth in the Official Statement and Notice of Sale and Bidding Instructions.

We agree to accept delivery of and make payment for the Bonds at MBank Austin, National Association, Austin, Texas, on November 12, 1986 or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. The "Initial Bonds," delivered in accordance with the Notice of Sale, should be registered as follows: _____, and we agree to furnish the Paying Agent/Registrar, at least five days before payment is made for the Bonds, written instructions as called for in the Notice of Sale and Bidding Instructions.

Respectfully submitted,

_____ By _____
Authorized Representative

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the North Austin Municipal Utility District No. 1 this 14th day of October, 1986.

ATTEST:

President

Secretary

Return of Good Faith Deposit is hereby acknowledged:

By _____

OFFICIAL BID FORM

October 14, 1986

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

Gentlemen:

Reference is made to your Official Statement and Notice of Sale and Bidding Instructions, dated August 20, 1986, of \$2,100,000 NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1, UNLIMITED TAX AND REVENUE BONDS, SERIES 1986A.

For your legally issued Bonds, as described in said Notice of Sale and Bidding Instructions and Official Statement, we will pay you _____% of par and accrued interest from date of issue to date of delivery to us, plus a cash premium of \$_____ for Bonds maturing and bearing interest as follows:

| Maturity | Interest Rate | Maturity | Interest Rate |
|-----------|---------------|-----------|---------------|
| 8-01-1991 | _____ % | 8-01-1999 | _____ % |
| 8-01-1992 | _____ % | 8-01-2000 | _____ % |
| 8-01-1993 | _____ % | 8-01-2001 | _____ % |
| 8-01-1994 | _____ % | 8-01-2002 | _____ % |
| 8-01-1995 | _____ % | 8-01-2003 | _____ % |
| 8-01-1996 | _____ % | 8-01-2004 | _____ % |
| 8-01-1997 | _____ % | 8-01-2005 | _____ % |
| 8-01-1998 | _____ % | 8-01-2006 | _____ % |

Our calculation (which is not a part of this bid) of the interest cost from the above is:

| | |
|-------------------------------|----------|
| Total Interest Cost | \$ _____ |
| Less Premium | \$ _____ |
| Plus Discount | \$ _____ |
| NET INTEREST COST | \$ _____ |
| EFFECTIVE INTEREST RATE | _____ % |

A Cashier's Check of the _____ Bank, _____, in the amount of \$42,000, which represents our Good Faith Deposit, is attached hereto or has been made available to you prior to the opening of this bid, and is submitted in accordance with the terms as set forth in the Official Statement and Notice of Sale and Bidding Instructions.

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Respectfully submitted,

By _____

Authorized Representative

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the North Austin Municipal Utility District No. 1 this 14th day of October, 1986.

President

ATTEST:

Secretary

Return of Good Faith Deposit is hereby acknowledged:

By _____

P-NA01914

TAX EXEMPTION AND PENDING FEDERAL LEGISLATION

Existing Law

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from all present federal income taxation. The form of Bond Counsel's opinion will change if the pending federal tax legislation discussed below is enacted into law. The law upon which the conclusion stated in Bond Counsel's opinion is based is subject to change by the Congress, the Treasury Department and later judicial and administrative decisions.

Pending Federal Tax Legislation

On August 16, 1986, the committee of conference between the U.S. House of Representatives and the U.S. Senate agreed to recommend to those Houses of Congress certain amendments relating to H.R. 3838 as adopted by the U.S. House of Representatives on December 17, 1985, and as adopted by the U.S. Senate on June 24, 1986. Report 99-841 (the "Conference Report") which was ordered to be printed on September 18, 1986 includes amendments proposed by the committee of conference to the provisions of the Internal Revenue Code. These proposed amendments are, in general, to be effective for bonds, issued after August 15, 1986. Both the U.S. House of Representatives and the U.S. Senate have voted on and adopted the Conference Report. The President has not yet signed H.R. 3838, and thus, it has not yet been enacted into law.

