OFFICIAL STATEMENT

CITY OF AUSTIN, TEXAS

$99,615,000
Public Improvement Bonds, Series 2002

$34,095,000
Certificates of Obligation, Series 2002

$8,690,000
Public Property Finance Contractual Obligations, Series 2002

Dated: August 29, 2002

OFFICIAL STATEMENT DATED AUGUST 29, 2002

Ratings: Moody's: "Aa2"
Standard & Poor's: "AA+"
Fitch: "AA+"
(See "OTHER RELEVANT INFORMATION – Ratings".)

NEW ISSUE – Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel ("Bond Counsel") interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations.

$99,615,000
CITY OF AUSTIN, TEXAS
(Travis and Williamson Counties)
PUBLIC IMPROVEMENT BONDS, SERIES 2002

Dated: August 15, 2002 **Due: September 1, as shown below**

Interest on the $99,615,000 City of Austin, Texas (the "City") Public Improvement Bonds, Series 2002 (the "Bonds"), will accrue from the dated date as shown above and will be payable March 1 and September 1 of each year, commencing March 1, 2003, and will be calculated on the basis of a 360–day year of twelve 30–day months. The City intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on the behalf of DTC to discontinue such system. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer (see "OBLIGATION INFORMATION – Book-Entry-Only System").

The Bonds are direct obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City, as provided in the ordinance authorizing the Bonds (see "OBLIGATION INFORMATION – Security").

Proceeds from the sale of the Bonds will be used to finance various capital improvements and to pay certain costs of issuance of the Bonds.

MATURITY SCHEDULE

CUSIP Prefix: 052394

Maturity (September 1)	Amount	Interest Rate	Price or Yield	Maturity (September 1)	Amount	Interest Rate	Price or Yield
2003	$ 515,000	2.000%	1.45%	2013	$5,200,000	3.875%	3.97%
2004	*	*	*	2014	5,500,000	4.000%	4.11%
2005	3,300,000	2.500%	2.14%	2015	5,800,000	4.125%	4.25%
2006	3,000,000	2.750%	2.52%	2016	6,000,000	4.250%	4.39%
2007	3,400,000	2.750%	2.83%	2017	6,400,000	5.000%	4.44%**
2008	5,700,000	3.500%	3.17%	2018	6,700,000	5.000%	4.55%**
2009	4,300,000	3.250%	3.36%	2019	7,000,000	4.625%	4.68%
2010	4,500,000	3.500%	3.59%	2020	7,400,000	4.750%	4.78%
2011	4,700,000	3.625%	3.71%	2021	7,700,000	5.000%	4.84%**
2012	4,900,000	3.750%	3.83%	2022	7,600,000	5.000%	4.94%**

(Plus Accrued Interest from August 15, 2002)

*No Bonds are scheduled to mature on September 1, 2004.
**Priced to Call Date.

The initial reoffering yields were supplied to the City by the Purchasers. The initial reoffering yields shown above will produce compensation to the Purchasers of $349,615.15.

The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2013, in whole or in part in the principal amounts of $5,000 or any integral multiple thereof, on September 1, 2012, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption. See "OBLIGATION INFORMATION – Redemption".

The Bonds are offered for delivery when, as and if issued, subject to the approving opinions of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton L.L.P., Bond Counsel. The opinion of Bond Counsel will be printed on or attached to the Bonds (see Appendix C – "Form of Bond Counsel's Opinions").

It is expected that the Bonds will be delivered through the facilities of DTC on or about September 26, 2002.

OFFICIAL STATEMENT DATED AUGUST 29, 2002

Ratings: Moody's: "Aaa"
Standard & Poor's: "AAA"
Fitch: "AAA"
(See "BOND INSURANCE" and "OTHER RELEVANT INFORMATION – Ratings".)

NEW ISSUE – Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel ("Bond Counsel") interest on the Certificates is excludable from gross income for federal income tax purposes under existing law and the Certificates are not private activity bonds. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations.

$34,095,000
CITY OF AUSTIN, TEXAS
(Travis and Williamson Counties)
CERTIFICATES OF OBLIGATION, SERIES 2002

Dated: August 15, 2002 **Due: September 1, as shown below**

Interest on the $34,095,000 City of Austin, Texas (the "City") Certificates of Obligation, Series 2002 (the "Certificates"), will accrue from the dated date as shown above and will be payable March 1 and September 1 of each year, commencing March 1, 2003, and will be calculated on the basis of a 360–day year of twelve 30–day months. The City intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on the behalf of DTC to discontinue such system. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer (see "OBLIGATION INFORMATION – Book-Entry-Only System").

The Certificates are direct obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City and are additionally payable from and secured by a limited pledge of surplus revenues (not to exceed $1,000) of the City's Solid Waste Disposal System, as provided in the ordinance authorizing the Certificates (see "OBLIGATION INFORMATION – Security").

Proceeds from the sale of the Certificates will be used to finance various capital improvements and to pay certain costs of issuance of the Certificates.

The scheduled payment of the principal of and interest on the Certificates when due will be guaranteed by a municipal bond insurance policy to be issued by MBIA Insurance Company simultaneously with the delivery of the Certificates. (See "BOND INSURANCE" herein.)

MATURITY SCHEDULE

CUSIP Prefix: 052394

Maturity (September 1)	Amount	Interest Rate	Price or Yield	Maturity (September 1)	Amount	Interest Rate	Price or Yield
2003	$1,045,000	2.500%	1.40%	2012	$1,600,000	3.750%	3.85%
2004	1,100,000	2.500%	1.70%	2013	1,675,000	4.000%	4.00%
2005	1,150,000	2.500%	2.14%	2014	1,775,000	4.000%	4.15%
2006	1,175,000	2.500%	2.50%	2015	1,850,000	4.125%	4.26%
2007	1,250,000	4.750%	2.84%	2016	1,950,000	4.300%	4.40%
2008	1,300,000	3.000%	3.15%	2017	2,050,000	4.400%	4.50%
2009	1,375,000	3.250%	3.38%	2018	2,150,000	5.375%	4.49%*
2010	1,450,000	3.500%	3.62%	2019	2,250,000	5.375%	4.59%*
2011	1,525,000	3.625%	3.75%	2020	2,350,000	5.375%	4.69%*

$5,075,000 4.750% Term Bonds Due September 1, 2022 Priced to Call Date to Yield 5.020%

(Plus Accrued Interest from August 15, 2002)

*Priced to Call Date.

The initial reoffering yields were supplied to the City by the Purchasers. The initial reoffering yields shown above will produce compensation, net of the insurance premium, to the Purchasers of $141,137.40.

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2013, in whole or in part in the principal amounts of $5,000 or any integral multiple thereof, on September 1, 2012, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption. The Certificates maturing on September 1 in 2022 are also subject to mandatory sinking fund redemption. See "OBLIGATION INFORMATION – Redemption".

The Certificates are offered for delivery when, as and if issued, subject to the approving opinions of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton L.L.P., Bond Counsel. The opinion of Bond Counsel will be printed on or attached to the Certificates. See Appendix C – "Form of Bond Counsel's Opinions".

It is expected that the Certificates will be delivered through the facilities of DTC on or about September 26, 2002.

OFFICIAL STATEMENT DATED AUGUST 29, 2002

Ratings: Moody's: "Aaa"
Standard & Poor's: "AAA"
Fitch: "AAA"
(See "BOND INSURANCE" and "OTHER RELEVANT INFORMATION – Ratings".)

NEW ISSUE – Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel ("Bond Counsel") interest on the Contractual Obligations is excludable from gross income for federal income tax purposes under existing law and the Contractual Obligations are not private activity bonds. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations.

$8,690,000
CITY OF AUSTIN, TEXAS
(Travis and Williamson Counties)
PUBLIC PROPERTY FINANCE CONTRACTUAL OBLIGATIONS, SERIES 2002

Dated: August 15, 2002 **Due: May 1 and November 1, as shown below**

Interest on the $8,690,000 City of Austin, Texas (the "City") Public Property Finance Contractual Obligations, Series 2002 (the "Contractual Obligations"), will accrue from the dated date as shown above and will be payable May 1 and November 1 of each year, commencing May 1, 2003, and will be calculated on the basis of a 360–day year of twelve 30–day months. The City intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on the behalf of DTC to discontinue such system. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer (see "OBLIGATION INFORMATION – Book-Entry-Only System").

The Contractual Obligations are direct obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City, as provided in the ordinance authorizing the Contractual Obligations (see "OBLIGATION INFORMATION – Security").

Proceeds from the sale of the Contractual Obligations will be used to purchase certain equipment for various City Departments and to pay costs of issuance of the Contractual Obligations.

The scheduled payment of the principal of and interest on the Contractual Obligationss when due will be guaranteed by a municipal bond insurance policy to be issued by MBIA Insurance Company simultaneously with the delivery of the Contractual Obligations. (See "BOND INSURANCE" herein.)

MATURITY SCHEDULE

CUSIP Prefix: 052394

Maturity (May 1)	Amount	Interest Rate	Price or Yield	Maturity (November 1)	Amount	Interest Rate	Price or Yield
2003	$460,000	2.50%	1.40%	2003	$540,000	2.50%	1.40%
2004	560,000	2.50%	1.70%	2004	570,000	2.75%	1.70%
2005	590,000	2.75%	2.15%	2005	600,000	4.00%	2.15%
2006	620,000	2.50%	2.55%	2006	630,000	2.50%	2.55%
2007	650,000	2.80%	2.85%	2007	660,000	2.80%	2.85%
2008	680,000	3.15%	3.20%	2008	690,000	3.15%	3.20%
2009	710,000	3.40%	3.45%	2009	730,000	3.40%	3.45%

(Plus Accrued Interest from August 15, 2002)

The initial reoffering yields were supplied to the City by the Purchasers. The initial reoffering yields shown above will produce compensation, net of the insurance premium, to the Purchasers of $38,537.40.

The Contractual Obligations are not subject to redemption prior to their stated maturities.

The Contractual Obligations are offered for delivery when, as and if issued, subject to the approving opinions of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton L.L.P., Bond Counsel. The opinion of Bond Counsel will be printed on or attached to the Contractual Obligations (see Appendix C – "Form of Bond Counsel's Opinions").

It is expected that the Contractual Obligations will be delivered through the facilities of DTC on or about September 26, 2002.

No dealer, broker, salesman or other person has been authorized by the City or by the Purchasers to give any information or to make any representations, other than as contained in this Official Statement, and if given or made such other information or representations must not be relied upon as having been authorized by the City or the Purchasers. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds, the Certificates, or the Contractual Obligations (collectively referred to herein as the "Obligations"), by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

THE OBLIGATIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAVE THE ORDINANCES BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939 IN RELIANCE ON EXEMPTIONS CONTAINED IN SUCH ACTS.

The information set forth herein has been furnished by the City and includes information obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Purchasers. The information and expressions of the opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the other matters described herein since the date hereof. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau for the convenience of the owners of the Obligations.

This Official Statement includes descriptions and summaries of certain events, matters, and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the City or from Public Financial Management, Inc., the Financial Advisor to the City. Any statements made in this Official Statement or the Appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE CERTIFICATES, AND THE CONTRACTUAL OBLIGATIONS, THE PURCHASERS OF ANY OR ALL SERIES MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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CITY OF AUSTIN

Elected Officials

		Term Expires June 15
Gustavo Garcia	Mayor	2003
Daryl Slusher	Councilmember Place 1	2005
Raul Alvarez	Councilmember Place 2	2003
Jackie Goodman, Mayor Pro Tem	Councilmember Place 3	2005
Betty Dunkerley	Councilmember Place 4	2005
William Wynn	Councilmember Place 5	2003
Danny Thomas	Councilmember Place 6	2003

Appointed Officials

Toby Hammett Futrell	City Manager
Joe Canales	Deputy City Manager
Lisa Gordon	Assistant City Manager
John Stephens, CPA	Acting Assistant City Manager
Laura Huffman	Assistant City Manager
Vickie Schubert, CPA	Acting Director of Financial Services
Sedora Jefferson	City Attorney
Shirley A. Brown	City Clerk

BOND COUNSEL
McCall, Parkhurst & Horton L.L.P.
Austin and Dallas, Texas

FINANCIAL ADVISOR
Public Financial Management
Austin, Texas

AUDITORS
KPMG LLP and Richard Mendoza, CPA
Austin, Texas

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SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data on this page is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds, Certificates, and Contractual Obligations (referred herein collectively as the "Obligations") to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this data page from this Official Statement or to otherwise use it without the entire Official Statement.

This data page was prepared to present the purchasers of the Bonds, Certificates and Contractual Obligations information concerning the Bonds, Certificates and Contractual Obligations, the description of the tax base and other pertinent data, all as more fully described herein.

The Issuer ..... The City of Austin, Texas (the "City"), is a political subdivision located in Travis and Williamson Counties, operating as a home–rule city under the laws of the State of Texas and a charter approved by the voters in 1953, as amended. The City operates under the Council/Manager form of government where the mayor and six councilmembers are elected for staggered three-year terms. The Council formulates operating policy for the City while the City Manager is the chief administrative officer.

The City is approximately 265.80 square miles in area (see Appendix A – "General Information Regarding the City").

The Bonds..... The Bonds are being issued in the principal amount of $99,615,000 pursuant to the general laws of the State of Texas, particularly Chapter 1331, Texas Government Code and an Ordinance passed by the City Council of the City (see "OBLIGATION INFORMATION – Authority for Issuance").

The Certificates..... The Certificates are being issued in the principal amount of $34,095,000 pursuant to the general laws of the State of Texas, particularly Subchapter C, Chapter 271, Texas Local Government Code (the "Certificate of Obligation Act") and an Ordinance passed by the City Council of the City (see "OBLIGATION INFORMATION – Authority for Issuance").

The Contractual Obligations ..... The Contractual Obligations are being issued in the principal amount of $8,690,000 pursuant to the general laws of the State of Texas, particularly Subchapter A, Chapter 271, Texas Local Government Code (the "Public Property Finance Act") and an Ordinance passed by the City Council of the City (see "OBLIGATION INFORMATION – Authority for Issuance").

Security ..... Each series of the Obligations constitutes a direct obligation of the City, payable from a continuing ad valorem tax levied, within the limits prescribed by law, on taxable property within the City in an amount sufficient to provide for payment of principal of and interest on all ad valorem tax debt. The Certificates are additionally secured by and payable from a limited pledge of the surplus revenues (not to exceed $1,000) of the City's Solid Waste Disposal System.

Optional Redemption of Bonds and Certificates ..... The City reserves the right, at its option, to redeem the Bonds and Certificates having stated maturities on and after September 1, 2013, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2012, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption (see "OBLIGATION INFORMATION – Redemption"). **The Contractual Obligations are not subject to redemption prior to their stated maturities.**

Mandatory Redemption of Certificates ..... The Certificates maturing on September 1, 2022 are subject to mandatory redemption (see "OBLIGATION INFORMATION – Redemption").

Tax Exemption..... In the opinion of Bond Counsel, the interest on the Obligations is excludable from gross income for federal income tax purposes under existing law and the Obligations will not constitute private activity bonds. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel including the alternative minimum tax consequences for corporations.

Payment Record..... The City has not defaulted since 1900 when all bonds were refunded at par with a voluntary reduction in interest rates.

Selected Issuer Indices

Fiscal Year Ended 9-30	Estimated City Population(1)	Taxable Assessed Valuation	Per Capita Taxable Valuation	Net Funded Tax Debt(2)	Per Capita Net Funded Tax Debt	Ratio Net Funded Tax Debt Taxable Valuation	% of Tax Collections
1994	507,468	$18,237,532,094	$35,938.29	$422,737,988	$ 833.03	2.32%	100.07%
1995	523,352	20,958,589,300	40,046.83	436,867,901	834.75	2.08%	100.10%
1996	541,889	23,303,015,047	43,003.30	443,247,034	817.97	1.90%	99.91%
1997	560,939	25,823,385,257	46,036.00	476,147,167	848.84	1.84%	99.47%
1998	608,214	27,493,058,735	45,202.94	500,027,010	822.12	1.82%	99.37%
1999	619,038	32,458,349,755	52,433.53	509,759,139	823.47	1.57%	99.57%
2000	628,667	35,602,840,326	56,632.27	540,282,278	859.41	1.52%	99.85%
2001	661,639	41,419,314,286	62,601.08	546,210,746	825.54	1.32%	99.60%
2002	667,705	46,947,780,642	70,312.16	679,883,722	1,018.24	1.45%	100.31% (3)
2003	674,382	51,141,723,679(4)	75,834.95	673,208,247(5)	998.26(5)	1.32%(5)	N/A

(1) Source: City of Austin Planning/Growth Department.
(2) Excludes general obligation debt issued for enterprise funds, and general fund departments which transfer in from operating budgets.
(3) Estimated Collections as of June 30, 2002.
(4) Certified Appraised Value, including $3,786,126,268 in property in the appeals process.
(5) Projected.

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OFFICIAL STATEMENT

Relating to

$99,615,000
CITY OF AUSTIN, TEXAS
PUBLIC IMPROVEMENT BONDS, SERIES 2002

$34,095,000
CITY OF AUSTIN, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2002

$8,690,000
CITY OF AUSTIN, TEXAS
PUBLIC PROPERTY FINANCE CONTRACTUAL OBLIGATIONS, SERIES 2002

INTRODUCTION

This Official Statement, which includes the cover pages, the summary statement and the appendices hereto, provides certain information regarding the issuance by the City of Austin, Texas (the "City"), of $99,615,000 City of Austin, Texas, Public Improvement Bonds, Series 2002 (the "Bonds"), $34,095,000 City of Austin, Texas, Certificates of Obligation, Series 2002 (the "Certificates"), and $8,690,000 Public Property Finance Contractual Obligations, Series 2002 (the "Contractual Obligations"). The Bonds, Certificates, and Contractual Obligations are collectively referred to herein as the "Obligations". The Bonds, Certificates, and Contractual Obligations are being offered separately at competitive sales by the City, and delivery of each issue is not contingent upon the delivery of the other issues. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective ordinance authorizing the issuance of the Bonds (the "Bond Ordinance"), the ordinance authorizing the issuance of the Certificates of Obligations (the "Certificate Ordinance"), and the ordinance authorizing the issuance of the Contractual Obligations (the "Contractual Obligation Ordinance") except as otherwise indicated herein. The Bond Ordinance, the Certificate Ordinance, and the Contractual Obligation Ordinance are collectively referred to herein as the "Ordinances".

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

OBLIGATION INFORMATION

Authority for Issuance

The Bonds were authorized at elections held on various dates, and passed by a majority of the participating voters in the City. The City is authorized to incur debt by voter authorization by Chapter 1331, Texas Government Code and by the Bond Ordinance as authorized in the City Charter adopted by voters on January 31, 1953, as amended.

The Certificates are being issued pursuant to the general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the "Certificate of Obligation Act"), and the Certificate Ordinance passed by the City Council.

The Contractual Obligations are being issued pursuant to the general laws of the State of Texas, particularly Subchapter A of Chapter 271, Texas Local Government Code (the "Public Property Finance Act"), and the Contractual Obligation Ordinance passed by the City Council.

General

Each series of Obligations is dated August 15, 2002 and shall bear interest on the unpaid principal amounts from such date, at the respective per annum rates shown on the cover pages hereof. Principal is payable, upon presentation thereof, at the Designated Payment/Transfer Office of the Paying Agent/Registrar (see "Paying Agent/Registrar" herein). Interest thereon is payable by the Paying Agent/Registrar to the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined) and shall be paid by the Paying Agent/Registrar by check mailed by United States mail, first class postage prepaid, to the address of such person as it appears on the registration books of the Paying Agent/Registrar on or before each interest payment date or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the bondholder. The Obligations are issued only as fully registered obligations in denominations of $5,000 or any integral multiple thereof within a maturity.

The record date (the "Record Date") for the interest payable on any interest payment date is the 15th day of the month next preceding such interest payment date, as specified in the Ordinances. In the event of a nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (the "Special Record Date") will be established by the Paying Agent/Registrar, in accordance with the provisions of the Ordinances, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest, which shall be at least 15 days after the Special Record Date, shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each bondholder appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Security

The Obligations constitute direct obligations of the City, payable from a continuing ad valorem tax levied, within the limits prescribed by law, on taxable property located within the City in an amount sufficient to pay the principal of and interest on all ad valorem tax debt. The Certificates are additionally secured by and payable from a limited pledge of the surplus revenue (not to exceed $1,000) of the City's solid waste disposal system.

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 assessed valuation for all City purposes. The City operates under a Home Rule Charter sometimes referred to herein as the "Charter" which also limits the City's ad valorem tax rate to $2.50 per $100 assessed valuation for all City purposes. Within such Charter limitation, the total tax which may be levied annually by the City for municipal general operating purposes may not exceed $1.00 per $100 assessed valuation.

Bondholder Remedies

The Ordinances obligate the City Council to assess and collect an annual ad valorem tax sufficient to pay when due the respective principal of and interest when due on the Obligations and they also create a pledge of such tax to the payment of the Obligations.

Upon the failure of the City to make payment of principal or interest when the same becomes due and payable, then any bondholder, or an authorized representative thereof, including but not limited to, a trustee or trustees therefore, may proceed against the City by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained therein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the bondholder thereunder or any combination of such remedies but the right to accelerate the debt evidenced by the Obligations shall not be available as a remedy under the Ordinances. All such proceedings shall be instituted and maintained for the equal benefit of all such bondholders.

Although a bondholder could presumably obtain a judgment against the City if a default occurred in the payment of principal or interest on each series of Obligations, such judgment could not be satisfied by execution against any property of the City. The bondholder's only practical remedy, if a default occurs in the payment of principal or interest, is a mandamus or mandatory injunction proceeding to compel the City Council to levy, assess and collect an annual ad valorem tax within the tax rate limitation sufficient to pay principal and interest as it becomes due. The bondholder could be required to enforce such remedy on a periodic basis. No right to accelerate maturity is granted by the respective Ordinances.

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

Redemption

Optional Redemption. The City reserves the right, at its option, to redeem Bonds and Certificates having stated maturities on and after September 1, 2013, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2012, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption. If less than all of the Bonds or all of the Certificates are to be redeemed, the City shall determine the respective maturities and amounts to be redeemed and, if less than all of a maturity is to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds and Certificates are in Book-Entry-Only form) shall determine by lot the Bonds or Certificates, or portions thereof, within such maturity to be redeemed.

The Contractual Obligations are not subject to optional redemption prior to their maturities.

At least thirty days prior to a redemption date, the City shall cause a written notice of such redemption to be sent by United States mail, first class postage prepaid, to the registered owners of each Bond or Certificate to be redeemed at the address shown on the registration books maintained by the Paying Agent/Registrar and subject to the terms and provisions relating thereto contained in the Ordinances. If a Bond or Certificate (or a portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date such Bond or Certificate (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date thereof, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

Mandatory Redemption. The Certificates maturing on September 1, 2022 (the "Term Certificates") are subject to mandatory redemption prior to maturity in part at random, by lot or other customary method selected by the Registrar, at 100% of the principal amount thereof plus accrued interest to the date of redemption on the dates, in the years and principal amounts as follows:

Term Certificates due September 1, 2022		
Redemption Date	Amount	
September 1, 2021	$2,475,000	
September 1, 2022	2,600,000	(a)

(a) Maturity.

Defeasance of Obligations

The Ordinances provide for the defeasance of the Obligations when the payment of the principal of and premium, if any on the Obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agency, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations. The Ordinances provide that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or it equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Obligations shall no longer be regarded to be outstanding or unpaid. The City has reserved the option, however, to be exercised at the time of the defeasance of the Obligations, to call for redemption at an earlier date, Obligations which have been defeased to their maturity date, if the City; (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Book-Entry-Only System

The City has elected to utilize the Book-Entry-Only System of DTC, as described under this heading. The obligation of the City is to timely pay the Paying Agent/Registrar the amount due under the Ordinances. The responsibilities of DTC, the Direct Participants and the Indirect Participants to the Beneficial Owner of the Obligations are described herein.

DTC will act as securities depository for the Obligations (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the

provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement

of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Paying Agent/Registrar

The initial Paying Agent/Registrar for each series of Obligations is Bank One, N.A., or its successor. Interest on and principal of the Obligations will be payable, and transfer functions will be performed at the corporate trust office of the Paying Agent/Registrar in Dallas, Texas (the "Designated Payment/Transfer Office"). In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Obligations are outstanding and any successor Paying Agent/Registrar shall be a commercial bank, trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. An Obligation may be assigned by the execution of an assignment form thereon or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Obligation will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt thereof to be canceled, 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 Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations.

Limitation on Transfer of Bonds or Certificates Called for Redemption

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond or Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled principal of a Bond or Certificate.

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BOND INSURANCE

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix D for a specimen of MBIA's policy.

Bond Insurance

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Certificates and Contractual Obligations as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Certificates and/or Contractual Obligations pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Certificates and/or Contractual Obligations. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Certificates and Contractual Obligations upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Certificates and Contractual Obligations resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Certificates and/or Contractual Obligations.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Certificate and/or Contractual Obligation the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Certificates and/or Contractual Obligations or presentment of such other proof of ownership of the Certificates and/or Contractual Obligations, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Certificates and/or Contractual Obligations as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Certificates and/or Contractual Obligations in any legal proceeding related to payment of insured amounts on the Certificates and/or Contractual Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Certificates and/or Contractual Obligations, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2001; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Contractual Obligations offered hereby shall be deemed to be incorporated by reference in this Official Statement] and to be a part hereof. Any statement contained in a

document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002), are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001, MBIA had admitted assets of $8.5 billion (audited), total liabilities of $5.6 billion (audited), and total capital and surplus of $2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2002, MBIA had admitted assets of $8.7 billion (unaudited), total liabilities of $5.7 billion (unaudited), and total capital and surplus of $3.0 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

TAX INFORMATION

Ad Valorem Tax Law

The appraisal of property within the City is the responsibility of the Travis Central Appraisal District (the "Appraisal District"). Excluding agricultural and open–space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title 1, V.T.C.A. Tax Code (commonly known as the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. State law further limits the appraised value of a residence homestead for a tax year (the "Homestead 10% Increase Cap") to an amount not to exceed the lesser of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State Law provide for certain exemptions from property taxes, the valuation of agricultural and open–space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1–b, Article VIII, and State Law, the governing body of a political subdivision, at its option, may grant:

(1) An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision;

(2) An exemption of up to 20% of the market value of residence homesteads; minimum exemption $5,000.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a sum of $12,000.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Personal property not used in the business of a taxpayer, such as automobiles or light trucks, is exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property.

Article VIII, Section 1-j of the Texas Constitution provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. The City grants such exemption.

The City grants an exemption to the appraised value of the residence homestead of persons 65 years of age or older and to the disabled of $51,000.

The City may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has adopted criteria for granting tax abatements which establish guidelines regarding the number of jobs to be created and the amount of new value to be added by the taxpayer in return for the abatement. The City has entered into several such abatement agreements in recent years.