The Conference Report would create a new 20 percent alternative minimum tax on corporations (payable in lieu of the regular tax if the amount of minimum tax exceeds the amount of regular tax) for taxable years beginning after December 31, 1986. For taxable years beginning in 1987, 1988 and 1989, the Conference Report would include as a corporate minimum tax preference item 50 percent of the excess of (i) a corporation's adjusted net book income (e.g., the income including interest on bonds issued by state and local governmental units, used in reports or statements to shareholders/owners, or reports to creditors) over (ii) pre-tax alternative minimum taxable income (as defined in the Conference Report). For taxable years beginning after December 31, 1989, the Conference Report would increase alternative minimum taxable income by 75 percent of the amount by which adjusted current earnings, including interest on bonds issued by state or local governments exceeds alternative minimum taxable income (before this adjustment). Thus, under the Conference Report, interest on the Bonds would be included as an adjustment for book income or adjusted earnings and profits for purposes of computing a corporation's alternative minimum tax.

In the opinion of Bond Counsel, if the Internal Revenue Code of 1986 is enacted into law in the form included in the Conference Report, the exclusion of the interest on the Bonds from gross income of the owners thereof for federal income tax purposes would not be affected adversely except that for taxable years beginning in 1987, interest on the Bonds would be included as an adjustment for book income or adjusted earnings and profits for purposes of determining the amount of the alternative minimum taxable income of a corporation imposed by section 55 of the Internal Revenue Code of 1986. In expressing this opinion, Bond Counsel has relied upon and assumed compliance by the Issuer with certain covenants with respect to the use and investment of the proceeds of the Bonds.

The Conference Report would include as an individual and corporate alternative minimum tax preference item the interest on certain private activity bonds issued after August 7, 1986.

TAX EXEMPTION AND PENDING FEDERAL LEGISLATION

Existing Law

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from all present federal income taxation. The form of Bond Counsel's opinion will change if the pending federal tax legislation discussed below is enacted into law. The law upon which the conclusion stated in Bond Counsel's opinion is based is subject to change by the Congress, the Treasury Department and later judicial and administrative decisions.

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In the opinion of Bond Counsel, if the Internal Revenue Code of 1986 is enacted into law in the form included in the Conference Report, the exclusion of the interest on the Bonds from gross income of the owners thereof for federal income tax purposes would not be affected adversely except that for taxable years beginning in 1987, interest on the Bonds would be included as an adjustment for book income or adjusted earnings and profits for purposes of determining the amount of the alternative minimum taxable income of a corporation imposed by section 55 of the Internal Revenue Code of 1986. In expressing this opinion, Bond Counsel has relied upon and assumed compliance by the Issuer with certain covenants with respect to the use and investment of the proceeds of the Bonds.

The Conference Report would include as an individual and corporate alternative minimum tax preference item the interest on certain private activity bonds issued after August 7, 1986.

In the opinion of Bond Counsel, if the Internal Revenue Code of 1986 is enacted into law in the form included in the Conference Report, and if the Issuer complies with certain of the covenants referred to above, none of the Bonds will be a "private activity bond", the interest on which is treated as an alternative minimum tax preference item.

Bond Counsel expresses no opinion as to whether any particular congressional action with respect to tax reform legislation will be enacted into law, nor with respect to any other federal income tax consequences of acquiring, carrying, owning or disposing of the Bonds. There can be no assurance given that legislation will not be enacted by this or a future Congress in a form which would adversely affect the tax treatment of ownership of the Bonds.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds, as represented by Bonds Nos. R-1 through R-16, aggregating \$2,100,000, which the Attorney General will have examined, are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas and, based upon their examination of a transcript of certified proceedings relating to the issuance of the Bonds, the approving legal opinion of Bond Counsel to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, and to the effect that interest on the Bonds is exempt from federal income taxation under existing statutes, regulations, published rulings and court decisions.