Tax Valuation

January 1, 2002 Appraised Valuation (1)		$55,322,847,386
Less Local Exemptions to Assessed Values: (2)		
Residential Homestead over 65	$1,087,992,436	
Homestead 10% Increase Cap	2,150,959,674	
Disabled Veterans	35,019,433	
Agricultural and Historical Exemptions	283,883,265	
Disability Exemption	89,979,842	
Freeport Exemption	533,289,057	4,181,123,707
January 1, 2002 Net Taxable Assessed Valuation (1)		$51,141,723,679

(1) 2002 Certified Appraised Value includes $3,786,126,268 in property in the appeals process.

(2) Exemptions or adjustments to assessed valuation granted in 2002 include (a) exemptions of $51,000 for resident homestead property of property owners over 65 years of age; (b) exemptions for residents homestead property exceeding a 10 percent increase in valuation from the previous year; (c) exemptions ranging from $5,000 to $12,000 for property of disabled veterans or certain surviving dependents of disabled veterans; (d) certain adjustments to productive agricultural lands; (e) exemptions to the land designated as historically significant sites by certain public bodies; (f) exemptions of $51,000 to disabled resident homestead property owners; (g) exemption of freeport property detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication of exported finished goods from Texas.

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Statement of Debt (As of September 30, 2002)

The following table sets forth on a pro forma basis the amount of Public Improvement Bonds, Assumed Bonds, Contract Tax Bonds, Certificates of Obligation, Contractual Obligations and Tax Anticipation Notes outstanding and certain debt ratios related thereto.

Public Improvement Bonds (1)	$589,130,000	
Certificates of Obligations (1)	101,995,000	
Contractual Obligations (1)	27,040,000	
Assumed Bonds (2)	15,157,761	
Contract Tax Bonds (3)	450,000	
Tax Anticipation Notes	4,800,000	
The Bonds (4)	99,615,000	
The Certificates (4)	34,095,000	
The Contractual Obligations (4)	8,690,000	
Total		$880,972,761
Less Self-Supporting Debt:		
Assumed Bonds (2)	$12,635,703	
Contract Tax Bonds (3)	450,000	
Airport (5)	818,171	
Austin Energy (5)	2,729,710	
City Hall (4)	6,455,000	
CMTA Mobility (6)	28,460,000	
Convention Center (5)	10,157,215	
Fleet Management (4)(5)	8,863,336	
Golf (4)(5)	8,851,202	
Solid Waste (5)	19,762,340	
Transportation (5)	319,120	
Water and Wastewater (4)(5)	18,555,430	
Watershed Protection (4)(5)	11,006,695	$159,063,922
Interest and Sinking Fund, All Public Improvement Bonds (7)		13,497,227
Net Debt (8)		$708,411,612
Ratio Total Debt to 2002 Net Taxable Assessed Valuation		1.72%
Ratio Net Debt to 2002 Net Taxable Assessed Valuation		1.39%

2003 Population (Estimate) – 674,382 (9)
Per Capita Net Taxable Assessed Valuation – $75,834.95
Per Capita Net Debt Outstanding – $1,051.39

(1) Excludes the new money issuances.
(2) Represents bonds of utility districts annexed by the City.
(3) Represents bonds of a district which the City has agreed to pay from the levy of an ad valorem tax sufficient to pay debt service if surplus water and wastewater revenues are not sufficient to meet debt service requirements.
(4) New money issued August 29, 2002 with delivery September 26, 2002.
(5) Airport, Austin Energy, Convention Center, Fleet Management, Golf, Solid Waste, Transportation, Water, Wastewater and Watershed Protection represent a portion of the City's Outstanding Public Improvement Bonds, Certificates of Obligation and/or Contractual Obligations. Debt service for Airport, Austin Energy, Convention Center, Fleet Management, Golf, Solid Waste, Transportation, Water, Wastewater and Watershed Protection is paid from revenue of the respective enterprises. The City plans to continue to pay these obligations from each respective enterprise. Fleet Management is an internal service fund, which generates revenue through charges to user departments.
(6) The City entered into an interlocal agreement with Capital Metro Transit Authority (CMTA), whereby CMTA will pay the required debt service to the City through a transfer of funds 30 days prior to each debt service payment date.
(7) Represents estimate of cash plus investments at cost on September 30, 2002.
(8) Various general fund departments have issued debt which is supported by a transfer into the debt service fund from the issuing department. These departments budget the required debt service which reduces the debt service tax requirement. If excluded, these obligations would lower net debt by $29,152,890.
(9) Source: City of Austin Planning/Growth Department. This figure does not include areas annexed for limited purposes.

Revenue Debt

In addition to the above, on a pro forma basis, the City had outstanding (as of August 1, 2002) $1,607,274,581 Combined Utility Systems Revenue Bonds payable from a prior and subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System; $374,330,000 Electric Utility Obligations payable from a subordinate lien on the net revenues of the Electric Utility System; $582,760,000 Water and Wastewater Obligations payable from a subordinate lien on the net revenue of the Water and Wastewater System, and $340,101,000 Combined Utility Systems Commercial Paper payable from a subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System. The aforementioned amounts include delivery on August 20, 2002, of $172,880,000 City of Austin, Texas Electric Utility System Revenue Refunding Bonds, Series 2002A, and $139,695,000 City of Austin, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2002A.

The City also has outstanding (as of August 1, 2002) $398,990,000 Airport System Prior Lien Revenue Bonds payable from revenue of the City's Airport System. The City also has outstanding (as of August 1, 2002) $244,850,000 in Convention Center Bonds, payable from hotel/motel occupancy tax collections.

Obligations Subject to Annual Appropriation

The City has entered into two subleases (the "Subleases") with respect to space to house the Electric Utility and the Water and Wastewater Utility, and $8,760,000 and $6,600,000, respectively, of Certificates of Participation are outstanding and payable from payments made under such Subleases. The City anticipates funding the required lease payments from the revenue of the respective utility system, although the City may make such payments from any available funds of the City as a whole appropriated for such purposes. The revenue of the Electric System and the Water and Wastewater System are not specifically pledged in such Subleases.

Valuation and Funded Debt History

Fiscal Year Ended 9-30	Estimated City Population(1)	Net Taxable Assessed Valuation	Net Taxable Assessed Valuation Per Capita	Net Funded Tax Debt(2)	Per Capita Net Funded Tax Debt	Ratio Net Funded Debt To Taxable Assessed Valuation	% of Collections
1994	507,468	$18,237,532,094	$35,938.29	$422,737,988	$ 833.03	2.32%	100.07%
1995	523,352	20,958,589,300	40,046.83	436,867,901	834.75	2.08%	100.10%
1996	541,889	23,303,015,047	43,003.30	443,247,034	817.97	1.90%	99.91%
1997	560,939	25,823,385,257	46,036.00	476,147,167	848.84	1.84%	99.47%
1998	608,214	27,493,058,735	45,202.94	500,027,010	822.12	1.82%	99.37%
1999	619,038	32,458,349,755	52,433.53	509,759,139	823.47	1.57%	99.57%
2000	628,667	35,602,840,326	56,632.27	540,282,278	859.41	1.52%	99.85%
2001	661,639	41,419,314,286	62,601.08	546,210,746	825.54	1.32%	99.60%
2002	667,705	46,947,780,642	70,312.16	679,883,722	1,018.24	1.45%	100.31%(3)
2003	674,382	51,141,723,679(4)	75,834.95	673,208,247(5)	998.26(5)	1.32%(5)	N/A

(1) Source: City of Austin Planning/Growth Department.
(2) Excludes general obligation debt issued for enterprise funds, and general fund departments which transfer in from operating budgets.
(3) Estimated Collections as of June 30, 2002.
(4) Certified Appraised Value, including $3,786,126,268 in property in the appeals process.
(5) Projected.

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Tax Rate, Levy and Collection History

Fiscal Year Ended 9-30	Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
1993	$0.6400	$0.3500	$0.3000	$108,824,534	98.03%	99.49%
1994	0.6225	0.3462	0.2763	113,528,637	98.76%	100.07%
1995	0.5625	0.3132	0.2493	117,892,065	99.00%	100.10%
1996	0.5446	0.3177	0.2269	126,908,220	99.03%	99.91%
1997	0.5251	0.3117	0.2134	135,598,596	98.96%	99.47%
1998	0.5401	0.3304	0.2097	148,490,010	98.80%	99.37%
1999	0.5142	0.3265	0.1877	166,900,834	98.89%	99.57%
2000	0.5034	0.3222	0.1812	179,224,698	99.08%	99.85%
2001	0.4663	0.3011	0.1652	193,138,262	98.98%	99.60%
2002	0.4597	0.3041	0.1556	215,818,948	99.10% (1)	100.11% (1)
2003(2)	0.4597	0.2969	0.1628	235,098,504	N/A	N/A

(1) Estimated collections as of June 30, 2002.
(2) Proposed Budget.

Ten Largest Taxpayers (1)

Name of Taxpayer	Nature of Property	January 1, 2002 Taxable Assessed Valuation	% of 2001 Total Taxable Assessed Valuation
Motorola Corporation	Manufacturing	$1,016,296,140	1.99%
Advanced Micro Devices, Inc.	Manufacturing	377,012,312	0.74%
IBM Corporation	Manufacturing	337,578,631	0.66%
Southwestern Bell Telephone Company	Telephone Utility	308,143,824	0.60%
Samsung Austin Semiconductor (2)	Manufacturing	257,703,870	0.50%
Applied Materials Inc.	Manufacturing	242,999,254	0.48%
Prudential Insurance Company	Insurance	158,432,000	0.31%
State Street Bank and Trust	Banking	152,932,603	0.30%
Blue Star Austin Investments	Commercial	147,602,700	0.29%
Dell Computer Corporation	Manufacturing	146,993,214	0.29%
TOTAL		$3,145,694,548	6.15%

(1) Taxable property valuations for the ten largest taxpayers from the July 2002 certified tax roll are lower than last year as a result of the local economic slowdown. Five of the companies represent computer technology manufacturers. The decline in the computer technology sector of the economy has resulted in substantial reductions in personal property inventory.
(2) Samsung Corporation received an abatement for $159,146,504 in real and personal property value.
Source: Travis Central Appraisal District.

Property Tax Rate Distribution

	Fiscal Year Ended September 30				
	1999	2000	2001	2002	2003(1)
General Fund	$.3265	$.3222	$.3011	$.3041	$.2969
Interest and Sinking Fund	.1877	.1812	.1652	.1556	.1628
Total Tax Rate	$.5142	$.5034	$.4663	$.4597	$.4597

(1) July 25, 2002 Certified Tax Roll at the nominal tax rate.

Net Taxable Assessed Valuations, Tax Levies and Collections

Fiscal Year	Valuation	Real Property		Personal Property		Net Taxable	Total	% Current	% Total
Ended 9-30	Date	Amount	% of Total	Amount	% of Total	Assessed Valuation	Tax Levy	Collections	Collections
1994	1-1-93	$14,828,873,350	81.30%	$3,408,658,744	18.70%	$18,237,532,094	$113,528,637	98.76%	100.07%
1995	1-1-94	17,350,805,301	82.79%	3,607,783,999	17.21%	20,958,589,300	117,892,065	99.00%	100.10%
1996	1-1-95	19,478,990,278	83.59%	3,824,024,769	16.41%	23,303,015,047	126,908,220	99.03%	99.91%
1997	1-1-96	21,488,717,069	83.21%	4,334,668,188	16.79%	25,823,385,257	135,598,596	98.96%	99.47%
1998	1-1-97	22,693,966,978	82.54%	4,799,091,757	17.46%	27,493,058,735	148,490,010	98.80%	99.37%
1999	1-1-98	27,225,077,724	83.88%	5,233,272,031	16.12%	32,458,349,755	166,900,834	98.89%	99.57%
2000	1-1-99	30,114,175,223	84.58%	5,488,665,103	15.42%	35,602,840,326	179,224,698	99.08%	99.85%
2001	1-1-00	35,257,000,679	85.23%	6,110,383,576	14.77%	41,419,314,286	193,138,262	98.98%	99.60%
2002	1-1-01	39,915,723,464	85.02%	7,032,057,178	14.98%	46,947,780,642	215,818,948	99.10%(1)	100.11%(1)
2003	1-1-02	44,578,140,737	87.17%	6,536,582,942	12.83%	51,141,723,679	235,098,504(2)	N/A	N/A

(1) Estimated collections through June 30, 2002.
(2) July 25, 2002 Certified Tax Roll.

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Tax Rate Limitation

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 assessed valuation for all City purposes. The City operates under a Home Rule Charter which also limits the City's ad valorem tax rate to $2.50 per $100 assessed valuation for all City purposes. Within such Charter limitation, the total tax which may be levied annually by the City for municipal general operating purposes may not exceed $1.00 per $100 assessed valuation.

By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per $100 taxable value for the upcoming fiscal year beginning October 1. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Tax Code, the City Council is prohibited from adopting a tax rate that will result in any increase in total tax revenue from the preceding fiscal year until it has held a public hearing on the proposed increase following notice to the taxpayers.

Each year the City must calculate and publicize certain information concerning its proposed tax rate, including its "rollback tax rate." The rollback tax rate is the rate that will produce last year's maintenance and operation tax levy multiplied by 1.08 plus a rate that will produce the current year's debt service, with such rates being adjusted to take into account new exemptions and property additions to the tax roll. If the adopted rate exceeds the rollback tax rate, the qualified voters of the City may petition the City Council to call an election to determine whether to reduce the tax rate adopted for the City to the rollback tax rate.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

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DEBT INFORMATION*

Debt Service Requirements

Fiscal Year Ending 09/30	Public Improvement Bonds	Certificates of Obligation	Short - Term Obligations (a)	Contract Tax Bonds	Assumed MUD & WCID Bonds	The Bonds, Certificates and Contractual Obligations (b)	Grand Total Requirements	Less Self-Supporting Requirements (c)	Net Total Requirements	Percent Principal Payout
2003	$ 67,826,357	$ 10,305,469	$ 14,030,929	$ 172,948	$ 3,415,711	$ 7,991,440	$ 103,742,853	23,576,255	$ 80,166,598	
2004	68,997,985	10,310,939	8,301,903	160,705	3,453,944	7,944,026	99,169,502	23,755,578	75,413,924	
2005	71,363,409	10,170,328	6,331,493	148,553	2,805,925	11,297,939	102,117,645	23,119,140	78,998,505	
2006	69,076,374	9,759,663	3,771,455	-	2,353,724	10,935,626	95,896,841	19,845,646	76,051,195	
2007	63,380,975	9,778,738	1,337,244	-	1,261,653	11,323,376	87,081,985	18,058,815	69,023,170	33.66%
2008	55,698,460	9,798,035	456,275	-	1,111,385	13,545,186	80,609,341	17,198,709	63,410,633	
2009	52,440,868	9,822,595	229,359	-	991,463	12,000,159	75,484,443	16,506,168	58,978,276	
2010	53,618,824	9,849,118	-	-	997,573	11,373,304	75,838,818	16,050,764	59,788,054	
2011	51,327,836	9,873,495	-	-	1,001,480	10,697,644	72,900,455	15,094,761	57,805,694	
2012	46,797,334	9,918,735	-	-	1,003,240	10,746,988	68,466,297	15,016,078	53,450,219	62.44%
2013	42,505,588	9,157,728	-	-	1,017,960	10,878,238	63,559,513	13,824,381	49,735,132	
2014	39,723,163	5,910,300	-	-	1,214,635	11,009,738	57,857,835	10,528,637	47,329,198	
2015	35,803,985	5,933,155	-	-	1,213,546	11,093,738	54,044,424	10,319,535	43,724,888	
2016	31,256,656	5,977,138	-	-	1,229,024	11,078,175	49,540,993	10,073,006	39,467,987	
2017	27,386,879	6,020,819	-	-	1,011,643	11,239,325	45,658,665	9,695,289	35,963,376	86.27%
2018	22,080,013	5,887,031	-	-	716,688	11,229,125	39,912,856	7,433,416	32,479,440	
2019	20,577,275	3,927,200	-	-	-	11,178,563	35,683,038	5,901,027	29,782,011	
2020	14,366,494	3,473,963	-	-	-	11,233,875	29,074,331	5,616,123	23,458,208	
2021	7,739,888	1,812,175	-	-	-	11,181,063	20,733,125	4,499,326	16,233,799	
2022	162,944	-	-	-	-	10,703,500	10,866,444	2,747,469	8,118,975	100.00%

(a) Includes principal and interest on Contractual Obligations and Tax Anticipation Notes.
(b) Includes principal and interest on the Obligations.
(c) Includes principal and interest on all self-supporting debt (see "Statement of Debt", p. 8).

*As of September 30, 2002

Estimated Direct and Overlapping Funded Debt Payable From Ad Valorem Taxes (As of 9-30-01) (in 000's)

Expenditures of the various taxing bodies within the territory of the City are paid out of ad valorem taxes levied by these taxing bodies on properties within the City. These political taxing bodies are independent of the City and may incur borrowings to finance their expenditures. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the date stated above, and such entities may have programs requiring the issuance of substantial amounts of additional bonds the amount of which cannot be determined. The following table reflects the estimated share of overlapping funded debt of these various taxing bodies.

Taxing Jurisdiction	Total Funded Debt	Estimated % Applicable (2)	Overlapping Funded Debt
City of Austin	$546,211(1)	100.00%	$ 546,211
Austin Independent School District	448,747	89.59%	402,032
Travis County	349,142	74.00%	258,365
Round Rock Independent School District	447,797	5.00%	22,390
Leander Independent School District	286,968	1.49%	4,276
Pflugerville Independent School District	150,546	3.60%	5,420
Eanes Independent School District	87,734	4.27%	3,746
Williamson County	234,165	2.64%	6,182
Del Valle Independent School District	76,700	78.00%	59,826
Manor Independent School District	35,782	2.10%	751
Austin Community College	51,155	80.10%	40,975
North Austin Municipal Utility District No. 1	20,599	100.00%	20,599
Northwest Austin Municipal Utility District No. 1	21,110	100.00%	21,110
Northwest Travis County Road District No. 3	6,045	100.00%	6,045
Anderson Mill Municipal Utility District	145	0.90%	1
TOTAL DIRECT AND OVERLAPPING FUNDED DEBT			$1,397,929
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation (3)			3.38%
Per Capita Overlapping Funded Debt (3)			$2,112.83

(1) Excludes general obligation debt reported in proprietary funds.
(2) Source: Taxing jurisdiction.
(3) Based on assessed valuation of $41,419,314,286. Based on 2001 estimated population of 661,639.

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Authorized General Obligation Bonds

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Brackenridge 2000	10-22-83	$ 50,000,000	$40,785,000		$ 9,215,000
Drainage and Flood Control	09-08-84	48,535,000	46,544,000	$ 1,991,000	0
Parks Improvements	09-08-84	9,975,000	9,648,000		327,000
Cultural Arts	01-19-85	20,285,000	14,890,000		5,395,000
Asbestos Abatement, ADA Compliance and East Austin Health Clinic	08-08-92	18,800,000	17,730,000	1,070,000	0
Erosion & Flood Control	08-08-92	21,570,000	19,643,000	1,927,000	0
Communications Equipment	05-03-97	38,000,000	38,000,000*		0*
Walnut Creek Watershed	05-02-98	10,000,000	1,460,000		8,540,000
Street and Traffic Signals	11-03-98	152,000,000	67,130,000	28,452,000	56,418,000
Park and Recreation Facilities	11-03-98	75,925,000	27,565,000	12,685,000	35,675,000
Public Safety Facilities	11-03-98	54,675,000	32,420,000	13,750,000	8,505,000
Library, Cultural Arts and Museum	11-03-98	46,390,000	14,120,000	20,725,000	11,545,000
Street Improvements	11-07-00	150,000,000	15,000,000	15,000,000	120,000,000
Land Acquisition	11-07-00	13,400,000	5,985,000	4,015,000	3,400,000
TOTAL				$99,615,000	$259,020,000

* $13,580,000 of this authorization was sold as Public Improvement Bonds. The City further issued $24,420,000 in Contractual Obligations and applied the amount toward the authorized general obligation bonds total.

Anticipated Issuance of General Obligation Bonds

The City does not anticipate the issuance of additional general obligation bonds before the fall of 2003. The City continues to review opportunities for refunding certain previously issued general obligation bonds and assumed debt.

Funded Debt Limitation

No direct funded debt limitation is imposed on the City under current State law or the City's Home Rule Charter. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 assessed valuation for all City purposes. The City operates under a Home Rule Charter which adopts the constitutional provisions and also contains a limitation that the total tax which may be levied annually by the City for municipal general operating purposes may not exceed $1.00 per $100 assessed valuation.

FISCAL MANAGEMENT

The Capital Improvements Program Plan and Capital Budget

The Capital Improvement Plan is a five-year list of capital improvements and a corresponding spending plan for financing these improvements. It is developed through public input and department prioritization of needs. The process includes neighborhood meetings, department requests, Budget Office assessment of requested projects, input from the Planning Commission's CIP Subcommittee and other Boards and Commissions, and citizen input from public hearings. Each year, the Planning Commission reviews the Capital Improvement Plan and submits a recommendation to the City Manager detailing specific projects to be included in the Capital Budget for the next fiscal year.

The City Manager considers the Planning Commission's recommended Plan to propose a Capital Budget to the City Council. The Capital Budget contains requested appropriations for new projects, additional appropriations for previously approved projects and any requests to revise prior year appropriations. Unlike the Operating Budget, which authorizes expenditures for only one fiscal year, Capital Budget appropriations are multi-year, lasting until the project is complete or until changed by the City Council.

The City Council reviews the Capital Budget, holds public hearings to gather final citizen input and establishes the amount of revenue and general obligation bonds to sell to fund capital improvements.

2002–2003 Capital Budget

The 2002-2003 five-year Capital Improvement Program (CIP) plan was reviewed by the Planning Commission, the Bond Oversight Committee and other boards and commissions. Public input was received at a public hearing held by the Planning Commission and the Bond Oversight Committee. The plan estimates citywide capital spending in 2002-2003 of $419.1 million in enterprise funds and $236.9 million in general government funds.

The first year of the five-year plan was used to determine the new appropriations required for inclusion in the 2002-03 Capital Budget. Total new proposed appropriation for General Government CIP Funds is $102.6 million and total new proposed appropriation for Enterprise CIP Funds is $367.4 million. Appropriation by department is listed below.

Summary of 2002-2003 Proposed Capital Budget (millions):	
Austin Energy	$166.5
Aviation	15.5
Convention Center	1.0
Golf	13.7
Solid Waste Services	1.0
Wastewater Utility	99.1
Water Utility	60.7
Watershed Protection (Drainage Only)	9.9
Enterprise Appropriations	$367.4
Economic Growth & Redevelopment Services	$ 2.4
Fire	2.5
Fleet Services	3.2
General Government	1.9
Health and Human Services	0.3
Information Systems	4.6
Library	5.2
Neighborhood Housing & Community Development	3.1
Parks and Recreation	28.3
Primary Care	8.9
Public Works	14.6
Transportation, Planning & Sustainability	25.9
Watershed Protection (General Government)	1.7
General Government Appropriations	$102.6
TOTAL PROPOSED NEW APPROPRIATIONS	$470.0

Operating Budget

The City's Home Rule Charter and Texas law require the City Manager to prepare and submit to the City Council a balanced budget consisting of an estimate of the revenues and expenditures in the budget period and the undesignated General Fund balance available for reappropriation. The budget process in the City normally commences with all department heads submitting to the Director of Financial Services a detailed estimate of the appropriations required for their respective departments during the next fiscal year. The Director of Financial Services, in turn, forwards these estimates to the City Manager who submits them to the Mayor and City Council for their consideration and approval.

In June 1989, the City Council approved Financial Management Policies, which were last amended in September 2001. Among other items, these policies require that a General Fund Emergency Reserve Fund of at least $15,000,000 shall be budgeted. Additionally, a General Fund Contingency Reserve Fund of 1% of total budgeted departmental expenditures, but not less than $2,000,000, shall be budgeted annually. The 2002-2003 proposed budget is in compliance with these requirements.

2002–2003 Budget (Amounts are in thousands)

The proposed budget was prepared in accordance with guidelines provided by the City Council and includes a tax rate of $0.4597 per $100 assessed valuation, which is the same rate as the 2001-2002 rate of $0.4597. The City Council holds work sessions and conducts public hearings on the proposed budget prior to its adoption. The following is a summary of the proposed 2002-2003 General Fund Budget.

Due to the general economic downturn the City is preparing to hold the tax rate constant, therefore increasing the tax rate by $0.0073 over the effective rate for 2002-2003. In addition, expenditures for 2002-2003 will be decreased through reductions in departmental budgets. Examples include the elimination of vacant positions and a reduction in administrative costs.

Beginning Balance, October 1, 2002 (Budget Basis) (000's omitted)		$ 34,245
Summary of Budgeted General Fund Resources		
Revenue:		
General Property Taxes	$150,999	
City Sales Tax	117,929	
Other Taxes	3,852	
Gross Receipts/Franchise Fees	28,287	
Miscellaneous	60,704	
Total Revenue		$361,771
Transfers In:		
Electric Light and Power System	$ 72,864	
Water and Wastewater System	19,553	
Other Transfers	1,201	
Total Transfers In		$ 93,618
Total General Fund Resources		$455,389
Summary of Budgeted General Fund Requirements		
Departmental Appropriations:		
Administrative Services	$ 8,987	
Urban Growth Management	12,571	
Public Safety	256,001	
Public Works	10,184	
Public Health and Human Services	55,721	
Public Recreation and Culture	46,996	
Total Departmental Appropriations		$390,460
Transfers Out:		
Support Services Fund	$ 20,496	
Fleet and Vehicle Acquisition Funds	3,286	
Other Funds	46,264	
Total Transfers Out		$ 70,046
Other Requirements		$ 13,654
Total General Fund Requirements		$474,160
Use of Beginning Balance		$(18,771)
Ending Balance		$ 15,474
Budgeted Reserve Requirements		
Emergency Reserve	$ 15,000	
Contingency Reserve	4,313	
Total Budgeted Reserve Requirements		$ 19,313

Deficit Budgeting

The City is barred by Texas law and the City's Charter from deficit budgeting.

Accounting System

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenue being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's enterprise and internal service funds are maintained on an accrual basis.

Article VII, Section 15 of the City's Charter requires an annual audit of all accounts of the City by an independent certified public accountant. This charter requirement has been complied with and the accountant's report is included herein.

Short–Term Borrowing

Pursuant to Section 1431, V.T.C.A Government Code, the City has the authority to conduct short-term borrowings to provide for the payment of current expenses, through the issuance of anticipation notes. Such notes must mature before the first anniversary of the date the Attorney General approves the anticipation notes. As a result of unanticipated public safety expenditures incurred by the City after the events of September 11, the City issued $4,800,000 of its Tax Anticipation Notes, Series 2002, which were delivered on April 17, 2002. The Notes will mature April 1, 2003.