In their capacity as Bond Counsel, Brown Maroney Rose Barber & Dye has reviewed the information appearing in this Official Statement under the captions "SUMMARY OF THE BOND RESOLUTION" and "TAX EXEMPTION" solely to determine whether such information fairly summarizes the procedures and documents referred to therein and conforms to the Order of the Commission with regard to the sale of the Bonds. Such firms have not, however, independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the District for the purposes 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 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. It is anticipated that Bond Counsel's legal opinion will be printed on the Bonds.

No-Litigation Certificate

On the date of delivery of the Initial Bonds to the Initial Purchaser, the District will execute and deliver to the Initial Purchaser a certificate to the effect that no litigation of any nature has been filed or is pending, as of the date, of which the District has notice, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security, or in any manner question the validity of the Bonds.

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 District 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 provisions.

LEGAL INVESTMENTS IN TEXAS

Section 54.515, Chapter 54, Texas Water Code states that the bonds of the District are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, trustees, and for the other political corporations or subdivisions of the State of Texas. The statute further provides that the bonds are eligible to secure the deposit of any and all public funds of the State of Texas and any and all public funds of cities, towns, villages, counties, school districts, or other political corporations or subdivisions of the State of Texas; and the bonds are lawful and sufficient security for said deposits to the extent of their market value.

The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such institutions or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes, and consequently, the District makes no representation that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

AUTHENTICITY OF FINANCIAL INFORMATION

The financial data and other information contained herein have been obtained from the records of the District and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Texas Capital Markets, Inc. (the "Financial Advisor"). The fees to be paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered, and such fees are contingent on the sale and delivery of the Bonds.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Initial Bonds, the Initial Purchaser will be furnished a certificate, executed by proper officers of the District, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificate or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

Steve D. Pena
President
North Austin Municipal Utility District
No. One

August 20, 1986

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APPENDICES

Appendix A

Projected Debt Tax Rate Calculation on District ~~Inc~~tedness.

Appendix B

Financial Statements as of September 30, 1985.

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APPENDIX A
Projected Debt Tax Rate Calculations

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NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1
Combination Unlimited Tax and Revenue Bonds and Contract Bonds