INVESTMENTS

The City invests its available funds in investments authorized by Texas Law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

Legal Investments

Under Chapter 2256, Texas Government Code (The Public Funds Investment Act), the City is authorized to invest in: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) bankers' acceptances, so long as each such acceptance has a stated maturity of 270 days or less from the date of its issuance, will be liquidated in full at maturity, is eligible collateral for borrowing from a Federal Reserve Bank and is accepted by a domestic bank whose short-term obligations are rated at least A-l, P-l, or the equivalent by a nationally recognized credit rating agency or which is the largest subsidiary of a bank holding company whose short-term obligations are so rated; (6) commercial paper with a stated maturity of 270 days or less from the date of its issuance that either (a) is rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies; or, (b) is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof; (7) fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas, and secured by obligations described by 1 above (the principal and interest on which are guaranteed by the United States or any of its agencies), pledged with a third party selected or approved by the City, and having a market value of no less than the principal amount of the funds disbursed (the term includes direct security repurchase agreements and reverse security repurchase agreements and the term of any reverse repurchase agreement may not exceed 90 days after the reverse security repurchase agreement is delivered; money received by the City under the terms of a reverse security repurchase agreement may be used to acquire additional authorized investments, but the term of the authorized investment acquired must mature not later than the expiration date stated in the reverse security repurchase agreement); (8) certificates of deposit issued by state and national banks domiciled in Texas that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (b) secured by obligations that are described by 1-4 above, which are intended to include all direct federal agency or instrumentality issues that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the City; (9) certificates of deposit issued by savings and loan associations domiciled in Texas that are (a) guaranteed or insured by the Federal Savings and Loan Insurance Corporation or its successor; or, (b) secured by obligations that are described by 1-4 above, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than the principal amount of the certificates, or in any other manner and amount provided by law for deposits of the City; (10) share certificates issued by a state or federal credit union domiciled in Texas that are (a) guaranteed or insured by the National Credit Union Share Insurance Fund or its successor; or, (b) secured by obligations that are described by 1-4 above, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than the principal amount of the certificates, or in any other manner and amount provided by law for deposits

of the City; (11) SEC-regulated, no-load money market mutual funds with a dollar-weighted average stated portfolio maturity of 90 days or less and whose investment objectives include seeking to maintain a stable net asset value of $1 per share; (12) no-load mutual funds registered with and regulated by the SEC that have a dollar weighted average stated maturity of less than two years, invest exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; the City may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund described in clauses (11) or (12); (13) bonds issued, assumed, or guaranteed by the State of Israel; and (14), local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas; Government Code) as amended, whose assets consist exclusively of the obligations that are described by clauses 1-9 above. A public funds investment pool must be continuously rated no lower than AAA, AAA-m or at an equivalent rating by at least one nationally recognized rating service. The City also may invest bond proceeds in a guaranteed investment contract.

State law strictly prohibits investment in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index. In addition, the City is prohibited from investing any portion of bond proceeds, reserves and funds held for debt service in no-load mutual funds.

Investments in collateralized mortgage obligations are strictly prohibited by the City of Austin investment policy. These securities are also disallowed for collateral positions.

Investment Policies

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

Under State Law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to (a) adopted investment strategy statements and (b) State Law. No person may invest City funds without express written authority of the City Council or the Director of Financial Services.

Additional Provisions

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council, (3) require the registered representative of firms seeking to sell securities to the City to (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; and (5) provide specific investment training for the Director of Financial Services, Treasurer and Investment Officers.

Current Investments

As of June 30, 2002, the City's investable funds were invested in the following categories.

Type of Investment	Percentage
U.S. Treasuries	14.4%
U.S. Agencies	49.8%
Money Market Funds	6.4%
Local Government Investment Pools	29.4%

The dollar weighted average maturity for the combined City investment portfolios is 1.58 years. The City prices the portfolios daily utilizing a market pricing service.

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GENERAL FUND REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE

	Fiscal Year Ended September 30				
	1997	1998	1999	2000	2001
Revenues:					
Taxes (1)	$171,109,680	$190,949,086	$215,885,594	$240,663,684	$251,749,818
Franchise Fees	14,743,888	16,861,639	19,671,043	23,699,065	31,452,706
Fines, Forfeitures and Penalties	12,570,388	14,492,863	16,205,548	16,039,732	16,999,766
Licenses, Permits and Inspections	12,888,265	15,540,712	17,252,024	18,173,885	17,630,897
Charges for Services	9,427,193	10,260,908	11,533,686	11,757,818	14,984,531
Interest and Other	5,586,512	13,076,017	6,361,863	9,410,372	10,584,063
Total Revenues	$226,325,926	$261,181,225	$286,909,758	$319,744,556	$343,401,781
Expenditures:					
Administration	$ 6,596,487	$ 6,696,560	$ 7,849,862	$ 8,976,071	$ 9,425,506
Urban Growth Management	7,501,086	8,380,122	9,129,217	10,188,934	11,569,463
Public Safety	144,288,202	162,733,100	173,962,836	191,591,408	210,280,836
Public Services and Utilities	9,675,512	10,128,139	11,098,958	6,098,371	9,519,936
Public Health	43,189,920	37,060,371	40,677,762	41,032,031	41,437,116
Public Recreation and Culture	32,764,540	35,861,623	40,929,063	44,205,341	47,459,639
Social Services Management	6,738,940	8,204,845	8,627,050	9,387,107	8,071,026
Nondepartmental Expenditures	39,823,069	41,130,459	49,142,610	53,458,609	57,857,261
Total expenditures	$290,577,756	$310,195,219	$341,417,358	$364,937,872	$395,620,783
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	$(64,251,830)	$(49,013,994)	$(54,507,600)	$(45,193,316)	$(52,210,002)
Other Financing Sources (Uses):					
Transfers from Other Funds	$ 71,705,860	$ 72,721,264	$ 74,204,480	$ 78,351,603	$ 86,282,962
Transfers to Other Funds	(3,116,124)	(9,846,866)	(26,592,055)	(31,293,582)	(29,992,440)
Net Other Financing Sources	$ 68,589,736	$ 62,874,398	$ 47,612,425	$ 47,058,021	$ 56,290,552
Excess (Deficiency) of Total Revenues and Other Services Over Expenditures and Other Uses	$ 4,337,906	$ 13,860,404	$ (6,895,175)	$ 1,864,705	$ 4,071,520
Residual Equity Transfer In (Out)	0	0	0	250,594	(500,000)
Fund Balances at Beginning of Year, as Restated for Accounting Changes	31,090,637	35,428,543	49,288,947	42,393,772	44,509,071
Fund Balances at End of Year	$ 35,428,543	$ 49,288,947	$ 42,393,772	$ 44,509,071	$ 48,080,591

(1) Consists of property, sales and mixed drinks tax.

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CERTAIN GENERAL FUND RECEIPTS OTHER THAN AD VALOREM TAXES

Municipal Sales Tax

At an election held on September 30, 1967, the citizens of Austin voted a 1% retail sales and use tax to become effective on January 1, 1968. This tax provides an additional revenue source to the General Fund of the City. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas, who currently remits the proceeds of the tax to the City monthly. Revenue from this source has been:

Fiscal Year Ended 9–30	Per Capita Sales and Use Tax	Sales and Use Tax	% of Ad Valorem Tax Levy
1990	$114.32	$ 51,540,272	50.46%
1991	118.75	55,400,628	56.59%
1992	122.72	58,255,348	57.11%
1993	140.21	67,054,207	61.62%
1994	149.33	75,780,061	66.75%
1995	153.77	80,474,693	68.26%
1996	154.43	83,681,314	65.94%
1997	157.15	88,150,309	65.01%
1998	160.44	97,581,417	65.72%
1999	172.59	106,839,032	64.01%
2000	194.31	122,157,210	68.16%
2001	186.23	123,218,291	63.80%
2002 (1)	173.25	115,676,579	53.57%
2003 (2)	174.87	117,928,911	50.16%

(1) Estimate.
(2) Proposed Budget.

Transfers From Utility Funds

The City owns and operates a Waterworks and Wastewater System and an Electric Light and Power System, the financial operations of which are accounted for in the Utility Funds. Transfers from the Utility Funds to the General Fund have historically provided a significant percentage of the receipts for operation of the General Fund. The following sets forth the amount of such transfers.

Fiscal Year Ended 9–30	Transfers	% of General Fund Requirements
1993	$68,581,868	31.9%
1994	67,914,376	29.9%
1995	71,110,681	28.5%
1996	73,582,839	26.0%
1997	71,449,866	24.6%
1998	72,721,264	23.4%
1999	74,204,480	21.7%
2000	78,351,603	21.5%
2001	85,824,446	19.9%
2002 (1)	88,273,092	19.7%
2003 (2)	94,417,329	19.4%

(1) Estimate.
(2) Proposed Budget

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ENTERPRISE FUNDS

Summary of Income, Expenses and Changes in Retained Earnings

The Enterprise Funds account for the activities of the City which render services on a user charge basis to the general public. Set forth on pages 124 and 125 of Appendix B of the City's Comprehensive Annual Financial Report for Fiscal Year 2001 is a condensed summary of the revenues, expenses, transfers and retained earnings of the City's ten enterprise funds for the year ended September 30, 2001.

THE ELECTRIC UTILITY SYSTEM

The City owns and operates an Electric Light and Power System which provides the City, adjoining areas of Travis County and certain adjacent areas of Williamson County with electric services. The City jointly participates with other electric utilities in the ownership of coal-fired electric generation facilities and a nuclear powered electric generation facility. Additionally, the City individually owns gas/oil-fired electric generation facilities, which are available to meet system demand. The City constructed a new 180 MW gas fired peaking facility in partnership with Enron which became commercial in June 2001. Under the Agreement with Enron, the City will have complete ownership of the plant in November 2003. The Electric Light and Power System had approximately 1,199 full-time regular employees as of September 30, 2001.

Competitive Positioning

With increasing competition in the electric utility industry due to regulatory and market changes, the City continues its initiatives at both the policy level and departmental level to strengthen its electric utility's competitive position. In December 1996, the City Council approved financial targets for the Electric Utility Department to achieve over the next six years. In September 1999, these targets were updated and extended through 2003 and are outlined below.

- Complete an annual competitive pricing rate analysis to evaluate its rate structure for all customer classes, using the Electric Reliability Council of Texas ("ERCOT") average retail price as a standard.
- Complete an annual review of operations and competitive position.
- Direct all excess electric utility cash to a debt management fund to achieve a debt-to-capital ratio of 62% by the year 2003 and allow use of the fund to improve the competitive position of the electric utility.
- Continue to reduce operating expenses per kWh.
- Decrease the transfer to the General Fund as necessary to achieve competitive pricing establishing a range between 6.6% and 9.1% of total revenue.
- Adjust conservation spending for the electric utility as necessary to achieve competitive pricing using the ERCOT average retail price as a standard and cost effective conservation programs are targeted as the first priority in meeting new load growth requirements.
- Establish a renewable energy goal of five percent of the energy mix coming from renewable sources by December 31, 2004.

The utility's competitive position has been improved through reduced costs and improved customer service through the initial joint work of a management consulting firm and electric utility management, which was completed in 1998, as well as the ongoing efforts of electric utility management. The electric utility is meeting these long-range financial targets. The electric utility adopted a "Doing Business As" (DBA) during 1998 in order to establish a positive, consumer-focused brand and name recognition before competition occurs. Its new trademark name is "Austin Energy ®".

Conventional System Improvements

In September 2001, the 2002-2006 Capital Improvements Spending Plan was approved by the City Council in the amount of $842,117,000. Austin Energy's five-year spending plan provides continued funding for distribution and street lighting additions including line extensions for new service, system modifications for increased load, and relocations or replacements of distribution facilities in the central business district and along major thoroughfares. It also includes funding for generation additions and other general additions. Funding for the total Capital Plan is provided from current revenues and commercial paper.

Rate Regulation

The City's rates, except for wholesale transmission, are regulated by the City Council. Ratepayers can appeal rate changes to the PUCT under section 33.101 of the Public Utility Regulatory Act ("PURA") by the filing of a petition with the PUCT containing the requisite number of valid signatures from residential ratepayers who take service outside the City's corporate limits.

The Texas courts have held that the PUCT may apply the same ratemaking standards to the City as are applied to utilities over which the PUCT has original jurisdiction.

In 1995, PURA was amended as it pertains to the PUCT's original jurisdiction over the City's provision of wholesale transmission service. The PUCT now has exclusive jurisdiction over rates and terms and conditions for the provision of transmission services by the City. Section 35.004 of PURA requires the City to provide transmission service at wholesale to another utility, a qualifying facility, an exempt wholesale generator, a power marketer, power generation company, or a retail electric provider. Section 35.004 of PURA requires the City to provide wholesale services at rates, terms of access, and conditions that are not unreasonably preferential, discriminatory, predatory, or anti-competitive. The PUCT adopted rules relating to wholesale transmission service. The City participated in the rulemaking. The current rules have been challenged in two original petitions filed by Reliant Energy Inc. (formerly Houston Lighting & Power Co.) and City Public Service Board of San Antonio seeking a declaratory judgment holding the transmission pricing methodology in the PUCT's new transmission rules invalid and seeking a remand of the rulemaking. The City intervened in the proceedings in defense of the rulemaking. The two proceedings were consolidated and on April 20, 1998, the 98th District Court of Travis County entered final judgment against the plaintiffs, declaring the PUCT rules to be "valid, constitutional, and fully effective". The plaintiffs then appealed to the Third Court of Appeals in Austin. On January 6, 2000, the Third Court of Appeals invalidated those parts of the PUCT rules dealing with transmission rates, reversing the trial court and rendered judgment for the appellants. The City and others petitioned the Supreme Court of Texas for a review of the Third Court of Appeals opinion and the Supreme Court issued a ruling on June 28, 2001 affirming the ruling of the Third Court of Appeals. The PUCT has not taken any action based on the Supreme Court's ruling. However, Reliant Energy, Inc. and City Public Service Board of San Antonio filed two separate actions in Travis County District Court in January 2002 seeking a declaration by the court as to the amount of refunds due to them as a result of the ruling by the Supreme Court. Austin Energy intends to vigorously defend in this matter.

The City filed with the PUCT a filing package delineating transmission cost of service and costs for ancillary services related to transmission service. The PUCT entered a Final Order on the filing by the City effective January 1, 1997. The Final Order increased net income to the system by approximately $6.0 million on an annual basis.

An Independent System Operator ("ISO") was established for ERCOT as a part of the rules that were adopted by the PUCT to open access to the wholesale electric market in Texas and was approved by the PUCT on August 21, 1996. The ISO received approval on May 5, 2000, of its certification under Senate Bill 7 ("SB7"). The ISO's primary mission is to act as an impartial third party operator and planning coordinator for the ERCOT bulk electric system. The City is a member of ERCOT.

Austin Energy's load represents approximately 3.9% of ERCOT and Austin Energy's transmission cost of service is approximately 4.5% of ERCOT's total transmission cost of service. Under interim rates for 2002, this will result in a net gain of $1.8 million dollars from TCOS. A continuing investment in Austin Energy's Transmission System will result in a continuing positive cash flow from TCOS.

During the 1999 Legislative Session PURA was amended by SB 7 providing for deregulation of the electric utility industry in Texas. SB 7 opened retail competition for investor owned utilities beginning January 1, 2002. SB 7 allows local authorities to choose when to bring retail competition to their Municipally Owned Utilities (MOU), and leaves key municipal utility decisions (like local rate setting and utility policies) in the hands of those who have a stake in the local community. Once a resolution to "opt in" for retail competition is adopted by the municipal utility's governing body, the decision is irrevocable.

General Market Framework: There is a strong ISO established, with clear and enforceable market power protections: no utility can control more than 20% of ERCOT generation. Starting on January 1, 2002, a "Price-to-Beat" for the incumbent Investor Owned Utilities (IOU) rates includes a 6% reduction through 2005 or until 40% of IOU residential and small commercial customers choose a new supplier. There are protections against over-recovery of stranded investment by IOUs and protections against anti-competitive practices and predatory pricing. Retail competitors are required to sell to the residential market (minimum 5% of their business with residential if they sell more than 300 MWs). The air quality provisions require clean up of older "grandfathered power plants".

MOUs Which *Do Not* Choose Retail Competition

- There is no retail choice for MOU customers. MOU cannot sell at retail outside its area.
- Current regulatory scheme continues.
- Continued MOU access to buy and sell power in the wholesale market.

MOUs Choosing Retail Competition On or After January 1, 2002
(City councils or governing boards make an affirmative choice to bring retail competition to their MOU)

- Retail competitors can sell "generation" to MOU customers. MOU provides "wires" access to its distribution system for Retail Electric Providers, other MOUs and Electric Cooperatives. MOU has an "obligation to connect" and provides wire services and local reliability. Wires are not subject to competition.

- MOU can sell at retail outside its service area, per prevailing market rules.

MOU Local Control Preserved
- Exclusive MOU jurisdiction to set local distribution and other rates. (Local wires services and rates remain in exclusive jurisdiction of the MOU).
- Local determination of the stranded investment amount and recovery mechanism.
- MOUs are not required to unbundle (structurally separate functions).
- Local authorities determine and provide customer services and protections.
- Local control of MOU power resource acquisition.
- Customers in multi-certified areas cannot switch wires companies to avoid stranded investment charges.
- Securitization is available to MOUs.

Participation By MOU In Markets Outside Its Area
- Limited PUCT jurisdiction over terms and conditions for access not rates.
- Subject to market power limits and PUCT anti-competitive code of conduct.

Metering And Billing
- MOU retains metering.
- Customers with another generation supplier choose either one consolidated bill from the MOU, or two separate bills (one for wires, one for generation).
- Under SB 7, a System Benefit Fund will be established for consumer education programs, low-income customer programs and loss of tax revenue by school districts resulting from a devaluation of generation assets in the competitive market. A system benefit fee will be added to the utility bills of IOU customers to provide funding for the System Benefit Fund. MOUs are not required to bill their customers this system benefit fee until six months prior to the MOU "opt-in" date, if the MOU governing body elects to "opt-in." The System Benefit Fund will expire September 2007.

Other Key MOU Provisions: Existing contracts are preserved. Tax-exempt status is preserved. MOU "competitiveness provisions" were included in SB 7 to "level" the field for MOUs when preparing for competition including relaxation of open meetings/records and purchasing provisions. No mandated MOU rate reductions.

The City has not yet made a decision whether to "opt in" for retail competition or not, and the City cannot predict the short term or long term impact on the Electric Utility System or its revenues resulting from a decision to "opt in" or not, or resulting from the deregulation process in general.

Federal Regulation

Historically, electric utilities operating in Texas have not had any significant interstate connections, and hence investor owned utilities have not been subject to regulation by the Federal Energy Regulatory Commission ("FERC") and its predecessor agencies under the Federal Power Act. Over the past several years, successful efforts have been made to provide interstate connections. These efforts have resulted in protracted judicial and administrative proceedings involving ERCOT members. The settlement of such proceedings permits the ERCOT members to avoid federal regulation as the result of any interstate interconnection with another interstate connected utility.

Rate Regulation and Wholesale Wheeling. Austin Energy is not subject to Federal regulation in the establishment of rates, the issuance of securities or the operation, maintenance or expansion of Austin Energy under current Federal statutes and regulations. Austin Energy submits various reports to FERC and voluntarily utilizes the FERC System of Accounts in maintaining its books of accounts and records. On April 24, 1996, the FERC issued a Final Rule (the "Rule") proposing significant changes regarding transmission service performed by electric utilities subject to the FERC's jurisdiction under sections 205 and 206 of the Federal Power Act. Among other things, the FERC requires utilities to submit open-access, mandatory transmission tariffs. The goal of the Rule, according to the FERC, is to deny to an owner of transmission facilities any unfair advantage over its competitors that exists by virtue of such owner's control of its transmission system.

Although municipally-owned utilities, including Austin Energy, are not subject to the FERC's jurisdiction under sections 205 and 206 of the Federal Power Act, the proposals in the Rule could have a significant effect on those utilities. The FERC stated that its overall objective was to ensure that all participants in wholesale electricity markets have non-discriminatory open access to transmission service, including network transmission service and ancillary services. The FERC also indicated that it intends to apply the principles set forth in the Rule to the maximum extent to municipal and other non-jurisdictional utilities, both in deciding cases brought under sections 211 and 212 of the Federal Power Act and by requiring such utilities to agree to provide open access transmission service as a condition to securing transmission service from jurisdictional investor-owned utilities under open access tariffs.

According to the Rule, an open access transmission tariff must provide for functional unbundling of utility service, so that the filing utility will be obliged to purchase transmission service to meet its native load under the same transmission tariff it offers to others. A conforming tariff must be available to any entity eligible to request a section 211 order, must provide for expansion of the transmission system when necessary to provide service, must offer firm point-to-point and network service as well as non-firm transmission service, and must offer to provide such ancillary services (e.g., reactive power, loss compensation, scheduling and dispatch, system protection and energy imbalance services) as the transmission provider provides to itself. Transmission capacity must be subject to reassignment and sale on a secondary market. Transmission owners must also make available to potential users an index of capacity owners and information about the transmission capacity available for sale.

The FERC also ruled that it will permit utilities that file conforming open access transmission tariffs to recover their legitimate and verifiable stranded costs from wholesale sales customers who had been parties to sales contracts executed before July 11, 1994 which did not contain an exit fee or other provision relating to stranded cost recovery and who exercised their option to become transmission customers and purchase their electricity needs off-system. In order to recover stranded costs, the FERC said, a utility would be required to demonstrate that it had a "reasonable expectation" of continuing to serve the former customer's requirements for electric sales service and would also be required to demonstrate that it had attempted to mitigate its stranded costs.

Recovery of stranded costs resulting from retail wheeling initially would be the responsibility of state regulatory commissions, which could not permit such recovery in interstate transmission rates but must, instead, use such mechanisms as a surcharge upon rates for local distribution or an exit fee for departing retail customers to compensate utilities for stranded costs stemming from retail wheeling. If, however, a state commission lacked legal authority to provide for compensating utilities for stranded costs resulting from retail wheeling or if the stranded costs result from a formerly retail sale customer becoming a wholesale customer (e.g., by municipalization), the FERC itself would permit the recoverable stranded costs to be recovered in interstate transmission rates.

Although the Rule does not directly regulate non-jurisdictional utilities such as Austin Energy, the Rule could have a significant impact on such utilities' operations. It could significantly change the competitive climate in which they operate, giving their customers much greater access to alternative sources of electric sales service. It would require them to provide open access transmission service conforming to the requirements for investor-owned utilities whenever they are properly requested to do so under sections 211 and 212 of the Federal Power Act or as a condition of taking transmission service from an investor owned utility. In certain circumstances, it would require non-jurisdictional utilities to pay compensation to their present suppliers of wholesale power and energy for the stranded investment that may arise when the non-jurisdictional utilities exercise their option to switch to an alternative supplier of electricity.

On December 20, 1999, the FERC issued "Order No. 2000" (the "Order") related to the formation of voluntary Regional Transmission Organizations (RTOs). The Order requires all utilities subject to the FERC's authority under section 205 (Rates and Charges; Schedules; Suspension of New Rates) and 206 (Fixing Rates and Charges; Determination of Cost of Production or Transportation) of the Federal Power Act to file by October 2000 a proposal to participate in an RTO or an alternative describing plans to participate in an RTO. The essential characteristics of an RTO are its independence from individual market participants, a regional scope, operational authority of transmission facilities under the RTO's control, and authority over short-term system reliability. The essential functions of an RTO are tariff administration, congestion management, parallel path flow, administering ancillary services, operating Open Access Scheduling Information System ("OASIS"), market monitoring, planning and expansion, and interregional coordination. In their October 2000 compliance filings, utilities proposed RTOs across the country incorporating a wide variety of organizational forms. RTO proposals will be reviewed by the FERC for approval.

Austin Energy is not subject to the FERC's jurisdiction under section 205 and 206 of the Federal Power Act. Nevertheless, Austin Energy participates in a stakeholder organization that is similar to the RTOs envisioned in Order 2000 and which predates Order 2000 by several years. ERCOT is a stakeholder organization that includes stakeholders from all segments of the Texas' electric market. The ISO formed by ERCOT in 1996 and mandated by State law in 1999 carries out many of the functions of the RTO discussed in Order 2000.

Environmental and Other Regulation. Austin Energy's generating units are subject to environmental regulation by Federal, State and local authorities and to zoning regulations by local authorities. Austin Energy believes that its operating generating units are presently in compliance with all such regulations now in effect. Federal and State standards and procedures governing protection of the environment are subject to change. These changes arise from continuing legislative, regulatory, and judicial action respecting the standards and procedures.

In 1999, the Texas Legislature imposed new environmental regulations on power plants constructed prior to 1971 (30 TAC 116, Electric Generating Facility Permits, and 30 TAC 101.330, Emissions Banking and Trading of Allowances). Austin Energy's units were "grandfathered" from State permitting requirements at the time of the passage of the Texas Clear Air Act in 1971. This new law also allowed units that would not normally be participants to opt-in to the program. This provision has allowed Austin Energy the opportunity to opt-in into this program, which has significantly lowered Austin Energy's projected compliance costs.

Under the new law, Austin Energy's units must meet the provisions of the permits that will be forthcoming from the SB 7 program. In order to do so, Austin Energy's units must have enough SB 7 emission credits (or allowances) available to cover the actual emissions from these units on a yearly basis. The allocation of these SB 7 emission credits was based on an emission rate of 0.14 lbs. of NOx per mmBtu times the 1997 heat input to the unit in question. The new law also provides for a regional emission-trading program among all grandfathered utility plants within their region. The state has been divided into two trading regions, East and West. Cross-regional trading of allowances is not allowed. Under the trading program, an individual power plant may exceed its allocation of NOx allowances only if an offsetting quantity of allowances is acquired from a generating unit which has excess allowances remaining at the end of the compliance year (May-April). The emission-trading program will also allow Austin Energy to sell in the open market emission allowances derived from excess NOx reductions.

As part of the development of various State Implementation Plans to comply with ambient air quality standards in the Clean Air Act Amendments of 1990, the Texas Natural Resource Conservation Commission ("TNRCC") issued in May 2000 revised rules calling for power plant emission reductions in Central and East Texas (30 TAC 117, Control of Air Pollution from Nitrogen Compounds). Austin Energy is allowed to average the emissions of the generation units subject to the section 117 requirements across the utility system. Thus, Austin Energy could emit greater than the emission rate limitation at a section 117 unit if another of Austin Energy's section 117 units over complies by an equal amount.

Austin Energy will continue to make the necessary changes to assure future compliance with the evolving regulatory requirements. An inability to comply with environmental standards or deadlines could result in reduced operating levels or complete shutdown of individual generating units not in compliance. Further compliance with environmental standards or deadlines may substantially increase capital and operating costs.

Nuclear generation facilities are subject to regulation by the Nuclear Regulatory Commission ("NRC") and are required to obtain liability insurance and a United States Government indemnity agreement in order for the NRC to issue operating licenses. This primary insurance and the retrospective assessment discussed below are to insure against the maximum liability under the Price-Anderson Act for any public claims arising from a nuclear incident which occurs at any of the licensed nuclear reactors located in the United States.

Price-Anderson coverage for nuclear construction and operation activities has been extended. Public Law 100-408, signed by the President on August 22, 1988, contains a 15-year extension of the Price-Anderson Act and raises the amount of insurance available for a nuclear accident from $700 million to approximately $9.1 billion. The $9.1 billion would come from nuclear liability insurance available from private sources of approximately $200 million per reactor (the maximum amount currently attainable) with retrospective assessments of up to $83 million on each operating reactor (payable at a rate not to exceed $10 million per year) in the event of an accident. Such limit and retrospective assessments are subject to adjustment for inflation.

In addition, the participants are required to maintain on-site property damage insurance to cover the costs of cleanup of the facility in the event of an accident. The property insurance obtained is composed of both a primary layer of insurance in the amount of $500 million and a layer of excess insurance that would contribute $2.25 billion of additional coverage through a retrospective assessment from each electric utility licensee of an NRC licensed power reactor.

Finally, the NRC has amended its regulations effective July 27, 1988 setting forth minimum amounts required to demonstrate reasonable assurance of funds for decommissioning by reactor type. On or before July 26, 1990, each holder of an operating license for a production of utilization facility in effect on July 27, 1990, was required to submit to the NRC a report indicating how reasonable assurance would be provided. The City provided the required report to the NRC and the minimum amount is $105 million (January 1986 dollars). This minimum is required to be adjusted annually in accordance with the adjustment factor formula set forth in the regulations. The report provided by the City based reasonable assurance on the minimum amount (January 1986 dollars) as adjusted by the adjustment factor formula set forth in the regulations. The City has established an external irrevocable trust for decommissioning with Bank One, NA. The City has been collecting for decommissioning through its rates since Fiscal Year 1989. The decommissioning account balance at December 31, 2001 was $74,946,217 (unaudited). For Fiscal Year 2002, Austin Energy estimates that it will collect approximately $4,958,221 for decommissioning expense.

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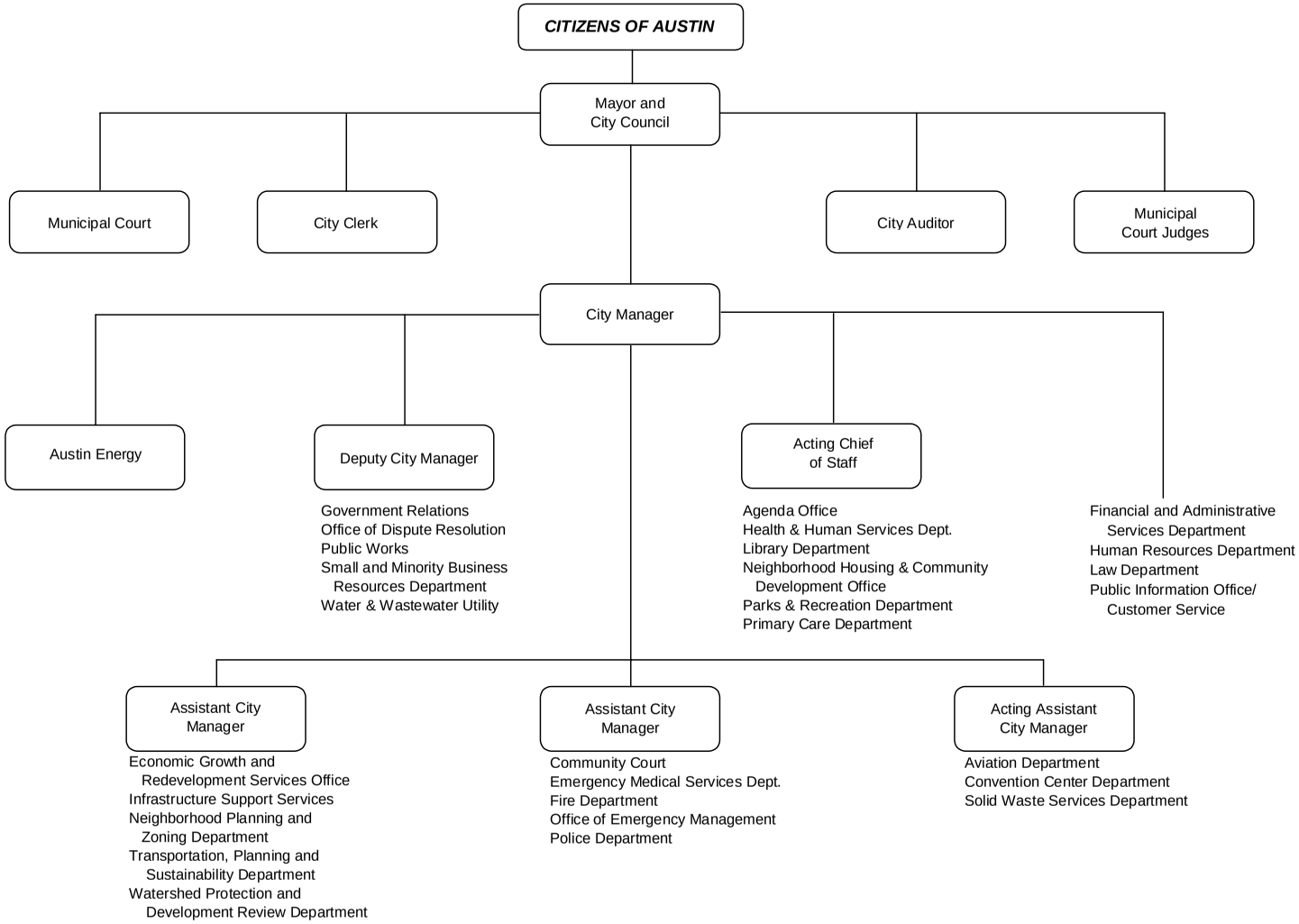
CITY OF AUSTIN, TEXAS

Organization Chart



THE CITY

Administration

Incorporated in 1839, the City operates under a Council-Manager form of government under its Charter. The City Council is comprised of a Mayor and six council members elected at-large for three year staggered terms.

By charter, the City Council appoints a City Manager for an indefinite term who acts as the chief administrative and executive officer of the City. The duties include, among others, the supervision of all City departments, the preparation and administration of an annual budget and the preparation of a report on the finances and administrative activities of the City. Toby Hammett Futrell was appointed City Manager on May 1, 2002.

City Manager – Toby Hammett Futrell

Ms. Futrell received her Masters of Business Administration from Southwest Texas State University and a Bachelor of Liberal Studies from St. Edward's University. Her career with the City of Austin organization spans more than 25 years and started with an entry-level position in the Health and Human Services Department. In 1996, Ms. Futrell was appointed Assistant City Manager and assumed the position of Deputy City Manager in February 2000, prior to becoming City Manager.

Acting Director of Financial Services – Vickie Schubert, CPA

Ms. Schubert received her Bachelor of Business Administration from the University of Texas at Austin. Ms. Schubert has served as Deputy City Auditor, Controller, Chief Financial Officer for Infrastructure Support Services and Deputy Director of Financial Services during her tenure with the City of Austin. Ms. Schubert also worked as Director of Administration for the State Public Utility Commission. She was appointed Acting Director of Financial Services in April 2002.

Services Provided by the City

The City's major activities include police and fire protection, emergency medical services, parks and libraries, public health and social services, planning and zoning, general administrative services, solid waste disposal, and maintenance of bridges, streets and storm drains. The City owns and operates several major enterprises including an electric utility system, water and wastewater utility system, an airport and two public event facilities. In addition, the City owns a hospital which is operated by The Daughters of Charity Health Services of Austin under the terms of a long term lease.

Employees

Municipal employees are prohibited from engaging in strikes and collective bargaining under State Law. An exception allows fire and police employees to engage in collective bargaining (but not the right to strike) after a favorable vote of the electorate. The voters have not approved collective bargaining for either firemen or policemen. Approximately 15% of the City's employees are members of the American Federation of State, County and Municipal Employees, 8% are members of the American Police Association and 7% are members of the International Association of Fire Fighters.

The City does not have automatic escalators in payroll or in its retirement systems. The retirement systems may grant cost-of-living increases up to 6% for the municipal employees and 6% for police officers and a percentage based on the amount of increase in the Consumer Price Index for the firemen only if recommended by the independent actuary and approved by the retirement boards.

Annexation Program

The City annexes territory on a regular basis. Chapter 43 of the Texas Local Government Code regulates annexation of territory by the City. Prior to annexing territory, the City must develop a service plan describing the municipal services - police and fire protection, sanitation, provision and maintenance of public facilities such as water and wastewater facilities, roads, streets, and parks - to be provided to the annexed area. Generally, those services may not be at a lower level of service than provided in other areas of the City with similar characteristics. The City is not obligated to provide a uniform level of service to all areas of the City where differing characteristics of population, topography, and land use provide a sufficient basis for different service levels.

If the annexation service plan for an annexation area includes a schedule for the provision of full municipal services, the City has two and one-half years from the date of the annexation to substantially complete the capital improvements necessary to provide services to the area. However, if necessary, the City may propose a longer schedule. A wide range of services – police and fire protection, sanitation, and maintenance of public facilities such as water and wastewater facilities, road, streets, and parks – must be provided immediately following annexation. Failure to provide municipal services in accordance with the service plan may

provide grounds for disannexation of the area and may also result in a refund of taxes and fees collected for services not provided. The City may not reannex for ten years any area that was disannexed for failure to provide services.

Some of the areas which may be considered for annexation include developed areas for which water, sewer, and drainage services are being provided by utility districts created for such purposes (see "Services Financed by Utility Districts"). Existing utility districts, as well as those that may be created from time to time, may issue bonds for their own improvements. Such bonds are generally payable from the receipts of ad valorem taxes imposed by the district and, in some cases, are further payable from the net revenues, if any, derived from the operation of its water and sanitary sewer systems. Texas law generally requires that districts be annexed in their entirety. Upon dissolution, the City assumes the district's outstanding bonds and other obligations and levies and collects on taxable property within the corporate limits of the City ad valorem taxes sufficient to pay principal of and interest on such assumed bonds.

The City also assumes liabilities when it annexes land in Emergency Services Districts (ESD) and that territory is disannexed from the ESD. This liability, however, is limited to a pro-rata share of debt and those facilities directly used to provide service to the area.

The City Charter and the State's annexation laws provide for two types of annexation. "Full purpose" annexation, discussed above, annexes territory into the City for all purposes, including the assessment and collection of ad valorem taxes on taxable property. The second type of annexation is known as "limited purpose" annexation by which territory may be annexed for the limited purposes of "Planning and Zoning" and "Health and Safety." Territory so annexed is subject to ordinances achieving these purposes: chiefly, the City's zoning ordinance, building code, and related ordinances regulating land development. Taxes may not be imposed on property annexed for limited purposes; municipal services are not provided; and residents of the area are restricted to voting only in City elections for City Council and Charter amendments. The City believes that limited purpose annexation is a valuable growth management tool. The City annexed over 20,000 acres of territory for limited purposes in 1984 and has developed annual Strategic Annexation Programs since 1987. These programs prioritized areas to be considered for annexation at the end of the calendar year, thereby minimizing the fiscal impact to the City due to annexation.

The following table sets forth (in acres) the annual results of the City of Austin annexations since 1991. Negative numbers reflect disannexations in excess of acreage annexed. Total limited purpose acres annexed annually are not reduced by the number of acres converted from limited to full purpose status in the following table.

Calendar Year	Full Purpose Acres (1)	Limited Purpose Acres
1991	2,380	44
1992	960	0
1993	2,795	0
1994	3,057	0
1995	(1,748)	2,770
1996	3,163	0
1997	15,083	0
1998	2,660	1,698
1999	90	588
2000	4,057	4,184
2001	3,908	1,972

(1) Includes acres converted from limited purpose to full purpose status.

Legislative action required the City to convert the Harris Branch and Moore's Crossing MUDs from full purpose to limited purpose status in 1995. The full purpose reannexation of the Harris Branch MUDs in 1998 is reflected in the table above.

Recent Annexation

The Del Valle area, located near Austin Bergstrom International Airport, was converted to full purpose annexation status in September, 2001, and added approximately 2,000 residents to the City. Sections of the Avery Ranch Area were also converted to full purpose status. Other areas annexed in 2001 included over 700 acres of privately owned preserve land, some developed single family, multi family, and office tracts and other undeveloped acreage. The Wildhorse Ranch near Decker Lake was annexed for limited purposes in February, 2002.

Annexations completed in 2000 included several undeveloped tracts and right of ways, the Davenport West area, adjacent to a previously annexed municipal utility district, and the Eubank Acres area in north central Austin. These areas added approximately $93 million in taxable assessed value and a population of 1,600 to the City. The Avery Ranch area was annexed for limited purposes in 1999.

Austin MUDs 1, 2, and 3, also known as the Harris Branch MUDs, were converted from limited purpose jurisdiction and reannexed by the City for full purposes in December 1998. This annexation added $50.4 million in taxable assessed value and a population of 1,575 to the City of Austin.

Ten municipal utility districts (MUDs) were annexed by the City of Austin in December 1997, adding over $1.034 billion in taxable assessed value and a population of 22,432 to the City. These MUD annexations were a part of the 1997 annexation plan, which added a total of over $1.691 billion in taxable assessed value and a population of 29,131 to the City of Austin. Some of these areas continue to experience growth along with increased taxable assessed value.

Litigation related to some of the areas annexed in 1997 was settled in 2000. Portions of the Circle C MUDs were included in a Water Quality Protection Zone (WQPZ) which was created just prior to annexation. The Texas Supreme Court has overturned the law under which the WQPZ was created. The Circle C MUDs were also included in the Southwest Travis County Water District (SWTCWD) pursuant to a statute passed by the Legislature in 1995. This statute was overturned by an appeals court. An appeal of that decision to the Texas Supreme Court was withdrawn. Pursuant to settlement agreements with certain developers and residents in the Circle C MUDs, remaining challenges to the annexation of the Circle C MUDs have been withdrawn. Consequently, there are no longer any challenges to the 1997 annexations of the Circle C MUDs.

Future Annexation

In the next few years a number of areas previously annexed for limited purposes will be converted to full purpose status. Areas covered by strategic partnership agreements will also be annexed and areas included in the City's Municipal Annexation Plan will be annexed. The most significant of these identified future annexation areas are shown below:

- Avery Ranch – sections of limited purpose areas will continue to be converted to full purpose status.
- Springwoods MUD and adjacent areas – to be annexed in December 2002 (including assumption of debt for drainage improvements and completion/maintenance of drainage projects), may be postponed until 2005.
- Canterbury Trails Annexation Area – December 2002.
- Motorola Campus – limited purpose area with conversion in September 2003.
- Onion Creek Annexation Area – December 2003.
- Anderson Mill MUD and adjacent areas – September 2004
- Wildhorse Ranch – limited purpose area with conversions to full purpose expected to begin in December 2003.

Pension Plans

There are three contributory defined benefit retirement plans for the Municipal, Fire, and Police employees. State Law requires the City to make contributions to the funds in an amount at least equal to the contribution of the employee group.

The Police Officers contribute 9.0% and the City contributes 18% of payroll. The Municipal employees and the City each contribute 8.0%. The Firefighters (who are not members of the Social Security System) contribute 13.7% of payroll, the City contributes 18.05%.

The contributions to the pension funds are designed to fund current service costs and to amortize the unfunded actuarial accrued liability of the Police Officer's Fund and Firefighter's Fund over 8.5 years and 10.6 years, respectively. The Municipal Employees Fund is fully funded.

In accordance with the Governmental Accounting Standards Board Statement Number 5, the pension benefit obligation for the Municipal Employees Fund as of December 31, 1999, was $1,044,500,000. The pension benefit obligation for the Police Officers' Fund as of December 31, 1999, was $257,850,000. The pension benefit obligation for the Firefighters' Pension Fund as of December 31, 1999, was $317,223,000. See Note 9 to the City's Financial Statements for additional information on the Pension Plans.

In addition to providing pension benefits, the City provides certain health care and insurance benefits to its retirees. Any retiree who is eligible to receive retirement benefits under any of the City's three pension plans is eligible for these benefits. Post retirement benefits include health insurance and $1,000 of life insurance for the retired employee only. The City pays either all or a portion of the retiree's health insurance premiums, depending upon the health care plan selected. Retirees may also receive health insurance benefits for dependents eligible under the plan at their own cost.

The City recognizes the cost of providing these benefits to employees and retirees by expensing the City contributions to the Health Benefits Fund in the year in which the contributions are made. Total contributions were $39,444,283 in 2001 and $37,479,028 in 2000. The cost for providing those benefits for 2,050 retirees and 9,320 active employees in 2000 and 1,930 retirees and 9,020 active employees in 1999 is not separable.

Insurance

The Liability Reserve Fund is the insurance fund of the City for settled claims, expenses, and reserves relating to third party liability claims for injury and property damage, including professional liability. The Liability Reserve Fund is used to pay for actual claims incurred and related expenses for settling these claims, for budgeted administrative costs for the fund's operations, and to estimate incurred, but not reported claims. The Liability Reserve Fund had accrued liabilities of approximately $12.7 million for claims and damages at the end of fiscal year 2001. Employee injuries are covered by the Workers' Compensation Fund, and health claims are protected by the Employee Benefits Fund.

CONTINUING DISCLOSURE OF INFORMATION

In each of the Ordinances, the City has made the following agreement for the benefit of the respective holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports – The City will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all the quantitative financial information and operating data with respect to the City of the general type included (i) in the portions of the financial statements of the City appended to the Official Statement as Appendix B, but for the most recently concluded fiscal year end and (ii) in the main text of the Official Statement under the subcaptions: "Tax Valuation" with respect to the appraised value as of January 1 during the fiscal year as to which such annual report relates, "Valuation and Funded Debt History," "Tax Rates, Levy and Collection History," "Ten Largest Taxpayers," "Property Tax Rate Distribution," "Current Investments," "General Fund Revenues and Expenditures and Changes in Fund Balance," "Municipal Sales Tax," and "Transfers From Utility Funds". The City will update and provide this information as of the end of such fiscal year or for the twelve month period then ended within six months after the end of each fiscal year ending in or after 2001 unless otherwise noted above. The City will provide the update information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the United States Securities and Exchange Commission (the "SEC").

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2–12 (the "Rule"). The update information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the City will provide unaudited financial statements by that time and will provide audited financial statements when and if they become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State Law or regulation.

The City's current fiscal year is October 1 to September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify each NRMSIR and any SID of the change.

Material Event Notice – The City will also provide timely notices of certain events relating to the Bonds to certain information vendors. The City will provide notice of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws; (1) principal and interest payment delinquencies; (2) non–payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax–exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasance; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes with respect to the Bonds. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The City will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

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

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

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

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if the agreement, as amended, would have permitted an underwriter to purchase or sell the Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. If the City amends its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data will be provided.

Compliance with Prior Undertakings – The City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

TAX MATTERS

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

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of result. No assurances can be given as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount. The initial public offering price to be paid for one or more maturities of the Bonds, Certificates and Contractual Obligations, respectively (referred to herein as the "Original Issue Discount Bonds"), may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds, Certificates and Contractual Obligations may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bonds and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds, Certificates or Contractual Obligations, respectively, less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such

owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

Collateral Federal Income Tax Consequences. The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of each series of Obligations. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

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

Interest on the Obligations may be subject to the "branch profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

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

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

Tax-Exempt Status of Obligations. Although it is expected that each series of the Obligations will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, as hereinabove described, the tax-exempt status of the Obligations could be affected by future events. The City has covenanted in the Ordinances that it will not take any action that would cause the interest on the Obligations to become taxable. However, future events beyond the control of the City as well as the failure to observe such covenants, could cause the interest on any series of the Obligations to become taxable retroactively to the date of issuance. It is also possible that after the Obligations are issued, legislation adopted by the United States Congress or subsequent judicial and administrative interpretation by the courts or the Department of the Treasury could adversely affect the status of tax-exempt obligations such as the Obligations. Bond Counsel's opinion represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions as of the date of the opinion and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of any series of the Obligations, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

OTHER RELEVANT INFORMATION

Ratings

The Obligations have received ratings of "AA+" by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies ("S&P"), "AA+" by Fitch Ratings, Inc. ("Fitch") and "Aa2" by Moody's Investors Service, Inc. ("Moody's"). The presently outstanding tax supported debt of the City is rated "Aa2" by Moody's, "AA+" by S&P and "AA+" by Fitch. The Certificates and Contractual Obligations will be rated "Aaa" by Moody's, "AAA" by S&P, and "AAA" by Fitch as a result of the policies issued by MBIA (see "BOND INSURANCE"). An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of one or all such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or by any one of them, may have an adverse effect on the market price of the Obligations. The City will undertake no responsibility to notify the owners of the Obligations of any such revisions or withdrawal of ratings.

Litigation

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

Registration and Qualification

The sale of the Obligations 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 Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Legal Investments and Eligibility to Secure Public Funds in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Obligations (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Obligations are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Obligations may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor

standard, the Obligations are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. The City has made no review of laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

Legal Opinions and No–Litigation Certificate

The City will furnish complete transcripts of proceedings had incident to the authorization and issuance of the Obligations including the unqualified approving legal opinions of the Attorney General of the State of Texas approving the issuance of each respective series of the Obligations, and to the effect that the Obligations are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax consequences for corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Obligations will also be furnished. Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement to verify that such description conforms to the provisions of the Ordinances. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of each series of the Obligations are contingent on the sale and delivery of the Obligations. In connection with the transactions described in this Official Statement, Bond Counsel represents only the City.

Financial Advisor

Public Financial Management ("PFM"), Austin, Texas is employed as Financial Advisor to the City in connection with the issuance, sale and delivery of the Obligations. The payment of the fee for services rendered by PFM with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. PFM, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the bond documentation with respect to the federal income tax status of the Obligations.

Authenticity of Financial Data and Other Information

The financial data and other information contained herein have been obtained from the City's records, audited financial statements 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.

This Official Statement, and the execution and delivery of this Official Statement was authorized by the Ordinances adopted by the City Council on August 29, 2002.

/s/ Gustavo Garcia
Mayor
City of Austin, Texas

ATTEST:

/s/ Shirley A. Brown
City Clerk
City of Austin, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

The following information has been presented for informational purposes only.

Life in Austin

Austin is now the 16th largest city in the country and since 1990, has ranked number one in growth among the 30 largest cities. Texas' Capital City, Austin is unique and known for its beauty, its dynamic style, and its diverse community. Located in the heart of the Texas Hill Country, the Austin area is blessed with panoramic views, an abundance of rivers and lakes, and a climate that is conducive to outdoor activity.

Austin is a great place to enjoy the outdoors. With Austin's winter temperatures rarely dipping below freezing and often reaching into the 70's and 80's and with long summers, the city, county, and state parks and recreation facilities are busy year-round.

Austin Weather

Mean temperature	69
Mean low temperature	58
Mean high temperature	78
Clear days	116
Average rainfall	32"
Average days of sunshine	300

Austin is also very fortunate to have a first-rate Parks and Recreation Department (PARD). In fact, the department is recognized as one of the finest in the country. For the third consecutive year PARD was nominated for the national Gold Medal Award given by the National Recreation and Park Association. PARD administers a number of public outdoor recreational facilities, including numerous neighborhood parks, greenbelts, athletic fields, golf courses, tennis courts, a veloway for bicyclists and in-line skaters, miles of hike and bike trails and striped bike lanes, a youth entertainment complex, and swimming pools, including renowned Barton Springs, where as many as 300,000 people a year enjoy its constant 68 degree spring-fed water.

Austin is home to a number of outdoor events and festivals, including various art, music, and food and wine festivals; races and bicycle rides; and nightly flights of the world's largest urban bat colony. A favorite holiday event is the Trail of Lights, a festive, mile-long display of lighted scenes of the holiday season, with over 200,000 visitors over a two-week period.

In addition to outdoors recreational opportunities, Austinites can choose from a wide variety of indoor recreational activities. Long recognized as the "live music capital of the world", Austin boasts more than 100 live music venues, and is home to the annual South by Southwest (SXSW) music and film festivals. Austin also has a number of museums, art galleries, an opera facility and a wide variety of restaurants and clubs, especially in the popular Sixth Street and Warehouse District areas.

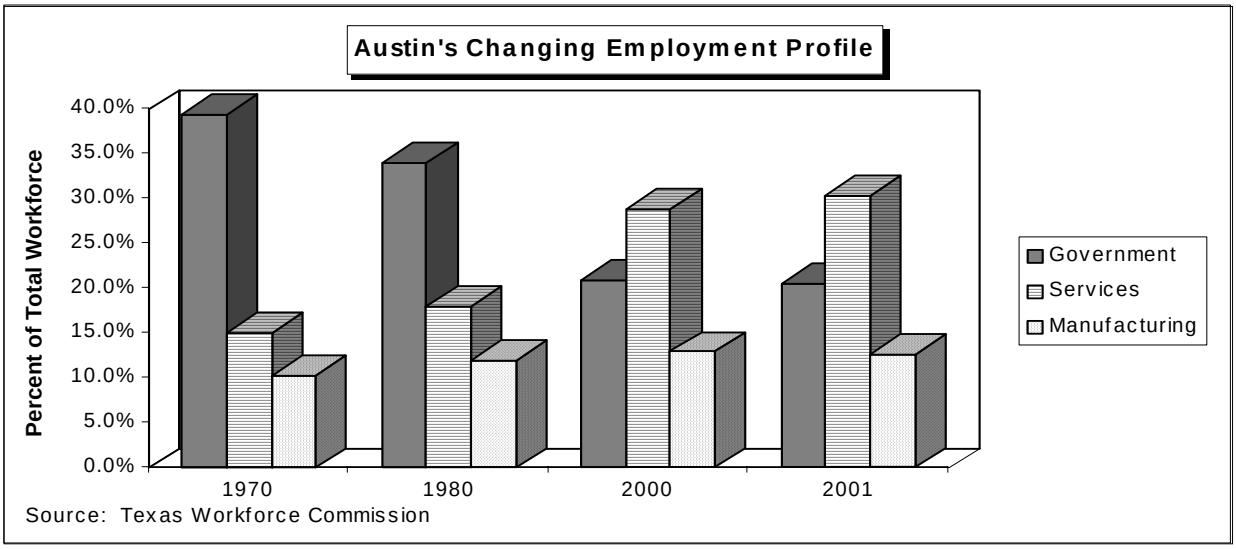
With its seven institutions of higher learning and more than 90,000 students, education is a significant aspect of life in the Austin area. Access to these institutions, especially the University of Texas at Austin (UT), has attracted many of the high-technology industries that have contributed to most of the growth in the city's economy. The largest public university in the nation, UT is known as a world-class center of education and research.

Among U.S. cities with a population over 250,000, Austin is one of the most highly educated cities, with 30% of its adults having a college degree and over 88% of the workforce having some college education.

Industry and Business

In 2001, the Austin metropolitan area continued to receive national recognition for its dynamic economy and its quality of life. In a summer survey of Fortune 1000 executives conducted by AT Kearney, a global management consulting firm, Austin was named the most likely place to locate a technology-related business or business unit. In addition to receiving the top ranking for location, Austin received top honors as the most appealing in the local government involvement category – a category that recognizes local government programs that foster economic growth, develop the local workforce and address quality of life and economic issues. Austin was also recognized by *Employment Review* Magazine as the best place to live and work in America. The nationwide review looked at more than 300 metropolitan areas, comparing unemployment rates, projected job growth, cost of living and other data. In its assessment of Austin, the writer states, "the capital city of Texas deserves a capital "p" for perfection…Austin has created the perfect blend of work, lifestyle and leisure, making it a true treasure of a city.…"

Additionally, *FORBES* magazine named Austin the second best place to do business and advance one's career. As the capital of Texas and the home of the University of Texas, Austin has long been considered a government and university town. However, Austin is also one of the premier high-tech communities in the country. Approximately 2,500 technology related companies employ people in the Austin area. These companies and various other professional service firms make up an important segment of Austin's employment base. The high-tech companies have borne the brunt of the downturn in the economy, with more than 13,000 layoffs during 2001. While government employment is still a stabilizing force in the Austin economy, it now accounts for a much lower percentage of the make-up of Austin's total employment. As the following comparison shows, since 1970, government employment has decreased substantially relative to the other large employment sectors in the Austin area.