| Fiscal Year Ending 9/30 | Assessed Valuation | Bond Tax Rate (per \$100) | Tax Coll. at 95% | Capital. Interest (1)(2) | Base Rate Revenues \$18.20 (3) | District funds Available (4) | District Share Require. \$16,300,000 SER. 1985 (4) | Debt Serv. Require. \$5,225,000 SER. 1986 (5) | Projected Debt Serv. Require. \$2,100,000 SER. 1986A (6) | Total Debt Service | Available Funds after Debt Ser. | Accum. Fund Balance |
|-------------------------------|-----------------------|---------------------------------|------------------------|--------------------------------|---|---------------------------------------|---|---|---|--------------------------|--|---------------------------|
| 1987 | 77,596,738 | 0.65 | 479,160 | 210,000 | 95,222 | 784,382 | 0 | 455,238 | 175,000 | 630,238 | 154,145 | 758,729 |
| 1988 | 116,891,000 | 0.65 | 721,802 | | 212,722 | 934,524 | 459,222 | 455,238 | 210,000 | 1,126,459 | (189,936) | 912,874 |
| 1989 | 150,341,000 | 0.65 | 928,356 | | 320,830 | 1,249,185 | 483,504 | 455,238 | 210,000 | 1,148,742 | 100,443 | 722,938 |
| 1990 | 171,582,000 | 0.58 | 945,417 | | 499,044 | 1,444,461 | 579,232 | 580,238 | 210,000 | 1,369,469 | 74,991 | 823,381 |
| 1991 | 179,123,000 | 0.56 | 952,934 | | 544,908 | 1,497,842 | 580,515 | 592,425 | 260,000 | 1,432,940 | 64,902 | 898,373 |
| 1992 | 184,810,000 | 0.56 | 983,189 | | 544,908 | 1,528,097 | 580,864 | 577,050 | 255,000 | 1,412,914 | 115,184 | 963,275 |
| 1993 | 184,810,000 | 0.56 | 983,189 | | 544,908 | 1,528,097 | 580,233 | 589,150 | 275,000 | 1,444,383 | 83,715 | 1,078,458 |
| 1994 | 184,810,000 | 0.56 | 983,189 | | 544,908 | 1,528,097 | 587,282 | 600,588 | 267,500 | 1,455,369 | 72,728 | 1,162,173 |
| 1995 | 184,810,000 | 0.56 | 983,189 | | 544,908 | 1,528,097 | 592,503 | 609,588 | 260,000 | 1,462,091 | 66,007 | 1,234,901 |
| 1996 | 184,810,000 | 0.56 | 983,189 | | 544,908 | 1,528,097 | 595,810 | 610,138 | 277,500 | 1,489,448 | 38,650 | 1,300,907 |
| 1997 | 184,810,000 | 0.56 | 983,189 | | 544,908 | 1,528,097 | 597,203 | 620,388 | 267,500 | 1,485,090 | 43,007 | 1,339,557 |
| 1998 | 184,810,000 | 0.56 | 983,189 | | 544,908 | 1,528,097 | 596,802 | 622,288 | 282,500 | 1,501,590 | 26,507 | 1,409,071 |
| 1999 | 184,810,000 | 0.56 | 983,189 | | 544,908 | 1,528,097 | 599,187 | 646,788 | 270,000 | 1,511,362 | 16,735 | 1,425,807 |
| 2000 | 184,810,000 | 0.56 | 983,189 | | 544,908 | 1,528,097 | 599,187 | 641,688 | 282,500 | 1,523,374 | 4,723 | 1,430,530 |
| 2001 | 184,810,000 | 0.56 | 983,189 | | 544,908 | 1,528,097 | 601,066 | 659,063 | 267,500 | 1,527,629 | 468 | 1,430,998 |
| 2002 | 184,810,000 | 0.56 | 983,189 | | 544,908 | 1,528,097 | 608,864 | 671,875 | 277,500 | 1,558,239 | (30,142) | 1,400,856 |
| 2003 | 184,810,000 | 0.56 | 983,189 | | 544,908 | 1,528,097 | 604,269 | 680,313 | 260,000 | 1,544,581 | (16,484) | 1,384,372 |
| 2004 | 184,810,000 | 0.56 | 983,189 | | 544,908 | 1,528,097 | 605,479 | 683,719 | 267,500 | 1,556,697 | (28,600) | 1,355,772 |
| 2005 | 184,810,000 | 0.11 | 193,126 | | 544,908 | 738,034 | 611,945 | 707,688 | 272,500 | 1,592,132 | (854,098) | 501,674 |
| 2006 | 184,810,000 | 0.00 | 0 | | 544,908 | 544,908 | 614,103 | 0 | 275,000 | 889,103 | (344,195) | 157,479 |
| 2007 | 184,810,000 | 0.00 | 0 | | 544,908 | 544,908 | 620,656 | 0 | 0 | 620,656 | (75,748) | 81,732 |
| 2008 | 184,810,000 | 0.00 | 0 | | 544,908 | 544,908 | 622,039 | 0 | 0 | 622,039 | (77,131) | 4,600 |
| 2009 | 184,810,000 | 0.00 | 0 | | 544,908 | 544,908 | 5,127 | 0 | 0 | 5,127 | 539,781 | 544,381 |

- (1) The District capitalized two years of interest on the Series 1986 Bonds.
- (2) The District will capitalize one year of interest on the Series 1986A Bonds.
- (3) The District collects a special water and sewer base rate of \$18.20/month. These revenues are pledged to pay the District's obligation on the City of Austin, Texas Contract Bonds, Series 1985. All excess revenues will be used to pay principal of and interest on any outstanding District Bonds.
- (4) This is the District's 34.81% share of the \$16,300,000 City of Austin, Texas Contract Bonds Series 1985. This excludes any payments made by interest on reserve fund or capitalized interest.
- (5) Effective interest rate on the Series 1986 Bonds is 8.86616%.
- (6) Interest on the Series 1986A Bonds has been calculated at a rate of 10.00% for purposes of illustration.