Although Austin's semi-conductor industry has been hit with layoffs and cutbacks, industry analysts indicate the industry can provide jobs in the future. In preparation for the future, local semi-conductor firms contributed funding for scholarships and a facility for training industry workers. The area's large university student population, primarily at the University of Texas, help keep the city intellectually active and provide a valuable resource to companies locating to the area.

With all the features Austin has to offer, the City typically enjoys a strong tourism industry, which has a significant impact on the Austin economy. The City's convention and meeting facilities include the Austin Convention Center, which is expanding to meet increased demand, a soon-to-be open Palmer Events Center, and the Long Performing Arts Center, soon to be under construction, to be built by Arts Center Stage. The number of hotels in the Austin area increased by 23 between 1999 and 2001 to keep up with demand. However, with the September 11 disaster, like many other cities across the country, Austin has experienced a decrease in both tourism and travel, with a 10% drop in hotel occupancy in November and a 20% drop in airport passenger traffic in December, compared to the same periods in 2000. Fortunately, Austin may be less vulnerable to the effects of reductions in air travel because more than half of the City's visitors come from other Texas cities.

Employment by Industry in the Austin Metropolitan Area (a)

Employment Characteristics

	1980		1990		2000		2001		June 30, 2002	
Industrial Classification		% of Total		% of Total		% of Total		% of Total		% of Total
Manufacturing	30,550	12.9%	49,300	12.6%	84,662	12.9%	86,500	12.6%	70,300	10.4%
Government	80,950	34.3%	110,400	28.8%	137,171	20.9%	140,700	20.5%	144,300	21.4%
Trade	48,400	20.5%	78,400	20.4%	150,231	22.9%	154,600	22.5%	154,400	23.0%
Services and Miscellaneous	40,950	17.3%	97,200	25.3%	190,048	28.9%	207,900	30.3%	206,300	30.7%
Finance, Insurance and Real Estate	13,700	5.8%	23,400	6.1%	32,031	4.9%	33,000	4.8%	34,700	5.2%
Contract Construction	13,300	5.6%	12,000	3.1%	39,134	6.0%	39,700	5.8%	40,500	6.0%
Transportation, Communications & Utilities	7,200	3.1%	12,100	3.2%	21,540	3.3%	22,400	3.3%	20,500	3.0%
Mining	1,100	0.5%	700	0.2%	1,353	0.2%	1,600	0.2%	1,700	0.3%
Total	236,150	100.0%	383,500	100.0%	656,170	100.0%	686,400	100.0%	672,700	100.0%

(a) Austin MSA includes Travis, Bastrop, Caldwell, Hays and Williamson Counties. Information is updated periodically. Data contained herein is the latest provided. Numbers for 2002 are an estimate based on Texas Workforce Commission, Bureau of Labor Statistics and U.S. Department of Labor data as of June 30, 2002.

Source: 2001 Comprehensive Annual Financial Report, Texas Workforce Commission.

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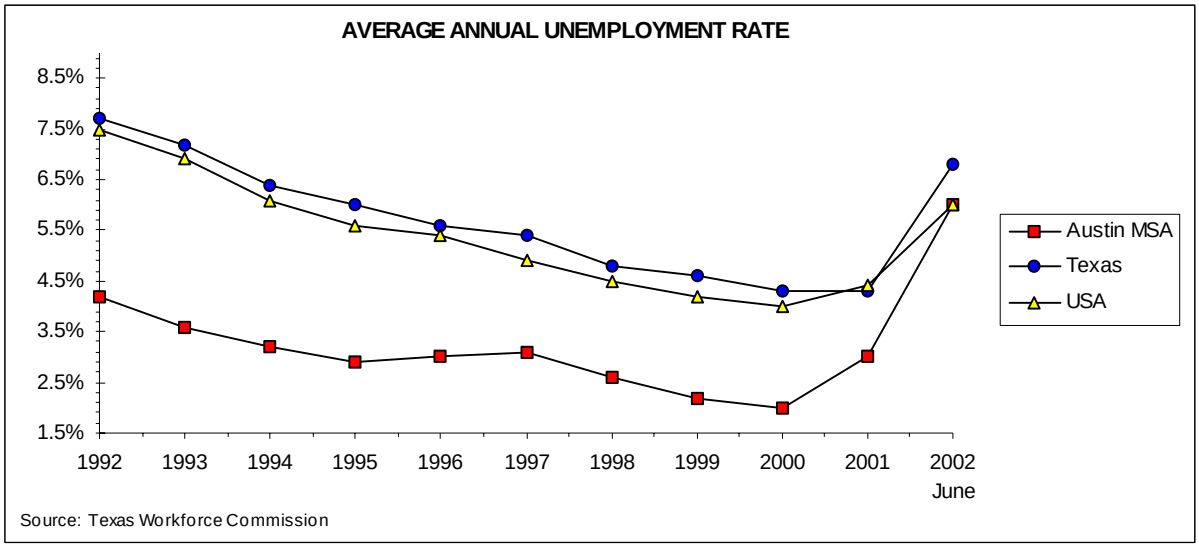
Average Annual Unemployment Rate



	Austin MSA	Texas	U.S.
1992	4.2%	7.7%	7.5%
1993	3.6%	7.2%	6.9%
1994	3.2%	6.4%	6.1%
1995	2.9%	6.0%	5.6%
1996	3.0%	5.6%	5.4%
1997	3.1%	5.4%	4.9%
1998	2.6%	4.8%	4.5%
1999	2.2%	4.6%	4.2%
2000	2.0%	4.3%	4.0%
2001	3.0%	4.3%	4.4%
2002 June	6.0%	6.8%	6.0%

Note: Information is updated periodically. Data contained herein is latest provided.
Source: 2001 Comprehensive Annual Financial Report, Texas Workforce Commission.

City Sales Tax Collections (In Millions)

Period	Amount	Period	Amount	Period	Amount	Period	Amount	Period	Amount
1-1-98	$ 6.399	1-1-99	$ 7.335	1-1-00	$ 8.790	1-1-01	$ 8.964	1-1-02	$ 8.389
2-1-98	10.708	2-1-99	12.155	2-1-00	12.316	2-1-01	13.362	2-1-02	13.049
3-1-98	6.641	3-1-99	7.318	3-1-00	8.799	3-1-01	8.791	3-1-02	8.003
4-1-98	6.780	4-1-99	7.252	4-1-00	8.119	4-1-01	8.887	4-1-02	7.989
5-1-98	9.155	5-1-99	10.027	5-1-00	11.234	5-1-01	11.754	5-1-02	10.431
6-1-98	7.367	6-1-99	7.900	6-1-00	9.091	6-1-01	8.865	6-1-02	8.928
7-1-98	7.056	7-1-99	7.632	7-1-00	9.314	7-1-01	9.208	7-1-02	8.859
8-1-98	9.587	8-1-99	10.611	8-1-00	11.313	8-1-01	10.941		
9-1-98	7.251	9-1-99	7.916	9-1-00	8.718	9-1-01	8.713		
10-1-98	7.277	10-1-99	7.855	10-1-00	9.356	10-1-01	9.299		
11-1-98	8.623	11-1-99	9.676	11-1-00	11.423	11-1-01	9.889		
12-1-98	7.417	12-1-99	9.239	12-1-00	9.346	12-1-01	8.718		

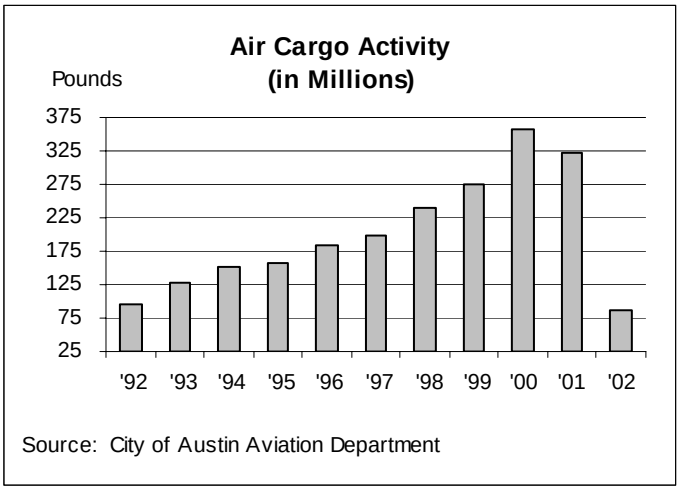
Source: State of Texas Comptroller's Office.

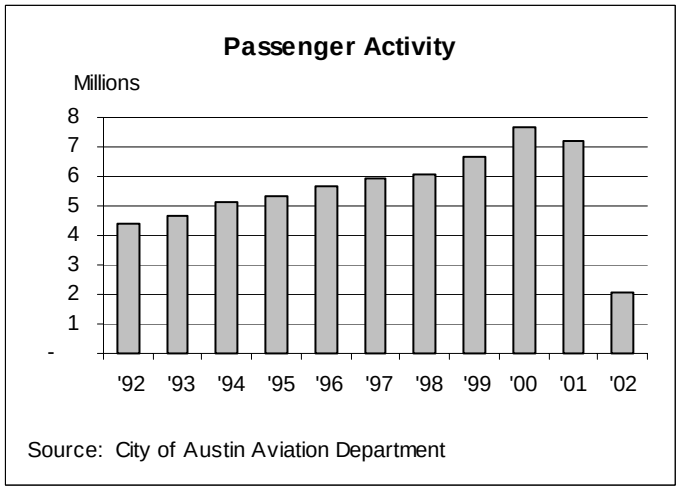
Ten Largest Employers (As of September 30, 2001)

Employer	Product or Service	Employees
The University of Texas at Austin	Education and Research	20,211
Dell Computer Corporation	Computers	17,100
City of Austin	City Government	10,914
Austin Independent School District	Education	9,417
Motorola, Inc.	Electronic Components	8,900
HEB Grocery	Grocery/Pharmacy	7,000
Seton Medical Center	Hospital	6,715
IBM Corporation	Office Machines	5,988
Internal Revenue Service	Federal Agency	5,800
Sulzer Orthopedics, Inc.	Medical	5,479

Source: 2001 Comprehensive Annual Financial Report.

Transportation





Note: 2002 Numbers are as of April 1, 2002.

Austin-Bergstrom International Airport

Prior to May 23, 1999 all passenger activity was out of Robert Mueller Municipal Airport.

Rail facilities are furnished by Union Pacific and Longhorn Railway Company. Amtrak brought passenger trains back to the City in January 1973, as one of the infrequent stops on the Mexico City-Kansas City route. Bus service is provided by Greyhound and Kerrville Bus-Coach USA.

On January 19, 1985, the citizens of Austin and several surrounding areas approved the creation of a metropolitan transit authority ("Capital Metro") and adopted an additional one percent sales tax to finance a transit system for the area which was later reduced to three quarters of a percent, effective April 1, 1989. On June 12, 1995, the Capital Metro board approved an one quarter percent increase in the sales tax thus returning to one percent effective October 1, 1995.

Austin's Austin-Bergstrom International Airport, which opened for passenger service on May 23, 1999, is served by 9 major airlines: American, America-West, Continental, Delta, Frontier, Northwest, Southwest, TWA and United. In addition, Atlantic Southeast and Skywest Airlines serve Austin as commuter carriers through Delta Connection. Direct service is available to 28 major U.S. destinations.

Growth Indicators

In recent years, Austin has experienced considerable growth as evidenced by the following utility connection, building permit and population statistics, although the downturn in the general economy has resulted in a decrease in the dollar value of building permits issued in the year 2001.

Population

	Austin (1)		Travis County (1)		Texas (2)		United States (2)	
Year	Population	% Change	Population	% Change	Population	% Change	Population	% Change
1950	132,459	50.6%	160,980	45.0%	7,711,194	20.2%	151,326,000	14.5%
1960	186,545	40.8%	212,136	31.8%	9,579,677	24.2%	179,323,000	18.5%
1970	253,539	35.9%	295,516	39.3%	11,198,655	16.9%	203,302,000	13.4%
1980	345,496	36.3%	419,573	42.0%	14,228,383	27.1%	222,100,000	9.3%
1990	450,830	0.2%	576,407	0.5%	16,986,510	-2.7%	249,632,692	0.8%
1991	466,530	3.5%	585,731	1.6%	17,349,000	2.1%	252,177,000	1.0%
1992	474,715	1.8%	594,560	1.5%	17,615,745	1.5%	255,020,000	1.1%
1993	478,254	0.8%	600,427	1.0%	17,805,566	1.1%	257,592,000	1.0%
1994	507,468	6.1%	636,991	6.1%	18,291,000	2.7%	261,212,000	1.4%
1995	523,352	3.1%	656,979	3.1%	18,724,000	2.4%	262,755,000	0.6%
1996	541,889	3.5%	681,654	3.8%	19,128,000	2.2%	265,410,000	1.0%
1997	560,939	3.5%	703,717	3.2%	19,439,337	1.6%	267,792,000	0.9%
1998	608,214	8.4%	725,669	3.1%	19,759,614	1.7%	271,685,044	1.5%
1999	619,038	1.8%	744,857	2.6%	20,044,141	1.4%	272,690,813	0.4%
2000	628,667	1.6%	749,426	0.6%	20,044,141	0.0%	272,690,813	0.0%
2001	661,639	5.2%	837,206	11.7%	20,851,820	4.0%	281,421,906	3.2%

(1) All years are estimates from the City's Department of Development and Review based on full purpose area as of December 31. Census years are modified to conform to U.S. Bureau of the Census data.
(2) U.S. Bureau of the Census official estimates as of July 31, except for census years.

Connections and Permits

	Utility Connections			Building Permits		
Year	Electric	Water	Gas	Taxable	Federal, State and Municipal	Total
1990	275,840	137,936	111,114	$ 309,999,799	$48,312,493	$ 358,312,292
1991	281,926	142,721	131,713	327,777,503	33,619,419	361,396,922
1992	286,413	141,210	139,529	435,053,697	5,162,800	440,216,497
1993	291,896	146,396	143,088	607,717,144	70,976,449	678,693,593
1994	298,662	148,148	142,373	840,043,119	19,643,501	859,686,620
1995	306,670	149,867	147,023	870,446,315	11,087,831	881,534,146
1996	319,518	151,757	148,124	1,246,232,619	89,945,847	1,336,178,466
1997	326,816	156,397	156,752	1,023,114,762	2,574,539	1,025,689,301
1998	342,263	168,907	165,274	1,434,660,615	46,722,845	1,481,383,460
1999	348,721	173,038	173,150	1,501,435,229	54,399,189	1,555,834,418
2000	344,134	176,096	172,063	1,797,039,075	34,334,286	1,831,373,361
2001	349,671	178,608	172,177	1,625,508,854	71,189,116	1,696,697,970

Source: 2001 Comprehensive Annual Financial Report.

Wealth and Income Indicators

The Austin MSA compares favorably with both the state and the nation in per capita effective buying income (EBI), and per capita retail sales.

Effective Buying Income and Retail Sales

Area	Median Household EBI	Per Capita EBI	% of Households by EBI Group* A	B	C	D	Per Capita Retail Sales
City of Austin	$39,811	$22,241	24.0%	20.4%	15.7%	39.9%	$34,173
Austin MSA	43,415	21,661	21.8%	19.0%	15.5%	43.7%	24,039
Texas	37,636	17,677	26.4%	20.6%	15.8%	37.2%	13,648
USA	39,129	18,426	24.4%	20.7%	16.8%	38.2%	12,889

*Group A, $0 - $19,999 Group B, $20,000 - 34,999 Group C, $35,000 - 49,999 Group D, $50,000 and over
Source: 2001 Survey of Buying Power, Sales and Marketing Management.

Housing Units

The average rental rate for a 1,000 square foot apartment in the Austin MSA was $940 per month, with an occupancy rate of 90.0% in the fourth quarter of 2001.

Residential Sales Data

Year	Number of Sales	Total Volume	Average Price
1992	8,503	$ 887,249,588	$104,345
1993	9,926	1,139,100,456	114,759
1994	10,571	1,272,585,426	120,385
1995	11,459	1,439,915,043	125,658
1996	12,597	1,672,441,903	132,765
1997	12,439	1,762,198,574	141,667
1998	15,583	2,334,200,698	149,791
1999	18,135	2,963,915,274	163,436
2000	18,621	3,561,039,919	191,238
2001	18,362	3,551,895,616	193,437
2002 (June)	9,236	1,854,815,837	200,825

Note:Information is updated periodically, data contained herein is latest provided.
Source: Real Estate Center at Texas A&M University.

City-Wide Austin Office Occupancy Rate

Year	Occupancy Rate
1992	82.6%
1993	86.3%
1994	87.9%
1995	88.4%
1996	92.2%
1997	94.7%
1998	93.4%
1999	92.8%
2000	94.5%
2001	93.0%
2002 (1st Quarter)	86.4%

The increase in office vacancy in 2002 has resulted from a general downturn in economic conditions.

Source: Colliers Oxford Commercial Research Services and Trammell Crow Company.

Education

The Austin Independent School District had an enrollment of 77,265 for the Spring of 2002. This reflects an increase of 0.28% in enrollment from the Spring of 2001. The District includes 107 campus buildings.

School Year	Average Daily Membership	Average Daily Attendance
1989/90	63,887	60,835
1990/91	65,952	62,632
1991/92	67,063	63,267
1992/93	68,712	63,817
1993/94	70,665	66,086
1994/95	72,298	67,706
1995/96	73,795	68,953
1996/97	74,315	70,361
1997/98	75,693	71,241
1998/99	75,915	71,491
1999/00	76,268	71,583
2000/01	77,050	72,076
2001/02 (1)	77,265	72,115

(1) Fourth Six Weeks.
Source: Austin Independent School District.

The following institutions of higher education are located in the City: The University of Texas, St. Edward's University, Huston-Tillotson College, Concordia Lutheran College, Austin Presbyterian Theological Seminary, Episcopal Theological Seminary of the Southwest and Austin Community College.

The University of Texas at Austin had an enrollment of 50,616 for the fall semester of 2001 and is a major research university with many nationally ranked academic programs at the graduate level. It is also known for its library collections and research resources. The present site has expanded more than 300 acres since classes began on the original 40 acres near downtown Austin. Additionally, University-owned property located in other areas of Austin includes the Pickle Research Center and the Brackenridge Tract, partially used for married student housing. The McDonald Observatory on Mount Locke in West Texas, the Marine Science Institute at Port Aransas and the Institute for Geophysics (Galveston) on the Gulf Coast operate as specialized research units of The University of Texas at Austin.

Tourism

The impact of tourism on the Austin economy is significant. Total travel expenditures in the Austin-San Marcos MSA were $2.4 billion in 2000. There are more than 20,900 hotel rooms available within the Austin Metropolitan Area, as of January 2002. The substantial increase in supply of rooms contributed to decreasing occupancy rates in the last three years. Through the month of November 2001 the citywide occupancy rate for the Austin area was 64.8%, with an average room rate of $94.37.

Existing City convention and meeting facilities include a Convention Center, which is supported by hotel/motel occupancy tax collections and revenues of the facility and the new Lester E. Palmer Events Center with 70,000 square feet of exhibit space. Other facilities in Austin include the Frank Erwin Center, a 17,000-seat arena at The University of Texas, the Texas Exposition and Heritage Center and the Austin Opera House. The Texas Exposition and Heritage Center offers 6,000 seat arena seating and 20,000 square feet of banquet/exhibit hall facilities. The Austin Opera House has a concert seating capacity of 1,700 and 9,000 square feet of exhibit space.

APPENDIX B

Excerpts From the Annual Financial Report

KPMG

111 Congress Avenue
Suite 1100
Austin, TX 78701

RICHARD MENDOZA
Certified Public Accountant

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council,
City of Austin, Texas:

We have audited the general purpose financial statements of the City of Austin, Texas ("City") as of and for the year ended September 30, 2001, as listed in the accompanying table of contents under "General Purpose Financial Statements" and the following individual fund supporting financial statements included in Exhibit F-1, Exhibit F-2, and Exhibit F-3: Electric Fund Balance Sheet, Electric Fund Statement of Revenues, Expenses, and Changes in Retained Earnings, Electric Fund Statement of Cash Flows, Water and Wastewater Fund Balance Sheet, Water and Wastewater Fund Statement of Revenues, Expenses, and Changes in Retained Earnings, Water and Wastewater Fund Statement of Cash Flows, Airport Fund Balance Sheet, Airport Fund Statement of Revenues, Expenses, and Changes in Retained Earnings, and Airport Fund Statement of Cash Flows. These general purpose financial statements and individual fund supporting financial statements listed above are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements and individual fund supporting financial statements listed above based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements and individual fund supporting financial statements listed above are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and individual fund supporting financial statements listed above. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and the presentation of the individual fund supporting financial statements listed above. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Austin, Texas as of September 30, 2001, and the results of its operations and cash flows of its proprietary fund types and similar trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the individual fund supporting financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds as of September 30, 2001, and the results of operations and the cash flows of such funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Richard Mendoza, CPA

Austin, Texas
January 18, 2002

KPMG LLP KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
September 30, 2001
With comparative totals for September 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Current assets:				
Cash	$ 87,388	6,835	246	--
Pooled investments and cash	35,120,932	57,155,129	--	127,703,177
Investments, at fair value	--	903,585	16,344,051	--
Working capital advances	--	--	--	--
Cash and investments held by trustee	--	--	--	--
Receivables, net of allowances:				
Property taxes	4,445,274	--	3,072,010	--
Accounts and other receivables	27,849,270	16,982,963	--	2,384,375
Receivables from other governments	--	10,477,094	--	--
Due from other funds	--	13,689,040	--	7,997,755
Inventories, at cost	1,522,969	259,336	--	--
Real property held for resale	--	4,290,745	--	--
Other assets	273,011	930,616	--	839,748
Total current assets	69,298,844	104,695,343	19,416,307	138,925,055
Restricted assets:				
Revenue note current debt service account	--	--	--	--
Revenue bond current debt service account	--	--	--	--
Revenue bond future debt service account	--	--	--	--
Revenue bond retirement reserve account	--	--	--	--
Construction account	--	--	--	--
Due from other funds	--	--	--	--
Advances to other funds	--	--	--	--
Decommissioning account	--	--	--	--
Capital improvement account	--	--	--	--
Operating reserve account	--	--	--	--
Hotel occupancy tax account	--	--	--	--
Renewal and replacement account	--	--	--	--
Investments and cash held by trustee	--	--	--	--
Nuclear fuel inventory acquisition account	--	--	--	--
Mueller disposition account	--	--	--	--
Customer and escrow deposits	--	--	--	--
Other restricted accounts	--	--	--	--
Total restricted assets	--	--	--	--
Fixed assets, at cost:				
Property, plant and equipment	--	--	--	--
Less accumulated depreciation	--	--	--	--
Net property, plant and equipment	--	--	--	--
Investment in municipal utility districts	--	--	--	--
Intangible assets, net of amortization	--	--	--	--
Other long-term assets	--	--	--	--
Deferred costs and expenses, net of amortization	--	--	--	--
Other debits:				
Amount available in debt service funds	--	--	--	--
Amount to be provided for accrued compensated absences	--	--	--	--
Amount to be provided for retirement of long-term debt	--	--	--	--
Total assets	$ 69,298,844	104,695,343	19,416,307	138,925,055

The accompanying notes are an integral part of the financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2001	2000
44,300	22,875	--	--	--	161,644	195,563
133,857,198	53,308,192	8,112,717	--	--	415,257,345	341,916,193
--	--	--	--	--	17,247,636	10,461,177
3,014,635	--	--	--	--	3,014,635	2,548,202
--	292,073	--	--	--	292,073	198,423
--	--	--	--	--	7,517,284	7,567,074
135,001,019	321,341	--	--	--	182,538,968	211,976,161
--	--	128,894	--	--	10,605,988	15,066,423
150,000	--	--	--	--	21,836,795	33,218,120
48,991,431	1,668,318	--	--	--	52,442,054	50,021,832
--	--	--	--	--	4,290,745	1,923,982
27,798,023	295,823	--	--	--	30,137,221	66,596,625
348,856,606	55,908,622	8,241,611	--	--	745,342,388	741,689,775
392,997	--	--	--	--	392,997	441,867
134,089,286	--	--	--	--	134,089,286	118,709,645
192,196,078	--	--	--	--	192,196,078	221,753,105
177,614,370	--	--	--	--	177,614,370	168,178,520
325,032,405	1,885,414	--	--	--	326,917,819	376,567,991
26,872	--	--	--	--	26,872	384,424
4,559,850	--	--	--	--	4,559,850	4,586,722
72,591,362	--	--	--	--	72,591,362	63,515,224
34,547,866	--	--	--	--	34,547,866	15,485,262
6,900,950	--	--	--	--	6,900,950	17,509,286
572,788	--	--	--	--	572,788	2,076,499
11,063,999	--	--	--	--	11,063,999	11,043,578
5,213,934	--	--	--	--	5,213,934	20,393,686
31,898,253	--	--	--	--	31,898,253	33,473,935
5,778,587	--	--	--	--	5,778,587	2,616,040
7,325,312	--	--	--	--	7,325,312	12,199,305
14,153,590	--	--	--	--	14,153,590	10,156,981
1,023,958,499	1,885,414	--	--	--	1,025,843,913	1,079,092,070
6,494,638,304	77,773,612	--	734,191,487	--	7,306,603,403	6,775,627,049
(1,944,774,595)	(26,697,015)	--	--	--	(1,971,471,610)	(1,822,117,652)
4,549,863,709	51,076,597	--	734,191,487	--	5,335,131,793	4,953,509,397
1,756,084	--	--	--	--	1,756,084	2,107,665
95,101,582	--	--	--	--	95,101,582	97,500,000
3,969,980	--	--	--	--	3,969,980	1,326,942
634,789,800	8,404	--	--	--	634,798,204	641,821,907
--	--	--	--	16,467,130	16,467,130	9,756,704
--	--	--	--	49,412,297	49,412,297	47,885,622
--	--	--	--	566,110,732	566,110,732	553,810,692
6,658,296,260	108,879,037	8,241,611	734,191,487	631,990,159	8,473,934,103	8,128,500,774

(continued)

ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
September 30, 2001
With comparative totals for September 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Current liabilities:				
Accounts payable	$ 5,586,536	4,690,171	--	7,072,545
Accrued payroll	5,798,262	268,918	--	--
Accrued compensated absences	2,774,177	192,714	--	--
Claims payable	--	--	--	--
Construction contracts payable	--	--	--	--
Contract revenue bonds payable	--	--	--	--
Due to other governments	--	--	--	--
Due to other funds	--	13,839,040	--	7,994,095
Interest payable on other debt	--	--	--	--
General obligation bonds payable and other tax supported debt	--	--	--	--
Water improvement district bonds payable	--	--	--	--
Capital lease obligations payable	--	--	--	--
Deferred revenue and other liabilities	7,059,278	46,022,257	2,949,177	929,415
Total current liabilities	21,218,253	65,013,100	2,949,177	15,996,055
Liabilities payable from restricted assets:				
Accounts and retainage payable	--	--	--	--
Accrued interest payable	--	--	--	--
General obligation bonds and other tax supported debt payable	--	--	--	--
Revenue bonds payable within one year	--	--	--	--
Capital lease obligations payable	--	--	--	--
Decommissioning expense payable	--	--	--	--
Nuclear fuel expense payable	--	--	--	--
Other liabilities	--	--	--	--
Total liabilities payable from restricted assets	--	--	--	--
Long-term obligations, net of current portion:				
Accrued compensated absences	--	--	--	--
Claims payable	--	--	--	--
Construction contracts payable	--	--	--	--
Contract revenue bonds payable, net of discount	--	--	--	--
Advances from other funds	--	--	--	--
Loans payable	--	--	--	--
Capital appreciation bond interest payable	--	--	--	--
Commercial paper notes payable	--	--	--	--
Revenue notes payable	--	--	--	--
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	--	--	--	--
Revenue bonds payable, net of discount and inclusive of premium	--	--	--	--
Water improvement district bonds payable	--	--	--	--
Capital lease obligations payable	--	--	--	--
Decommissioning assessment payable	--	--	--	--
Accrued landfill closure and postclosure costs	--	--	--	--
Deferred revenue and other liabilities	--	--	--	--
Total liabilities	$ 21,218,253	65,013,100	2,949,177	15,996,055

The accompanying notes are an integral part of the financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2001	2000
70,348,995	5,015,021	42,177	--	--	92,755,445	100,063,130
4,260,772	1,735,063	--	--	--	12,063,015	9,638,871
10,888,218	4,055,853	--	--	--	17,910,962	18,378,165
--	14,101,232	--	--	--	14,101,232	13,747,986
204,041	--	--	--	--	204,041	1,074,032
6,605,000	--	--	--	--	6,605,000	6,930,000
--	--	1,587,256	--	--	1,587,256	1,310,591
--	26,872	3,660	--	--	21,863,667	33,602,544
5,210,331	70,899	--	--	--	5,281,230	6,392,313
2,953,607	1,058,294	--	--	--	4,011,901	3,906,398
250,000	--	--	--	--	250,000	366,000
2,286,614	--	--	--	--	2,286,614	2,100,001
7,863,588	1,000,451	3,198,822	--	--	69,022,988	63,425,716
110,871,166	27,063,685	4,831,915	--	--	247,943,351	260,935,747
46,646,854	--	--	--	--	46,646,854	40,191,049
71,024,255	--	--	--	--	71,024,255	62,027,168
5,045,853	--	--	--	--	5,045,853	3,688,803
105,220,662	--	--	--	--	105,220,662	104,302,365
--	--	--	--	--	--	7,500,000
72,591,362	--	--	--	--	72,591,362	63,515,224
31,898,253	--	--	--	--	31,898,253	33,473,935
10,970,414	--	--	--	--	10,970,414	11,954,008
343,397,653	--	--	--	--	343,397,653	326,652,552
8,106,045	2,466,758	--	--	49,412,297	59,985,100	56,381,438
--	9,416,434	--	--	--	9,416,434	8,378,102
75,000	--	--	--	--	75,000	75,000
69,858,104	--	--	--	--	69,858,104	88,254,611
--	241,850	--	--	4,318,000	4,559,850	4,586,722
--	--	--	--	11,208,126	11,208,126	9,210,660
145,060,818	--	--	--	--	145,060,818	128,547,946
228,468,720	--	--	--	--	228,468,720	403,255,427
28,000,000	--	--	--	--	28,000,000	28,000,000
61,855,982	4,917,785	--	--	562,677,630	629,451,397	623,286,293
3,125,935,659	--	--	--	--	3,125,935,659	2,875,791,298
--	--	--	--	--	--	423,000
16,636,520	--	--	--	--	16,636,520	17,534,999
1,703,648	--	--	--	--	1,703,648	1,976,937
6,904,024	--	--	--	--	6,904,024	6,700,886
42,636,780	--	--	--	4,374,106	47,010,886	9,233,172
4,189,510,119	44,106,512	4,831,915	--	631,990,159	4,975,615,290	4,849,224,790

(continued)

ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
September 30, 2001
With comparative totals for September 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Continued				
Equity and other credits:				
Contributions from municipality	$ --	--	--	--
Contributions from State and Federal governments	--	--	--	--
Contributions in aid of construction	--	--	--	--
Contributions from the private sector	--	--	--	--
Investment in general fixed assets	--	--	--	--
Retained earnings:				
Reserved for renewal and replacement	--	--	--	--
Reserved for passenger facility charge	--	--	--	--
Unreserved	--	--	--	--
Fund balances:				
Reserved:				
Encumbrances	6,460,867	3,276,115	--	79,211,890
Inventories and prepaid items	1,795,980	259,336	--	--
Notes receivable	--	3,441,706	--	--
Real property held for resale	--	4,290,745	--	--
Nonexpendable trust	--	--	--	--
Emergencies	15,000,000	--	--	--
Contingencies	366,953	--	--	--
Unreserved:				
Designated for future use	539,613	29,247,723	--	--
Designated for debt service	--	--	16,467,130	--
Designated for purposes of trust	--	--	--	--
Undesignated	23,917,178	(833,382)	--	43,717,110
Total equity and other credits	48,080,591	39,682,243	16,467,130	122,929,000
Total liabilities, equity and other credits	$ 69,298,844	104,695,343	19,416,307	138,925,055

The accompanying notes are an integral part of the financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2001	2000
56,252,909	53,464,798	--	--	--	109,717,707	102,259,366
162,967,116	--	--	--	--	162,967,116	167,117,885
394,672,524	--	--	--	--	394,672,524	410,144,687
4,175,344	--	--	--	--	4,175,344	4,175,344
--	--	--	734,191,487	--	734,191,487	669,969,579
11,063,999	--	--	--	--	11,063,999	11,065,953
11,909,161	--	--	--	--	11,909,161	10,152,485
1,827,745,088	11,307,727	--	--	--	1,839,052,815	1,680,670,900
--	--	--	--	--	88,948,872	62,693,897
--	--	--	--	--	2,055,316	1,824,251
--	--	--	--	--	3,441,706	5,040,609
--	--	--	--	--	4,290,745	1,923,982
--	--	1,040,217	--	--	1,040,217	1,040,217
--	--	--	--	--	15,000,000	17,658,310
--	--	--	--	--	366,953	615,422
--	--	--	--	--	29,787,336	33,760,268
--	--	--	--	--	16,467,130	9,756,704
--	--	2,369,479	--	--	2,369,479	4,224,460
--	--	--	--	--	66,800,906	85,181,665
2,468,786,141	64,772,525	3,409,696	734,191,487	--	3,498,318,813	3,279,275,984
6,658,296,260	108,879,037	8,241,611	734,191,487	631,990,159	8,473,934,103	8,128,500,774

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year ended September 30, 2001
With comparative totals for year ended September 30, 2000

	Governmental Fund Types		
	General	**Special Revenue**	**Debt Service**
REVENUES			
Taxes	$ 251,749,818	36,178,201	68,639,520
Franchise fees	31,452,706	--	--
Fines, forfeitures and penalties	16,999,766	4,184,809	--
Licenses, permits and inspections	17,630,897	--	--
Charges for services/goods	14,984,531	22,836,690	--
Intergovernmental revenues	--	42,307,471	--
Property owners' participation and contributions	--	--	--
Contributions to trusts	--	--	--
Interest and other	10,584,063	22,076,579	3,101,822
Total revenues	343,401,781	127,583,750	71,741,342
EXPENDITURES (1)			
Current:			
Administration	9,425,506	58,430,016	--
Urban growth management	11,569,463	--	--
Public safety	210,280,836	--	--
Public services and utilities	9,519,936	--	--
Public health	41,437,116	--	--
Public recreation and culture	47,459,639	--	--
Social services management	8,071,026	--	--
Nondepartmental expenditures	57,857,261	--	--
Special projects	--	53,632,074	--
Capital outlay for construction	--	--	--
Debt service:			
Principal retirement	--	--	44,550,106
Interest, commissions and other	--	--	30,295,459
Total expenditures	395,620,783	112,062,090	74,845,565
Excess (deficiency) of revenues over expenditures	(52,219,002)	15,521,660	(3,104,223)
OTHER FINANCING SOURCES (USES)			
Proceeds of refunding bonds	--	--	110,563,444
Payment to escrow agent	--	--	(110,563,444)
Proceeds from issuance of general obligation bonds and other tax supported debt	--	--	--
Operating transfers in	86,282,962	39,320,803	9,814,649
Operating transfers out	(29,992,440)	(59,736,704)	--
Total other financing sources (uses)	56,290,522	(20,415,901)	9,814,649
Excess (deficiency) of revenues and other sources over expenditures and other uses	4,071,520	(4,894,241)	6,710,426
Fund balances at beginning of year	44,509,071	35,070,972	9,756,704
Adjustment for a change in accounting principle	--	9,070,655	--
Fund balances at beginning of year, as restated	44,509,071	44,141,627	9,756,704
Residual equity transfer in (out)	(500,000)	434,857	--
Fund balances at end of year	$ 48,080,591	39,682,243	16,467,130

(1) Expenditures include capital outlay of $2,432,283 in the General Fund, $668,248 in the special revenue funds, and $213,506 in the expendable trust funds.

The accompanying notes are an integral part of the financial statements.

	Fiduciary Fund Type	Totals (Memorandum Only)	
Capital Projects	Expendable Trust	2001	2000
--	--	356,567,539	341,986,742
--	--	31,452,706	23,699,065
--	--	21,184,575	20,024,670
--	--	17,630,897	18,173,885
--	--	37,821,221	43,227,549
8,961,227	--	51,268,698	44,973,932
11,439,828	--	11,439,828	9,508,185
--	720,273	720,273	337,735
11,963,968	189,359	47,915,791	36,906,538
32,365,023	909,632	576,001,528	538,838,301
--	--	67,855,522	65,875,366
--	--	11,569,463	10,188,934
--	20,676	210,301,512	191,614,923
--	11,773	9,531,709	6,129,315
--	--	41,437,116	41,037,563
--	2,521,381	49,981,020	44,429,880
--	--	8,071,026	9,387,107
--	--	57,857,261	53,458,609
--	--	53,632,074	39,230,221
105,423,588	--	105,423,588	99,863,556
--	--	44,550,106	27,220,117
--	--	30,295,459	42,460,582
105,423,588	2,553,830	690,505,856	630,896,173
(73,058,565)	(1,644,198)	(114,504,328)	(92,057,872)
--	--	110,563,444	--
--	--	(110,563,444)	--
58,990,000	--	58,990,000	59,330,000
41,854,349	1,000,000	178,272,763	139,301,402
(24,904,490)	(173,580)	(114,807,214)	(79,355,042)
75,939,859	826,420	122,455,549	119,276,360
2,881,294	(817,778)	7,951,221	27,218,488
120,047,706	4,224,460	213,608,913	187,793,677
--	--	9,070,655	7,806,558
120,047,706	4,224,460	222,679,568	195,600,235
--	(1,037,203)	(1,102,346)	(139,155)
122,929,000	2,369,479	229,528,443	222,679,568

GENERAL FUND, SPECIAL REVENUE FUNDS AND DEBT SERVICE FUND
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL-BUDGET BASIS
Year ended September 30, 2001

	General Fund			Annually Budgeted Special Revenue Funds		
	Actual-Budget Basis	Budget	Variance -- Favorable (Unfavorable)	Actual-Budget Basis	Budget	Variance -- Favorable (Unfavorable)
REVENUES						
Taxes	$ 251,749,818	259,543,305	(7,793,487)	--	--	--
Franchise fees	31,452,706	28,002,200	3,450,506	--	--	--
Fines, forfeitures and penalties	16,999,766	16,684,955	314,811	--	--	--
Licenses, permits and inspections	17,630,897	16,953,748	677,149	--	--	--
Charges for services/goods	13,724,721	11,262,833	2,461,888	--	--	--
Interest and other	10,584,063	8,957,902	1,626,161	74,703,323	70,953,424	3,749,899
Total revenues	342,141,971	341,404,943	737,028	74,703,323	70,953,424	3,749,899
EXPENDITURES						
Administration	9,422,061	9,757,764	335,703	55,433,485	57,906,326	2,472,841
Urban growth management	11,611,673	13,028,116	1,416,443	--	--	--
Public safety	212,694,718	217,975,633	5,280,915	--	--	--
Public services and utilities	9,681,985	10,111,779	429,794	--	--	--
Public health	41,634,578	42,067,305	432,727	--	--	--
Public recreation and culture	47,783,963	47,973,830	189,867	--	--	--
Social services management	7,296,906	8,517,380	1,220,474	--	--	--
Nondepartmental expenditures	9,007,839	9,476,990	469,151	--	--	--
Principal retirement	--	--	--	--	--	--
Interest and other	--	--	--	--	--	--
Fees and commissions	--	--	--	--	--	--
Total expenditures	349,133,723	358,908,797	9,775,074	55,433,485	57,906,326	2,472,841
Excess (deficiency) of revenues over expenditures	(6,991,752)	(17,503,854)	10,512,102	19,269,838	13,047,098	6,222,740
OTHER FINANCING SOURCES (USES)						
Operating transfers in	93,697,676	92,882,676	815,000	39,123,803	39,061,313	62,490
Operating transfers out	(81,948,329)	(85,674,400)	3,726,071	(61,071,665)	(58,852,169)	(2,219,496)
Total other financing sources (uses)	11,749,347	7,208,276	4,541,071	(21,947,862)	(19,790,856)	(2,157,006)
Excess (deficiency) of revenues and other sources over expenditures and other uses	4,757,595	(10,295,578)	15,053,173	(2,678,024)	(6,743,758)	4,065,734
Fund balances at beginning of year	39,205,196	10,315,578	28,889,618	12,275,160	5,621,098	6,654,062
Fund balances at end of year	$ 43,962,791	20,000	43,942,791	9,597,136	(1,122,660)	10,719,796

The accompanying notes are an integral part of the financial statements.

Debt Service Fund			Totals (Memorandum Only)		
Actual-Budget Basis	Budget	Variance -- Favorable (Unfavorable)	Actual-Budget Basis	Budget	Variance -- Favorable (Unfavorable)
68,639,520	68,515,476	124,044	320,389,338	328,058,781	(7,669,443)
--	--	--	31,452,706	28,002,200	3,450,506
--	--	--	16,999,766	16,684,955	314,811
--	--	--	17,630,897	16,953,748	677,149
--	--	--	13,724,721	11,262,833	2,461,888
3,101,822	3,032,846	68,976	88,389,208	82,944,172	5,445,036
71,741,342	71,548,322	193,020	488,586,636	483,906,689	4,679,947
--	--	--	64,855,546	67,664,090	2,808,544
--	--	--	11,611,673	13,028,116	1,416,443
--	--	--	212,694,718	217,975,633	5,280,915
--	--	--	9,681,985	10,111,779	429,794
--	--	--	41,634,578	42,067,305	432,727
--	--	--	47,783,963	47,973,830	189,867
--	--	--	7,296,906	8,517,380	1,220,474
--	--	--	9,007,839	9,476,990	469,151
50,813,885	48,123,885	(2,690,000)	50,813,885	48,123,885	(2,690,000)
32,728,200	36,669,300	3,941,100	32,728,200	36,669,300	3,941,100
13,962	10,000	(3,962)	13,962	10,000	(3,962)
83,556,047	84,803,185	1,247,138	488,123,255	501,618,308	13,495,053
(11,814,705)	(13,254,863)	1,440,158	463,381	(17,711,619)	18,175,000
18,525,131	12,264,564	6,260,567	151,346,610	144,208,553	7,138,057
--	--	--	(143,019,994)	(144,526,569)	1,506,575
18,525,131	12,264,564	6,260,567	8,326,616	(318,016)	8,644,632
6,710,426	(990,299)	7,700,725	8,789,997	(18,029,635)	26,819,632
9,756,704	9,350,509	406,195	61,237,060	25,287,185	35,949,875
16,467,130	8,360,210	8,106,920	70,027,057	7,257,550	62,769,507

ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
Year ended September 30, 2001
With comparative totals for year ended September 30, 2000

	Proprietary Fund Types	
	Enterprise	Internal Service
REVENUES		
Electric services	$ 806,310,682	--
Water and wastewater services	219,914,504	--
User fees and rentals	178,112,881	--
Billings to departments	--	169,413,223
Employee contributions	--	20,350,742
Operating revenues from other governments	3,266,054	--
Other operating revenues	--	4,341,498
Operating revenues	1,207,604,121	194,105,463
EXPENSES		
Electric operations	458,685,525	--
Water and wastewater operations	102,411,722	--
Other enterprise operations	141,784,303	--
Internal service operations	--	186,345,906
Depreciation and amortization	160,840,169	3,591,343
Total operating expenses	863,721,719	189,937,249
Operating income (loss) before nonoperating revenues (expenses) and operating transfers	343,882,402	4,168,214
NONOPERATING REVENUES (EXPENSES)		
Interest and other revenues	81,598,970	1,510,452
Interest on revenue bonds and other debt	(227,748,710)	(312,766)
Interest capitalized during construction	5,234,561	--
Capital contributions	46,843,438	--
Passenger facility charge	9,999,244	--
Amortization of bond issue costs	(1,452,994)	(6,223)
Other nonoperating expense	(1,732,555)	(199,576)
Total nonoperating revenues (expenses)	(87,258,046)	991,887
Costs (recovered) to be recovered in future years	(40,719,456)	--
Income (loss) before operating transfers	215,904,900	5,160,101
Operating transfers:		
Operating transfers in	36,576,026	1,000,000
Operating transfers out	(101,041,575)	--
Net income (loss)	151,439,351	6,160,101
Add depreciation transferred to contributions	2,537,185	--
Net increase in retained earnings/fund balances	153,976,536	6,160,101
Retained earnings/fund balances at beginning of year, as previously reported	1,699,241,712	5,147,626
Prior period adjustment	(2,500,000)	--
Retained earnings/fund balances at beginning of year, as restated	1,696,741,712	5,147,626
Retained earnings/fund balances at end of year	$ 1,850,718,248	11,307,727

The accompanying notes are an integral part of the financial statements.

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Fiduciary Fund Type	Totals (Memorandum Only)	
Nonexpendable Trust	2001	2000
--	806,310,682	782,729,128
--	219,914,504	240,478,634
--	178,112,881	159,972,993
--	169,413,223	142,895,966
--	20,350,742	18,389,105
--	3,266,054	3,278,280
--	4,341,498	3,036,285
--	1,401,709,584	1,350,780,391
--	458,685,525	420,074,862
--	102,411,722	96,365,741
--	141,784,303	123,538,253
--	186,345,906	161,563,025
--	164,431,512	159,361,415
--	1,053,658,968	960,903,296
--	348,050,616	389,877,095
--	83,109,422	72,782,771
--	(228,061,476)	(225,453,642)
--	5,234,561	1,852,527
--	46,843,438	--
--	9,999,244	9,407,652
--	(1,459,217)	(1,430,722)
--	(1,932,131)	(4,339,779)
--	(86,266,159)	(147,181,193)
--	(40,719,456)	25,711,965
--	221,065,001	268,407,867
--	37,576,026	26,368,879
--	(101,041,575)	(86,315,239)
--	157,599,452	208,461,507
--	2,537,185	2,342,835
--	160,136,637	210,804,342
1,040,217	1,705,429,555	1,492,125,213
--	(2,500,000)	--
1,040,217	1,702,929,555	1,492,125,213
1,040,217	1,863,066,192	1,702,929,555

ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS **CITY OF AUSTIN, TEXAS**
COMBINED STATEMENT OF CASH FLOWS **Exhibit A-5**
Year ended September 30, 2001
With comparative totals for year ended September 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Internal Service	Nonexpendable Trust (1)	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	$ 1,268,237,045	194,706,933	--	1,462,943,978	1,256,518,708
Cash payments to suppliers for goods and services	(469,462,293)	(66,782,766)	--	(536,245,059)	(442,115,070)
Cash payments to employees for services	(202,768,392)	(78,710,560)	--	(281,478,952)	(259,860,712)
Cash payments to claimants/beneficiaries	--	(38,399,752)	--	(38,399,752)	(36,369,463)
Cash received from other governments	3,266,054	--	--	3,266,054	2,785,271
Taxes collected and remitted to other governments	(22,824,871)	--	--	(22,824,871)	(16,981,467)
Net cash provided by operating activities	576,447,543	10,813,855	--	587,261,398	503,977,267
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Operating transfers in	36,576,026	1,000,000	--	37,576,026	26,368,879
Operating transfers out	(101,041,575)	--	--	(101,041,575)	(86,315,239)
Interest paid on revenue notes and other debt	(189,068)	--	--	(189,068)	(1,170,582)
(Increase) decrease in deferred assets	(938,863)	--	--	(938,863)	135,567
Contributions from municipality	904,368	3,253,421	--	4,157,789	139,155
Loan repayments to other funds	(178,169)	--	--	(178,169)	--
Loan repayments from other funds	--	--	--	--	21,222
Net cash provided (used) by noncapital financing activities	(64,867,281)	4,253,421	--	(60,613,860)	(60,820,998)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from long-term debt issues	172,830,000	--	--	172,830,000	217,844,960
Proceeds from long-term loans	1,405,340	--	--	1,405,340	--
Principal paid on long-term debt	(119,832,943)	(1,218,746)	--	(121,051,689)	(135,584,651)
Proceeds from the sale of fixed assets	20,000	17,000	--	37,000	930,246
Purchased interest received	2,715,091	--	--	2,715,091	815,775
Interest paid on revenue bonds and other debt	(198,907,791)	(332,315)	--	(199,240,106)	(201,681,835)
Passenger facility charges	9,999,244	--	--	9,999,244	9,407,652
Acquisition and construction of capital assets	(449,640,566)	(11,238,356)	--	(460,878,922)	(368,546,747)
Contributions from municipality	1,366	3,731,702	--	3,733,068	6,776,620
Contributions from State and Federal governments	8,943,294	--	--	8,943,294	10,931,313
Acquisition of intangible assets	(101,582)	--	--	(101,582)	(100,000,000)
Contributions in aid of construction	4,254,591	--	--	4,254,591	16,594,929
Bond discounts and issuance costs	(3,809,169)	(4,111)	--	(3,813,280)	(2,245,888)
Bond premiums	3,060,414	28,186	--	3,088,600	240,583
Bonds issued for advanced refundings of debt	367,738,710	590,656	--	368,329,366	100,000,000
Cash paid for bond refundings/defeasances	(376,494,068)	(603,492)	--	(377,097,560)	(99,205,027)
Cash paid for nuclear fuel inventory	(10,571,733)	--	--	(10,571,733)	(6,681,685)
Net cash used by capital and related financing activities	(588,389,802)	(9,029,476)	--	(597,419,278)	(550,403,755)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investment securities	(707,851,885)	--	--	(707,851,885)	(652,344,315)
Proceeds from sale and maturities of investment securities	731,249,880	--	--	731,249,880	668,174,899
Interest on investments	62,394,228	1,510,452	--	63,904,680	63,408,464
Reverse repurchase agreement income	--	--	--	--	4,608,990
Reverse repurchase agreement expense	--	--	--	--	(4,357,463)
Net cash provided by investing activities	$ 85,792,223	1,510,452	--	87,302,675	79,490,575

(continued)

The accompanying notes are an integral part of the financial statements.

ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS **CITY OF AUSTIN, TEXAS**
COMBINED STATEMENT OF CASH FLOWS **Exhibit A-5**
Year ended September 30, 2001 **(Continued)**
With comparative totals for year ended September 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Internal Service	Nonexpendable Trust (1)	2001	2000
Net increase (decrease) in cash and cash equivalents	$ 8,982,683	7,548,252	--	16,530,935	(27,756,911)
Cash and cash equivalents, October 1, 2000 (2)	556,854,286	47,960,302	1,040,217	605,854,805	633,611,716
Cash and cash equivalents, September 30, 2001 (2)	565,836,969	55,508,554	1,040,217	622,385,740	605,854,805
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income	343,882,402	4,168,214	--	348,050,616	389,877,095
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	158,340,169	3,591,343	--	161,931,512	156,861,415
Amortization	12,846,051	--	--	12,846,051	11,549,749
Change in assets and liabilities:					
(Increase) decrease in working capital advances	(466,433)	--	--	(466,433)	578,050
(Increase) decrease in accounts receivable	24,254,033	14,708	--	24,268,741	(38,529,923)
(Increase) decrease in allowance for uncollectible accounts	131,372	--	--	131,372	(364,004)
Decrease in due from other funds	--	--	--	--	24,766
(Increase) decrease in inventory	(2,589,703)	411,012	--	(2,178,691)	3,291,819
(Increase) decrease in prepaid expenses and deferred costs	567,710	(96,545)	--	471,165	(1,084,338)
(Increase) decrease in other regulatory assets	(100,068)	--	--	(100,068)	356,339
(Increase) decrease in other long-term assets	(2,643,038)	--	--	(2,643,038)	123,674
Increase (decrease) in accounts payable	(3,474,944)	321,243	--	(3,153,701)	32,446,830
Increase (decrease) in accrued payroll and compensated absences	2,204,700	648,343	--	2,853,043	(8,174,383)
Increase (decrease) in deferred revenue	(985,824)	586,762	--	(399,062)	(892,652)
Decrease in decommissioning assessment payable	(262,048)	--	--	(262,048)	(271,131)
(Increase) decrease in unrecovered fuel revenue	35,803,879	--	--	35,803,879	(51,725,251)
Increase in accrued landfill closure costs	203,138	--	--	203,138	233,505
Increase in claims payable	--	1,391,578	--	1,391,578	2,453,761
Decrease in due to other governments	--	--	--	--	(493,009)
Decrease in due to other funds	--	(301,397)	--	(301,397)	(45,988)
Decrease in advance from other funds	--	(26,872)	--	(26,872)	(328,269)
Increase in other liabilities	7,819,618	105,466	--	7,925,084	7,146,769
Increase in customer deposits	916,529	--	--	916,529	942,443
Total adjustments	232,565,141	6,645,641	--	239,210,782	114,100,172
Net cash provided by operating activities	$ 576,447,543	10,813,855	--	587,261,398	503,977,267

(continued)

(1) Nonexpendable trust fund cash and cash equivalents of $1,040,217 are reported on the balance sheet with all trust and agency funds' pooled investments and cash of $9,421,637 at October 1, 2000 and $8,112,717 at September 30, 2001.

(2) Cash and cash equivalents includes $476,493,720 and $2,375,955 in enterprise and internal service funds' restricted accounts, respectively at October 1, 2000 and $431,935,471 and $1,885,414 in enterprise and internal service funds' restricted accounts, respectively at September 30, 2001.

The accompanying notes are an integral part of the financial statements.

ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
COMBINED STATEMENT OF CASH FLOWS
Year ended September 30, 2001
With comparative totals for year ended September 30, 2000

CITY OF AUSTIN, TEXAS
Exhibit A-5
(Continued)

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Internal Service	Nonexpendable Trust (1)	2001	2000
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Increase in advances to other funds	$ --	--	--	--	4,318,000
Increase (decrease) in deferred assets/expenses	(22,261,454)	(1,100)	--	(22,262,554)	9,720,585
Unamortized bond discounts, premiums, and issue costs on refunded bonds	(790,465)	--	--	(790,465)	--
Increase in capital appreciation bond interest payable	(16,512,872)	--	--	(16,512,872)	(18,674,086)
Increase in deferred revenue	--	--	--	--	(4,318,000)
Increase in contributed facilities	18,229,303	--	--	18,229,303	14,918,520
Net increase in fair value of investment	17,604,840	--	--	17,604,840	990,517
Amortization of bond discounts, premiums, and issue costs	(4,912,708)	(2,455)	--	(4,915,163)	(5,333,141)
Amortization of deferred loss on refundings	(539,387)	(3,768)	--	(543,155)	(514,217)
Loss on disposal of assets	(947,635)	(199,576)	--	(1,147,211)	(1,872,106)
Costs (recovered) to be recovered in future years	(40,719,456)	--	--	(40,719,456)	25,711,965
Loss on extinguishment of debt	(116,807)	--	--	(116,807)	(556,529)
Due to other funds for fixed assets	--	--	--	--	(2,656)
Contributions from other funds	--	--	--	--	63,750
Deferred revenue and other liabilities	34,362,666	--	--	34,362,666	--

The accompanying notes are an integral part of the financial statements.

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1 -- REPORTING ENTITY

The City of Austin, Texas (the City) is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government. The City Council is composed of a Mayor and six Councilmembers, all of whom are elected at large for three-year staggered terms, and who may serve for a maximum of two consecutive terms.

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City.

The City's major activities or functions include police and fire protection, emergency medical services, parks and libraries, public health and social services, urban growth management, and general administrative services. In addition, the City owns and operates certain major enterprise activities, including an electric utility system, water and wastewater system, airport, convention center, and other enterprise activities. These activities are included in the accompanying financial statements.

Blended Component Units

The Austin Housing Finance Corporation (AHFC) and Austin Industrial Development Corporation (AIDC) are legally separate entities from the City. AHFC and AIDC serve all the citizens of Austin and are governed by a board composed of the City Councilmembers. The activities are reported in the Housing Assistance Fund and Austin Industrial Development Corporation Fund, special revenue funds.

Related Organizations

The following entities are related organizations to which the City Council appoints board members, but for which the City has no significant financial accountability. The City appoints certain members of the board of the Capital Metropolitan Transit Authority (Capital Metro), but the City's accountability for this organization does not extend beyond making the appointments. City Councilmembers appoint themselves as members of the board of the Austin-Bergstrom International Airport (ABIA) Development Corporation; their function on this board is ministerial rather than substantive. The City Council appoints the members of the board of Austin-Bergstrom Landhost Enterprises, Inc., and Austin Convention Enterprises, Inc.; the function of these boards is ministerial rather than substantive.

The City retirement plans (described in Note 9) and the City of Austin Deferred Compensation Plan for City employees are not included in the City's reporting entity because the City does not exercise substantial control over the entities.

2 -- SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City relating to the funds and account groups included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) in its publication GASB Statement 1 entitled *Authoritative Status of NCGA Pronouncements and AICPA Industry Auditing Guide*, and all subsequent GASB statements, interpretations, concept statements, and technical bulletins; the National Council on Governmental Accounting (NCGA) in the publication entitled *Governmental Accounting, Auditing, and Financial Reporting*, including NCGA Statements 1 through 7 and interpretations thereof; and by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. The following represent the more significant accounting and reporting policies and practices used by the City.

GASB Statement 34

GASB Statement 34, *Basic Financial Statements–and Management's Discussion and Analysis–for State and Local Governments* represents a significant change in financial reporting for governments. The City will implement GASB Statement No. 34 in the financial statements for fiscal year 2002.

Audit

The Charter of the City of Austin requires an annual audit by an independent certified public accountant.

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation

The accounts of the City are organized and operated on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, fund balances or retained earnings, revenues, and expenditures or expenses. The various funds are grouped by category and type in the financial statements. The City maintains the following fund types within three broad fund categories and the account groups:

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those, if any, which should be accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position rather than on determination of net income. The following governmental fund types are maintained by the City:

General Fund -- The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law, ordinance, or contractual agreement to other funds are accounted for in this fund.

Special Revenue Funds -- Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. There are four major groups of funds within the special revenue funds, in addition to the Housing Assistance Fund. Of these groups, three account for the activities related to grant programs and one accounts for activities for which expenditures are legally restricted. The groups are: Federal grant funds (both direct and indirect funds), State grant funds, other special revenue grant funds, and other special revenue funds.

Debt Service Funds -- The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, related costs and certain loans. The two debt service funds are General Obligation Debt Service and HUD Section 108 Loans.

Capital Project Funds -- Capital project funds are used to account for financial resources for the acquisition or construction of major capital facilities (other than those reported within proprietary funds and trust funds). Capital projects are funded primarily by general obligation debt, other tax supported debt, interest income, and other intergovernmental revenues.

In 1981, the City Council passed an ordinance that requires the establishment of a separate fund for each bond proposition approved in each bond election. These separate funds are grouped by year and by bond election date. There are eight major groups of funds within the capital projects funds that account for the activities related to various capital improvement projects as follows:

Prior to 1984:	funds authorized prior to 1981;
	funds authorized August 29, 1981, for street and drainage, fire stations, and emergency medical service projects;
	funds authorized September 11, 1982, for various purposes;
	funds authorized October 22, 1983, for Jollyville Road Improvements and City facility improvements;
1984:	funds authorized September 8, 1984, for various purposes;
1985:	funds authorized January 19, 1985, for cultural projects;
	funds authorized July 26, 1985, for parks and recreation;
	funds authorized September 26, 1985, for art in public places;
	funds authorized December 14, 1985, for various purposes;
1987:	funds authorized September 3, 1987, for street improvements;
1992:	funds authorized August 10, 1992, for various purposes;
1997:	funds authorized May 3, 1997, for radio trunking;
1998:	funds authorized November 3, 1998, for various purposes; and
Other:	other funds established for various purposes.

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

Proprietary Funds

Proprietary funds are used to account for the City's ongoing organizations and activities that are similar to those found in the private sector. The measurement focus is on capital maintenance and on determination of net income, financial position, and changes in financial position.

Enterprise Funds -- Enterprise funds are used to account for operations: (1) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City's enterprise funds include the following:

Fund	Accounts For
Electric System	Activities of the City-owned electric utility, doing business as Austin Energy
Water and Wastewater System	Activities of the City-owned water and wastewater utility
Hospital	Activities related to the lease of City-owned Brackenridge Hospital
Solid Waste Services	Solid waste collection and disposal activities; recycling activities
Airport	Operations of the Austin-Bergstrom International Airport
Convention Center	Operations of the Convention Center, Palmer Auditorium, and the City Coliseum; construction of the Convention Center expansion and Town Lake Venue Project
Drainage	Drainage management activities
Transportation	Street maintenance activities
Golf	Public golf courses
Parks and Recreation	City-sponsored softball and recreation programs

Internal Service Funds -- Internal service funds are used to account for the financing of goods or services provided by one department or agency to other City departments or agencies or to other governmental units on a cost-reimbursement basis. The City maintains nine internal service funds as follows:

Fund	Accounts For
Fleet Maintenance	Maintenance costs of City-owned vehicles
Support Services	Activities of the City's support service departments
Information Systems	Activities of the Information Systems Department
Employee Benefits	Activities related to the health, dental, and life insurance costs of City employees
Liability Reserve	Coverage of the City's major claims liabilities
Workers' Compensation	Workers' compensation costs
Radio Communication	Radio communication services for City departments and area agencies
Infrastructure Support Services	Activities for support services for five City departments
Capital Projects Management	Activities for management of the City's capital improvement projects

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. Fiduciary funds include expendable and nonexpendable trust funds and agency funds.

Expendable Trust Funds -- Expendable trust funds are accounted for in essentially the same manner as governmental funds. The measurement focus is on determination of changes in financial position rather than on net income.

Nonexpendable Trust Funds -- These funds are accounted for in the same manner as proprietary funds, with the measurement focus on determination of net income and capital maintenance.

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

Agency Funds -- Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term liabilities. The following are the account groups maintained by the City:

General Fixed Assets Account Group **--** This account group accounts for all fixed assets of the City other than those accounted for in the proprietary funds.

General Long-Term Debt Account Group **--** This account group accounts for and provides control over all long-term liabilities other than those accounted for in the proprietary funds, including unmatured general obligation bonds.

Basis of Accounting

Basis of accounting refers to the time at which revenues and expenditures (governmental funds) or expenses (proprietary funds) are recognized in the accounts and reported in the financial statements.

Governmental funds, expendable trust funds, and agency funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, certain revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, if measurable, are generally recognized on the accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include the unmatured principal and interest on general obligation long-term debt, which is recognized when due. This exception is in conformity with generally accepted governmental accounting principles. Agency funds use the modified accrual basis of accounting to recognize assets and liabilities.

Property tax revenues are recognized when they become available in accordance with GASB Interpretation No. 5, *Property Tax Revenue Recognition in Governmental Funds*. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (within 60 days). Tax collections expected to be received after the 60-day availability period are reported as deferred revenue. Sales taxes are also recognized when they become available in accordance with GASB Statement No. 22, *Accounting for Taxpayer-Assessed Tax Revenues in Governmental Funds.*

In fiscal year 2001, the City implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* and Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues* – an amendment of GASB Statement No. 33. The Statements establish financial reporting standards for nonexchange transactions. The Statements require that certain revenues be recognized when the underlying transaction occurs, even if collected in a future financial reporting period. As a result, the City has recognized certain imposed nonexchange transactions collected within 60 days subsequent to September 30. The cumulative effect to fund balance as of September 30, 2001 was an increase of $5,831,220 in the Hotel-Motel Occupancy Tax Fund and an increase of $2,408,514 in the Vehicle Rental Tax Fund. See page 27 for further information on prior period restatements. In addition, the City recognized certain capital contributions as non-operating revenues.

In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual grant programs are used for guidance. For most of the City's grants, money must be expended for the specific purpose or project before any amounts will be paid to the City. For all grants, revenues are recognized based upon the expenditures recorded.

Proprietary funds and nonexpendable trust funds use the accrual basis of accounting under which revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

In accordance with GASB Statement 20, the City is required to follow all Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, including FASB Statement 71, unless those pronouncements conflict

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

with or contradict GASB pronouncements. The City has elected not to follow FASB pronouncements issued subsequent to that date.

Investment earnings are recorded on the accrual basis in all funds, and unrealized gains or losses on investments are recognized in accordance with GASB Statement No. 31.

Revenues in the Electric Fund, Water and Wastewater Fund, Solid Waste Services Fund, Drainage Fund, and Transportation Fund are recognized as they are billed to customers on a cyclical basis. Electric rates include a fixed rate and a fuel recovery cost-adjustment factor that allows recovery of coal, gas, purchased power, and other fuel costs. Electric deferred or unbilled revenues are recorded if actual fuel costs differ from amounts billed to customers, and any over-collections or under-collections are applied to the cost-adjustment factor. The fuel factor is revised annually on a calendar year basis or when over or under fuel recovery is more than 10% of expected fuel costs.

Revenues for the airport fund are recognized as they are billed to customers. Effective November 1, 1993, the Airport Fund began to charge each enplaned passenger a $3 passenger facility charge, as allowed by the Federal Aviation Administration. Airport Fund 2001 non-operating revenues included passenger facility charges of $9,999,244. These funds were approved by the FAA for debt service payments for the Austin-Bergstrom International Airport.

Revenues for the Convention Center are recognized as they are billed to customers upon completion of events held at the Convention Center facilities.

In accordance with current accounting principles, provisions of the various statements need not be applied to immaterial items.

Rates

The Texas Public Utility Commission has jurisdiction over electric utility wholesale transmission rates. The City Council has jurisdiction over all other electric utility rates and over all water and wastewater utility rates and other services. The Council's determination of water and wastewater utility rates and electric utility rates is based on the cost of operations and a debt service coverage approach.

Under a bill passed by the Texas Legislature in 1999, municipally owned electric utilities such as the City's utility system have the option of offering retail competition after January 1, 2002. At September 30, City management had not decided to enter into retail competition, as allowed by State law, thus the effects of entering retail competition are uncertain and do not warrant a change in accounting policy.

Budget

In accordance with the City Charter, the City adheres to the following procedures in establishing its operating budgets:

(1) At least thirty days prior to the beginning of the new fiscal year, the City Manager submits a proposed budget to the City Council. The budget represents the financial plan for the new fiscal year and includes proposed expenditures and the means of financing them.

(2) Public hearings are conducted on the budget to obtain taxpayer comments.

(3) The budget is legally enacted by the City Council no later than the twenty-seventh day of the last month of the old fiscal year, through passage of an appropriation ordinance and tax levying ordinance.

(4) The City Manager has the authority to transfer appropriation balances from one expenditure account to another within a fund and department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund and department to another. Any budget amendments for the General Fund are summarized in Note 3.

(5) Formal budgetary control is employed as a management control device during the year for the General Fund, certain non-grant special revenue funds, debt service funds and proprietary funds. Management control for the operating budget

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

is maintained at the fund and department level. Formal budgetary control is employed as a management control device in the special revenue grant funds and capital projects funds for the life of the related grants or projects.

(6) Annual budgets are legally adopted for the General Fund, certain special revenue funds, debt service funds, certain trust funds, and proprietary funds. A comparison of budget to actual is presented in the financial statements for all governmental funds that adopt annual budgets. Budgets for the grant-related special revenue funds are established pursuant to the terms of the related grant awards.

Capital project fund appropriations are increased on an annual basis through the budgetary process. However, the budgets are not binding on an annual basis. Rather, budgets are long-range and are used for planning purposes. Accordingly, no comparison of budget to actual is presented in the financial statements for such funds.

(7) The City Charter does not permit a deficiency of anticipated revenues over appropriations. If at any time during the fiscal year the City Manager determines that available revenues plus beginning fund balance will be less than total appropriations for the year, he or she shall reconsider the work programs of the departments and agencies and revise them to prevent deficit spending. Expenditures may not legally exceed budgeted activities at the departmental level.

(8) At the close of each fiscal year, any unencumbered appropriation balances in the General Fund and certain special revenue funds lapse or revert to the undesignated fund balance. In the proprietary funds, unencumbered appropriations also lapse but do not revert to fund balance for accounting purposes because of the differences in methods of accounting. Unencumbered appropriation balances in the grant-related special revenue funds and capital projects funds do not lapse at year-end.

Encumbrances outstanding at year end and the related appropriation are available for expenditure in subsequent years. For governmental funds, encumbrances constitute the equivalent of expenditures for budgetary purposes and accordingly, the accompanying financial statements present comparisons of actual results to the budgets for governmental funds on a budget-basis (see Note 3), which may differ from that used for reporting in accordance with generally accepted accounting principles (GAAP basis).

Encumbrances

Encumbrances represent commitments for unperformed (executory) contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded to reserve appropriations, is used in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute GAAP-basis expenditures or liabilities, since the commitments will be honored during the subsequent year.

Pooled Investments and Cash

Cash balances of all City funds (except for certain funds shown in Note 6 as having non-pooled investments) are pooled and invested. Investments purchased with pooled cash, consisting primarily of U.S. government obligations and U.S. agency obligations, are stated at fair value. Interest earned on investments purchased with pooled cash is allocated monthly to each participating fund based upon the fund's average daily balance. Funds that incur a negative balance in pooled cash and investments are not allocated interest earnings nor charged interest expense.

Investments

The City complies with Governmental Accounting Standards Board (GASB) Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (see Note 6), which requires certain investments to be reported at fair value. The fair value is based on quoted market prices. Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold. The City carries all of its investments at fair value as of September 30, 2001.

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

Inventories

Inventories are valued at cost, which is determined as follows:

Fund	Inventory Valuation Method
General Fund	Average cost (predominantly); some first-in, first-out
Electric	
Fuel oil and coal	Last-in, first out
Other inventories	Average cost
All other	Average cost

Inventories for all funds use the consumption method and record expenditures when issued. Inventories reported in the General Fund and certain special revenue funds are offset by a fund balance reserve, which indicates they do not represent "available spendable resources."

Property, Plant and Equipment -- Proprietary Funds

Property, plant and equipment owned by the proprietary funds are stated at historical cost. Maintenance and repairs are charged to operations as incurred, and improvements and betterments that extend the useful lives of fixed assets are capitalized. Interest paid on long-term debt in the enterprise funds is capitalized when it can be attributed to a specific project and when it materially exceeds the interest revenue generated by the bond proceeds issued to fund the project. Depreciation of plant and equipment classified by functional components is provided by the straight-line method over their estimated useful lives. Estimated useful lives are as follows:

Electric Fund and Water and Wastewater Fund:	
Plant	30-50 years
Improvements to grounds	30-50 years
Transmission and distribution system	12-50 years
Other machinery and equipment	7-30 years
Vehicles	7 years
Other Enterprise Funds and Internal Service Funds:	
Buildings and improvements	40 years
Improvements to grounds	15 years
Machinery and equipment	7-12 years
Vehicles	7 years

Depreciation of completed but unclassified fixed assets is provided by the straight-line method, using a composite rate.

The City is accelerating the depreciation of two generating stations that will be retired before the end of their estimated useful life. The increase to Electric Fund 2001 depreciation expense for this accelerated depreciation is $209,974.

When the City retires or otherwise disposes of proprietary fund fixed assets (other than debt-financed assets of the utility funds), it recognizes a gain or loss on the disposal of the assets.

Federal, State or local grant funds that are restricted to purchasing property, plant, and equipment and contributions in aid of construction are recorded as capital contributions when received. Depreciation on contributed assets is recorded as an expense in the statement of operations; for contributions prior to fiscal year 2001, the depreciation is then transferred to the related contribution accounts. Contributions of funds from the municipality are recorded as equity contributions when received.

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

Intangible Assets – Proprietary Funds

On October 7, 1999, the City and the Lower Colorado River Authority (LCRA) signed a historic fifty-year assured water supply agreement, with an option to extend another fifty years. The $100 million contract reserves an additional 75,000 acre-feet of water for Austin and allows the City to take water from the Highland Lakes, rather than relying exclusively on available river water. The Water and Wastewater Fund has recorded the water rights as an intangible asset, which is being amortized over 40 years and is reported net of accumulated amortization of $5 million.

General Fixed Assets

General fixed assets have been acquired for general governmental purposes. Assets purchased or constructed are recorded as expenditures in the governmental funds and capitalized at historical cost in the General Fixed Assets Account Group. Contributed fixed assets are recorded in the General Fixed Assets Account Group at estimated fair market value at the time received.

The City does not capitalize public domain general fixed assets (infrastructure) and, accordingly, no such assets are recorded in the General Fixed Assets Account Group. Infrastructure consists of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and traffic signal systems. Such assets normally are immovable and are of value only to the City. Therefore, the responsibility for stewardship for capital expenditures is satisfied without recording these assets. This accounting treatment will change with the implementation of GASB Statement No. 34 in fiscal year 2002.

No depreciation has been provided on general fixed assets. No interest has been capitalized on general fixed assets.

Long-Term Debt

The debt service for general obligation bonds and other general obligation debt, including loans, issued to fund general government capital projects is paid from tax revenues, interfund transfers, and intergovernmental revenues. Such general obligation debt is recorded in the General Long-Term Debt Account Group.

The debt service for general obligation bonds and other general obligation debt issued to fund proprietary fund capital projects is normally paid from net revenues of the applicable proprietary fund, although such debt will be repaid from tax revenues if necessary. Such general obligation debt is shown as a specific liability of the applicable proprietary fund, which is appropriate under generally accepted accounting principles and in view of the expectation that the proprietary fund will provide resources to service the debt.

Revenue bonds that have been issued to fund capital projects of certain enterprise funds are to be repaid from net revenues of these funds. Such debt is recorded in the funds.

The City defers and amortizes gains or losses that its proprietary funds realize on refundings of debt and reports both the new debt liability and the related deferred amount on the funds' balance sheets. The City recognizes gains or losses on debt defeasance when funds from current operations are used.

Compensated Absences

All full-time employees accumulate vacation benefits in varying annual amounts up to a maximum allowable accumulation of six weeks. All full-time employees earn sick leave benefits at a rate of twelve days per year; these benefits may be accumulated without limit. Upon termination, an employee is reimbursed for all accumulated vacation days. If the terminating employee was employed prior to October 1, 1986 and leaves in good standing, reimbursement is also made for all accrued sick leave up to ninety days. Certain employees are also allowed to accumulate credit for compensatory time in lieu of overtime pay up to 120 hours. Compensated absence liabilities include the components above, as well as employment-related taxes.

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

For governmental funds, the estimated current portion of the compensated absence liability is recorded as an expenditure and liability in the General Fund or special revenue fund, with the non-current portion of the liability recorded in the General Long-Term Debt Account Group. The current portion is estimated based on amounts paid to terminating employees during the most recent fiscal year. Actual vacation, sick and compensatory time benefits paid during the year are recorded as expenditures in the governmental funds.

For proprietary funds, the compensated absences liability is recorded as an expense and related liability in the year earned. The current portion is estimated based on an analysis of the historical use of benefits by the employees.

Risk Management

The City is exposed to employee-related risks for health benefits and workers' compensation, as well as to various risks of loss related to torts, including medical malpractice; theft of, damage to, or destruction of assets; errors and omissions; and natural disasters. The City continues to be self-insured for liabilities for most health benefits, third-party and workers' compensation claims.

The City purchases commercial insurance for coverage for property loss or damage, commercial crime, fidelity bond, and airport operations. In addition, the City purchases a broad range of insurance coverage for contractors working at selected capital improvement project sites. The City does not participate in a risk pool. The City complies with GASB Statement 10, *Accounting and Reporting for Risk Financing and Related Insurance Issues* (see Note 20).

Pension Plans

It is the policy of the City to fund pension costs annually. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and of unfunded prior service cost (see Note 9).

Federal and State Grants, Entitlements and Shared Revenues

Grants, entitlements and shared revenues may be accounted for within any of the seven fund types. The purpose and requirements of each grant, entitlement, or shared revenue are analyzed to determine the proper fund type in which to record the related transactions. Grants, entitlements and shared revenues received for activities normally recorded in a particular fund type may be accounted for in that fund type, provided that applicable legal restrictions can be satisfied.

Revenues received for activities normally recorded in other governmental funds are accounted for within these special revenue fund groups: Federal grant funds, State grant funds, and other special revenue grant funds. Capital grants restricted for capital acquisitions or construction, other than those associated with proprietary type funds, are accounted for in the applicable capital projects funds. Revenues received for operating activities of proprietary funds or revenues that may be used for either operations or capital expenditures at the discretion of the City are recognized in the applicable proprietary fund. Grant money restricted for acquisition or construction of capital assets is recorded as capital contributions in the applicable proprietary fund in fiscal year 2001.

Intergovernmental Revenues, Receivables and Liabilities

Intergovernmental revenues and related receivables arise primarily through funding received from Federal and State grants. These revenues and receivables are earned through expenditure of money for grant purposes. Intergovernmental liabilities arise primarily from funds held in an agency capacity for other local governmental units.

Transactions Between Funds

During the course of normal operations, the City has numerous transactions between funds. Short-term advances between funds are accounted for in the pooled investments and cash accounts. Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions between funds that constitute reimbursements for expenditures or expenses are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

Nonrecurring or nonroutine transfers of equity between funds are treated as residual equity transfers and are reported as additions to or deductions from the fund balance of governmental funds. Residual equity transfers to proprietary funds are treated as contributed capital, and such transfers from proprietary funds are reported as reductions of retained earnings or contributed capital as appropriate. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data, (i.e., presentation of prior year totals by fund type) have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Reclassifications and Restatements

Certain comparative data for the prior year have been reclassified or restated to present them in a manner consistent with the current year's financial statements. In 2001, the City implemented GASB Statements No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues* **--** *an amendment of GASB Statement No. 33*, resulting in the following restatement of fund balance for the following special revenue funds for fiscal year 2000 (in thousands):

Description	Hotel-Motel Occupancy Tax Fund	Vehicle Rental Tax Fund
Fund balance, September 30, 2000, as previously reported	$ --	5,954
Prior period adjustment	7,604	1,467
Fund balance, September 30, 2000, restated	$ 7,604	7,421

In fiscal year 2001, the City identified a liability that should have been recorded in the Airport Fund at September 30, 2000. This liability has been recorded, and the Airport Fund September 30, 2000 retained earnings has been restated, decreasing retained earnings by $2.5 million, from $146.4 million to $143.9 million.

Total Columns on Combined Financial Statements

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. No consolidating or other eliminations of interfund balances or transactions were made in arriving at the totals. Such data are not comparable to a consolidation.

Deferred Items

The City's utility systems are reported in accordance with Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*. Certain utility expenses that do not currently require funds are deferred to future periods in which they are intended to be recovered by rates. Likewise, certain credits to income are deferred to periods in which they are matched with related costs. These expenses or credits include changes in fair value of investments in accordance with GASB Statement 31. Deferred expenses will be recovered in these future periods by setting rates sufficient to provide funds for the related debt service requirements. If rates being charged will not recover deferred expenses, the deferred expenses will be subject to write off. Retail deregulation of electric rates in the future may affect the City's current accounting treatment of its electric utility revenues, expenses and deferred amounts.

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

Statement of Cash Flows

For purposes of the statement of cash flows, the City considers cash and cash equivalents to be currency on hand, cash held by trustee, demand deposits with banks, and all amounts included in pooled investment and cash accounts.

Landfill Closure and Postclosure Care Costs

The City reports municipal solid waste landfill costs in accordance with GASB Statement 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. The liability for landfill closure and postclosure costs is reported in the Solid Waste Services Fund, an enterprise fund.

3 -- BUDGET BASIS REPORTING

a -- General

The City of Austin prepares its annual operating budget based on cash and available resources (budget basis) that differs from generally accepted accounting principles (GAAP basis). In order to provide a meaningful comparison of actual results with the budget, the Combined Statement of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual-Budget Basis for the General Fund, certain special revenue funds, and debt service funds present the actual and budget amounts in accordance with the City's budget basis.

3 -- BUDGET BASIS REPORTING, continued

b -- Reconciliation of GAAP Basis and Budget Basis Amounts

The primary differences between GAAP and budget reporting for the General Fund are the reporting of encumbrances and the reporting of certain operating transfers. General Fund accrued payroll is recorded at the department level on a GAAP basis and in nondepartmental expenditures on the budget basis. The differences for those special revenue funds that have a legally adopted annual budget are the reporting of unbudgeted revenues, encumbrances and the recording of payroll and compensated absences on a GAAP basis, as opposed to the budget basis. Adjustments necessary to convert the excess of revenues and other sources over expenditures and other uses on a GAAP basis to a budget basis for the General Fund and these special revenue funds are provided, as follows:

	General Fund	Special Revenue Funds (1)
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	$ 4,071,520	(4,894,241)
Adjustment:		
Less: Excess revenues and other sources over expenditures and other uses for nonbudgeted funds - GAAP basis	--	1,346,691
Adjusted excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	4,071,520	(3,547,550)
Other adjustments:		
Increase due to unbudgeted revenues	--	1,988,153
Decrease due to unbudgeted payroll accrual	--	(60,747)
Decrease due to net compensated absences accrual	--	(46,752)
Decrease due to outstanding encumbrances established in 2001	(5,078,795)	(2,537,884)
Increase due to payments against prior year encumbrances	2,858,091	1,526,756
Decrease due to contingency and emergency reserves in 2001	2,906,779	--
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	$ 4,757,595	(2,678,024)

(1) The special revenue funds that have legally adopted budgets are Aviation Asset Forfeiture, Balcones Canyonlands Conservation Plan, Child Safety, Disproportionate Share, EMS Travis County Reimbursed, Energy Conservation Rebates and Incentives, Environmental Remediation, Federally Qualified Health Center, Fee Waiver, Health and Human Services Travis County Reimbursed, Hotel-Motel Occupancy Tax, Municipal Court Building Security, Municipal Court Technology, Neighborhood Housing and Conservation, One Texas Center, PARD Cultural Projects, PARD Police Asset Forfeitures, Police Federal Seized Funds, Police Seized Money, Public Improvement District, Strategic Planning Investment, Sustainability, Telecommunity Partnership, Tourism and Promotion, and Vehicle Rental Tax.

The following special revenue funds reported expenditures in excess of appropriations, but did not report a deficit fund balance:

Balcones Canyonlands Conservation Plan	$ 190,298
Federal Qualified Health Center	1,451,507

Although the debt service fund statements are prepared on a budget basis, no differences exist between GAAP basis and budget basis fund balance for these funds except for the amount of enterprise-related and certain departmental-related debt payments ($8,710,482) budgeted as operating transfers.

3 -- BUDGET BASIS REPORTING, continued

c -- Budget Amendments

The original budget of the General Fund was amended several times during fiscal year 2001. The following table compares original to amended budgets:

	Original Budget	Amendments Increase (Decrease)	Amended Budget
REVENUES			
Taxes	$ 259,543,305	--	259,543,305
Franchise fees	28,002,200	--	28,002,200
Fines, forfeitures and penalties	16,684,955	--	16,684,955
Licenses, permits and inspections	16,953,748	--	16,953,748
Charges for services/goods	11,324,483	(61,650)	11,262,833
Interest and other	8,479,022	478,880	8,957,902
Total revenues	340,987,713	417,230	341,404,943
EXPENDITURES			
Administration	9,744,905	12,859	9,757,764
Urban growth management	16,194,366	(3,166,250)	13,028,116
Public safety	210,856,890	7,118,743	217,975,633
Public services and utilities	6,165,431	3,946,348	10,111,779
Public health:			
Physician stipend/Charity care	10,495,146	--	10,495,146
Medical Assistance Program- hospital contracted services/patient services	6,108,237	--	6,108,237
Other public health	26,101,710	(637,788)	25,463,922
Public recreation and culture	47,897,480	76,350	47,973,830
Social services management	8,517,380	--	8,517,380
Nondepartmental expenditures	16,025,874	(6,548,884)	9,476,990
Total expenditures	358,107,419	801,378	358,908,797
TRANSFERS			
Operating transfers in	89,386,082	3,496,594	92,882,676
Operating transfers out	(82,561,954)	(3,112,446)	(85,674,400)
Total transfers	6,824,128	384,148	7,208,276
Deficiency of revenues and other sources over expenditures and other uses	$ (10,295,578)	--	(10,295,578)

The amended budget is presented in the accompanying financial statements. The General Fund budget includes other revenues and requirements, which are presented in the nondepartmental category. The amended expenditure budget for these nondepartmental requirements includes the following: tuition reimbursement ($85,000), accrued payroll ($1,009,000), expenses for workers' compensation ($5,810,516) and liability reserve ($2,500,000), and wage adjustment ($72,474).

3 -- BUDGET BASIS REPORTING, continued

There were budget amendments to the following special revenue funds during fiscal year 2001:

	Original Budget	Increase (Decrease)	Amended Budget
REVENUES			
EMS Travis County Reimbursed	$ 6,030,912	92,415	6,123,327
Federally Qualified Health Center	8,451,974	1,486,746	9,938,720
Public Improvement District	--	1,396,521	1,396,521
EXPENDITURES			
EMS Travis County Reimbursed	6,030,912	92,415	6,123,327
Federally Qualified Health Center	14,882,349	2,036,802	16,919,151
Health and Human Services Travis County Reimbursed	5,382,536	126,362	5,508,898
Neighborhood Housing and Conservation	2,418,462	(411,000)	2,007,462
Public Improvement District	--	1,446,521	1,446,521
OPERATING TRANSFERS IN			
Federally Qualified Health Center	7,194,444	1,455,574	8,650,018
Neighborhood Housing and Conservation	1,554,051	89,000	1,643,051
Public Improvement District	--	150,000	150,000
OPERATING TRANSFERS OUT			
Federally Qualified Health Center	--	763,252	763,252
Neighborhood Housing and Conservation	362,464	500,000	862,464

4 -- DEFICITS IN FUND BALANCE AND RETAINED EARNINGS

At September 30, 2001, the funds below reported deficits in fund balance or retained earnings. Management intends to recover these deficits through future operating revenues, transfers or debt issues. Of the proprietary funds below, all except the Liability Reserve Fund have positive fund equity.

	Deficit Fund Balance		Deficit Retained Earnings
Special Revenue Funds:		**Enterprise Funds:**	
Austin Transportation Study	$ 147,250	Parks and Recreation	$ 941,043
One Texas Center	555,355		
Voluntary Utility Assistance	59,518	**Internal Service Funds:**	
Capital Projects Funds:		Employee Benefits	5,027,128
Energy improvements - city facilities	82,006	Liability Reserve	1,086,764
Parks/Old Bakery	490,544	Worker's Compensation	925,266
Police facilities	13,785		
Street resurfacing	54,298		
Police substations	253,964		
Traffic signals	4,397,286		
Build Austin	114,762		
CMTA Mobility	248,274		
Public Works	106,447		
Tanglewood park	64,197		
City Hall, plaza, parking garage	4,961,211		
Conservation Land	4,551		
Colony Park	11,509		

5 -- POOLED INVESTMENTS AND CASH

The following summarizes the amounts of pooled investments and cash by fund type at September 30, 2001:

	Pooled Investments and Cash	
	Unrestricted	Restricted
General Fund	$ 35,120,932	--
Special Revenue Funds	57,155,129	--
Capital Projects Funds	127,703,177	--
Enterprise Funds:		
Electric	56,571,935	101,127,208
Water and Wastewater	11,904,032	100,508,566
Hospital	35,173,831	--
Solid Waste Services	2,389,996	9,387,949
Airport	5,012,442	84,387,645
Convention Center	17,981,848	96,480,473
Other	4,823,114	27,484,968
Internal Service Funds	53,308,192	1,885,414
Fiduciary Funds	8,112,717	--
Subtotal pooled investments and cash	415,257,345	421,262,223
Total pooled investments and cash	$ 836,519,568	

6 -- INVESTMENTS AND DEPOSITS

INVESTMENTS

Chapter 2256, Texas Government Code (The Public Funds Investment Act) and the City of Austin Investment Policy authorize the City to invest in the following:

(1) obligations of the U.S. Treasury or its agencies and instrumentalities;
(2) direct obligations of the State of Texas;
(3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities;
(4) obligations of states, agencies, counties, cities, or other political subdivisions of any state rated A or better by a national investment rating firm;
(5) certificates of deposit that are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or its successor, or secured by obligations described in (1) through (4) above, and having a market value of at least the principal amount of the certificates;
(6) fully collateralized direct and reverse repurchase agreements. State statutes require that securities underlying repurchase agreements must have a market value of at least 100% of the repurchase agreement's cost. Money received by the City under the terms of a reverse security repurchase agreement may be used to acquire additional authorized securities, but the term of the authorized security acquired must mature not later than the expiration date stated in the reverse security repurchase agreement;
(7) bankers acceptances accepted by a domestic bank maturing in 270 days or less from the date of its issuance and is rated at least A-1, P-1 by a national investment rating firm;
(8) commercial paper with a stated maturity of 270 days or less from the date of its issuance and is either (a) rated not less than A-1, P-1 by at least two national investment rating firms, or (b) is rated at least A-1, P-1 by one national investment rating firm and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof;
(9) SEC-regulated, no load money market mutual funds with a dollar weighted average portfolio maturity of 90 days or less and whose investment objectives include seeking to maintain a stable net asset value of $1 per share;
(10) local government investment pools, such as the Texas Local Government Investment Pool, organized in accordance with Chapter 791, Texas Government Code (The Interlocal Cooperation Act), whose assets consist of the obligations described in (1) through (8) above. A public funds investment pool must be continuously rated no lower than AAA, AAA-m or at an equivalent rating by at least one nationally recognized rating service; and

6 -- INVESTMENTS AND DEPOSITS, continued

(11) share certificates issued by state or federal credit unions domiciled in Texas that are guaranteed or issued by the National Credit Union Share Insurance Fund or its successor, or secured by obligations described under (1) through (4) above having a market value of at least the principal amount of the certificates.

The City follows GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement requires that governmental entities should report investments at fair value on the balance sheet, and that all investment income, including changes in the fair value of investments, should be reported as revenue in the operating statement. The change in investment value is reported on the balance sheet in either pooled investments and cash for investment pool participants, or in investments, for those funds which hold their own investments; the revenue is reported on the income statement in interest income.

The City participates in two Texas local government investment pools, TexPool and TexasTERM, which are external investment pools. The State Comptroller of Public Accounts maintains oversight responsibility for TexPool. This responsibility includes the ability to influence operations, designation of management, and accountability for fiscal matters. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The fair value of the City's position in TexPool is the same as the value of the shares the City holds. TexasTERM was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. An advisory board, consisting of participants or their designees, maintains oversight responsibility. TexasTERM provides a fixed-term investment with a maturity of up to one year; therefore, the fair value of the City's position is equivalent to the carrying value.

The City did not participate in any reverse repurchase agreements during fiscal year 2001.

The City's investments (with exceptions noted below) are categorized below to give an indication of the level of risk (Category 1-lowest level of risk to Category 3-highest level of risk) assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City's agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the City's trust department or agent, but not in the City's name.

	Category			Fair
	1	2	3	Value
Investments				
Obligations of the U.S. government and its agencies	$ 826,532,613	--	--	826,532,613
Commercial paper	14,925,358	--	--	14,925,358
	841,457,971	--	--	841,457,971
Investments held by trustee				
Obligations of the U.S. government and its agencies	72,357,639	--	--	72,357,639
Investments not categorized				
Money market mutual funds				57,950,064
TexPool, Texas Local Government Investment Pool				383,490,260
TexasTERM, Local Government Investment Pool				85,000,000
				526,440,324
Total investments				$ 1,440,255,934

6 -- INVESTMENTS AND DEPOSITS, continued

Investments owned by the various funds of the City at September 30, 2001 are as follows:

Description	Yields	Fair Value	Change in Fair Value
NON-POOLED INVESTMENTS			
Money market mutual funds	3.29% - 3.35%	$ 724,043	--
Obligations of the U.S. government and its agencies	5.00% - 14.29%	423,533,793	16,686,459
TexPool, Texas Local Government Investment Pool	3.34%	160,418,696	--
TexasTERM, Local Government Investment Pool	4.04%	10,000,000	--
Total non-pooled investments		594,676,532	16,686,459
POOLED INVESTMENTS			
Money market mutual funds	3.14% - 3.35%	57,226,021	--
Obligations of the U.S. government and its agencies	5.29% - 5.78%	475,356,459	4,870,819
Commercial paper	3.46%	14,925,358	--
TexPool, Texas Local Government Investment Pool	3.34%	223,071,564	--
TexasTERM, Local Government Investment Pool	3.59%	75,000,000	--
Total pooled investments		845,579,402	4,870,819
TOTAL ALL INVESTMENTS		$ 1,440,255,934	21,557,278

DEPOSITS

The September 30, 2001, carrying amount of deposits is as follows:

Cash	
Unrestricted	$ 161,398
Restricted	246
Cash held by trustee	
Unrestricted	292,073
Restricted	5,213,934
Pooled cash	4,390,364
Total deposits	$ 10,058,015

All bank balances were either insured or collateralized with securities held by the City or by its agent in the City's name.

7 -- PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The adjusted assessed value for the roll as of January 1, 2000, upon which the 2001 levy was based, was $41,419,314,286.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2001, 98.98% of the current tax levy (October 1, 2000) was collected. The statutory lien date is January 1.

The methods of property assessment and tax collection are determined by Texas statute. The statutes provide for a property tax code, county-wide appraisal districts, a State property tax board, and certain exemptions from taxation, such as intangible personal property, household goods, and family-owned automobiles.

7 -- PROPERTY TAXES, continued

The appraisal of property within the City is the responsibility of the Travis Central Appraisal District. The appraisal district is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may require more frequent reviews of appraised values at its own expense. The Travis Central Appraisal District has chosen to review the value of property every two years. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

The City is authorized to set tax rates on property within the City limits. However, if the effective tax rate, excluding tax rates for bonds, certificates of obligation, and other contractual obligations, as adjusted for new improvements and revaluation, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate increase to no more than 8%.

The City is permitted by Article II, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. Under the City Charter, a limit on taxes levied for general governmental services, exclusive of payments of principal and interest on general obligation long-term debt, has been established at $1.00 per $100 assessed valuation. A practical limitation on taxes levied for debt service of $1.50 per $100 of assessed valuation is established by State Statute and City Charter limitations. Through a contractual arrangement, Travis County bills and collects property taxes for the City.

The tax rate to finance general governmental purposes, other than the payment of principal and interest on general obligation long-term debt, for the year ended September 30, 2001, was $.3011 per $100 assessed valuation. The City has a tax margin for general governmental purposes of $.6989 per $100 assessed valuation, and could levy approximately $289,479,588 in additional taxes from the assessed valuation of $41,419,314,286 before the legislative limit is reached.

8 -- FIXED ASSETS

Components of the City's fixed assets at September 30, 2001, are summarized as follows (in thousands of dollars):

	Electric Fund	Water & Wastewater Fund	Hospital Fund	Solid Waste Services Fund	Airport Fund	Convention Center Fund	Other Enterprise Funds	Internal Service Funds	General Fixed Assets	Total
Land and land rights	$ 34,352	135,154	760	10,462	58,691	26,089	2,760	485	190,379	459,132
Buildings and improvements	561,747	1,323,647	74,017	10,127	639,014	83,775	16,259	3,530	219,095	2,931,211
Machinery and equipment	2,023,592	478,192	4	11,413	16,667	1,744	17,224	18,093	62,458	2,629,387
Completed assets not classified	203,389	158,323	13	20,977	10,271	3,385	15,618	54,161	--	466,137
Total plant in service	2,823,080	2,095,316	74,794	52,979	724,643	114,993	51,861	76,269	471,932	6,485,867
Less accumulated depreciation	(1,131,861)	(592,992)	(33,754)	(22,483)	(126,438)	(24,599)	(12,648)	(26,697)	--	(1,971,472)
Net property, plant and equipment in service	1,691,219	1,502,324	41,040	30,496	598,205	90,394	39,213	49,572	471,932	4,514,395
Construction in progress	193,753	155,017	--	12,722	10,404	109,054	25,206	1,505	262,259	769,920
Nuclear fuel, net of amortization	19,438	--	--	--	--	--	--	--	--	19,438
Plant held for future use	31,379	--	--	--	--	--	--	--	--	31,379
Total property, plant and equipment	$ 1,935,789	1,657,341	41,040	43,218	608,609	199,448	64,419	51,077	734,191	5,335,132

The following table summarizes the changes in components of the General Fixed Assets Account Group for the year ended September 30, 2001:

	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	Total
Balance, September 30, 2000	$ 174,543,252	176,908,215	42,187,232	67,842,125	208,488,755	669,969,579
Additions	--	--	--	--	77,099,502	77,099,502
Retirements	(2,811,509)	--	--	(6,770,497)	(3,253,421)	(12,835,427)
Completed construction	18,647,173	--	--	1,422,794	(20,069,967)	--
Transfers (to) from other funds	--	--	--	(36,866)	(5,301)	(42,167)
Balance, September 30, 2001	$ 190,378,916	176,908,215	42,187,232	62,457,556	262,259,568	734,191,487

8 -- FIXED ASSETS, continued

The City does not capitalize public domain general fixed assets. This accounting policy affects only the General Fixed Asset Account Group. During 2001, the City did not capitalize completed infrastructure assets amounting to $33,925,820.

Construction in progress includes various capital projects that are funded primarily by general obligation and revenue bonds. The General Fixed Asset Account Group includes as construction-in-progress certain completed capital projects in service at September 30, 2001, which have not been unitized or capitalized pending classification to the proper fixed asset in-service categories. In all other funds, completed construction unclassified is included in property, plant and equipment.

The City anticipates the need for numerous additional utility-related projects over the next several years. However, the City has no formal commitments to projects other than those currently under construction. Estimated unfunded future expenditures for capital projects will be funded from operations, issuance of additional general obligation or revenue bonds, or from alternative methods of financing.

The City has recorded capitalized interest for fiscal year 2001 in the following funds related to the construction of various capital improvement projects:

Solid Waste Services	$ 800,393
Airport	1,237,475
Convention Center	3,090,193
Drainage	106,500

9 -- RETIREMENT PLANS

a -- Description

The City participates in funding three contributory, defined benefit retirement plans: City of Austin Employees' Retirement and Pension Fund, City of Austin Police Officers' Retirement and Pension Fund, and Fire Fighters' Relief and Retirement Fund of Austin, Texas. An independent board of trustees administers each plan. These plans are City-wide single employer funded plans that cover substantially all full-time employees. The fiscal year of each pension fund ends December 31. The most recently available financial statements of the pension funds are for the year ended December 31, 2000. Membership in the plans at December 31, 2000 is as follows:

	City Employees	Police Officers	Fire Fighters	Total (Memorandum Only)
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	3,068	259	352	3,679
Current employees	6,894	1,183	921	8,998
Total	9,962	1,442	1,273	12,677

Each plan provides service retirement, death, disability and withdrawal benefits. State law governs benefit and contribution provisions. Amendments may be made by the Legislature of the State of Texas.

Financial reports that include financial statements and supplementary information for each plan are publicly available at the locations shown below.

Plan	Address	Telephone
Employees' Retirement and Pension Fund	418 E. Highland Mall Blvd. Austin, Texas 78752	(512)458-2551
Police Officers' Retirement and Pension Fund	P.O. Box 684808 Austin, Texas 78768-4808	(512)416-7672
Fire Fighters' Relief and Retirement Fund	3301 Northland Drive, Suite 215 Austin, Texas 78731	(512)454-9567

9 -- RETIREMENT PLANS, continued

b -- Funding Policy

	City of Austin Employees' Retirement and Pension Fund	City of Austin Police Officers' Retirement and Pension Fund	Fire Fighters' Relief and Retirement Fund
Authority establishing contributions obligation	State Legislation	State Legislation	State Legislation
Frequency of contribution	Biweekly	Biweekly	Biweekly
Employee's contribution (percent of earnings)	8.0%	9.0%	13.70%
City's contribution (percent of earnings)	8.0% (1)	18.0%	18.05%

(1) The City contributes two-thirds of the cost of prior service benefit payments.

While the contribution requirements are not actuarially determined, state law requires that a qualified actuary approve each plan of benefits adopted. The actuary of each plan has certified that the contribution commitment by the participants and the City provide an adequate financing arrangement. Contributions for fiscal year ended September 30, 2001, are as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total (Memorandum Only)
City	$ 24,118	10,738	8,429	43,285
Employees	24,118	5,369	6,398	35,885
Total contributions	$ 48,236	16,107	14,827	79,170

c-- Annual Pension Cost and Net Pension Obligation

The City's annual pension cost of $43,285,000 for fiscal year ended September 30, 2001, was equal to the City's required and actual contributions. Three-year trend information is as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total (Memorandum Only)
City's Annual Pension Cost (APC):				
1999	$ 17,513	8,907	7,722	34,142
2000	20,458	9,834	7,984	38,276
2001	24,118	8,429	10,738	43,285
Percentage of APC contributed:				
1999	100%	100%	100%	N/A
2000	100%	100%	100%	N/A
2001	100%	100%	100%	N/A
Net Pension Obligation:				
1999	$ --	--	--	--
2000	--	--	--	--
2001	--	--	--	--

9 -- RETIREMENT PLANS, continued

Actuarial valuations of the plans are performed every two years. Actuarial updates are done in each year following the full valuation. The latest actuarial valuations were completed as of December 31, 1999. The actuarial cost method and significant assumptions underlying the actuarial calculations are as follows:

	City Employees	Police Officers	Fire Fighters
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Basis	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation Rate	4%	4%	5.5%
Projected Annual Salary Increases	4.5% to 14.5%	6.6% average	7%
Post retirement benefit increase	None	None	3.5% effective January 1, 2001 through January 1, 2004 and, 0.5% annually thereafter
Assumed Rate of Return on Investments	8%	8.25%	8%
Amortization method	Level percent of projected pay, open	Level percent of projected pay, open	Level percent of projected pay, open
Remaining Amortization Period	Not applicable	8.5 years	Not applicable

d -- Trend Information (Unaudited)

Information pertaining to the latest actuarial valuations for each Plan is as follows (in thousands):

Valuation Date, December 31st	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Excess)	Funded Ratio	Annual Covered Payroll	Percentage of Unfunded Actuarial Accrued Liability (Excess) to Covered Payroll
City Employees						
1993	$ 579,100	541,200	(37,900)	107.0%	235,200	(16.1%)
1995	707,300	623,000	(84,300)	113.5%	221,000	(38.1%)
1997	856,423	832,140	(24,283)	102.9%	219,208	(11.1%)
1999	1,105,100	1,044,500	(60,600)	105.8%	244,500	(24.8%)
Police Officers						
1993	$ 97,093	106,127	9,034	91.5%	34,550	26.1%
1995	127,572	164,865	37,293	77.4%	36,211	103.0%
1997	168,602	222,703	54,101	75.7%	47,189	114.6%
1999	226,913	257,850	30,937	88.0%	54,695	56.6%
Fire Fighters						
1993	$ 175,612	193,343	17,731	90.8%	29,018	61.1%
1995	213,403	236,994	23,591	90.0%	32,496	72.6%
1997	268,241	279,472	11,231	96.0%	35,130	32.0%
1999	341,593	317,223	(24,370)	107.7%	38,690	(63.0%)

10 -- SELECTED REVENUES

Effective October 1, 1995, the City entered into a long-term lease arrangement with the Daughters of Charity Health Services of Austin ("Seton") to operate City-owned Brackenridge Hospital. This lease agreement qualifies as an operating lease for accounting purposes. The lease agreement specifies a minimum lease payment, in addition to a supplemental rent payment based on approximately 46% of net disproportionate share revenue proceeds. In fiscal year 2001, the Hospital Fund revenues included minimum lease payments of $864,764 and additional rent of $5,385,433. The minimum lease payment includes an amendment approved by the City Council in November 2000 to reduce the amount of rent payment to the City by $1,000,000 for fiscal year 2001. The reduction was used by Seton to expand facilities and services at Brackenridge Hospital and Children's Hospital of Austin.

The City participates in the Agreement Regarding Disposition of Tobacco Settlement Proceeds filed on July 24, 1998, in the case *The State of Texas v. The American Tobacco Co.,* et al. Under the terms of the agreement, a political subdivision may receive a pro rata share of the annual amount of settlement proceeds distributed by the State of Texas. The City received proceeds of approximately $1.4 million in fiscal year 2001, which was recorded in the Hospital Fund.

The City has entered into certain lease agreements as lessor for concessions at the Airport. These lease agreements qualify as operating leases for accounting purposes. In fiscal year 2001, the Airport Fund revenues included minimum concession guarantees of $7,925,185.

The following is a schedule by year of minimum future rentals on noncancelable operating leases up to a term of thirty years for the Hospital Fund and twenty years for the Airport Fund as of September 30, 2001. Amounts for the Hospital Fund do not include supplemental rent payments as discussed above.

Fiscal Year Ended September 30	Hospital Fund	Airport Fund
2002	$ 1,864,764	9,199,981
2003	1,864,764	9,197,428
2004	1,864,764	8,625,182
2005	1,864,764	7,601,680
2006	1,864,764	7,598,557
Thereafter	35,430,516	20,939,151
Totals	$ 44,754,336	63,161,979

11 -- GENERAL LONG-TERM DEBT

a -- General Obligation Debt -- Capital Projects Funding

Capital projects funds are used to account for the acquisition and construction of general fixed assets. Capital projects are funded primarily by the issuance of general obligation debt, other tax supported debt, interest income and intergovernmental revenues.

General obligation debt is collateralized by the full faith and credit of the City and is reported as an obligation of the General Long-Term Debt Account Group (GLTDAG), except as described below. The City intends to retire its general obligation debt, plus interest, from future ad valorem tax levies, and is required by ordinance to create from such tax revenues a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. General obligation debt issued to fund fixed assets of proprietary funds is reported as an obligation of these proprietary funds, although the funds are not obligated by the applicable bond indentures to repay any portion of principal and interest on outstanding general obligation debt. However, the City intends for the proprietary funds to meet the debt service requirements.

As described in Note 7, State Statute and the City Charter establish a practical limitation of $1.50 per $100 of assessed valuation on the debt service tax rate levied to service general obligation debt, including interest. The tax rate to finance the payment of principal and interest on general obligation long-term debt for the year ended September 30, 2001, was $.1652 per $100 assessed valuation. At September 30, 2001, allowable taxes related to debt service (assuming the rate of $1.50 per $100 assessed valuation) are approximately $621,289,714, providing potential additional taxes for debt service of $552,865,007 from the assessed valuation of $41,419,314,286.

11 -- GENERAL LONG-TERM DEBT, continued

There are a number of limitations and restrictions contained in the various general obligation bond indentures. The City is in compliance with all limitations and restrictions.

The following table summarizes significant facts about general obligation bonds, certificates of obligation, contractual obligations, tax notes and assumed municipal utility district (MUD) bonds outstanding at September 30, 2001, including those reported in certain proprietary funds:

Series	Date Issued	Original Issue	Amount Outstanding at September 30, 2001	Aggregate Interest Requirements at September 30, 2001	Interest Rates Of Debt Outstanding at September 30, 2001	Maturity Dates Of Serial Debt
Series 1992	October, 1992	$ 52,490,000	$ 3,000,000	$ 217,500 (1)	7.25%	9/1/2002
Series 1992	October, 1992	5,405,000	250,000	14,000 (1)	5.6%	9/1/2002
Series 1993	February, 1993	71,600,000	62,945,000	15,982,533 (1)	5.20 - 5.75%	9/1/2002-2009
Series 1993	October, 1993	25,000,000	18,960,000	6,288,039 (1)	4.20 - 4.75%	9/1/2002-2013
Series 1993	October, 1993	6,435,000	4,880,000	1,618,869 (1)	4.20 - 4.75%	9/1/2002-2013
Series 1993A	October, 1993	70,230,000	52,850,000	10,398,370 (1)	4.25 - 5.00%	9/1/2002-2010
Series 1994	October, 1994	33,260,000	5,500,000	696,000 (1)	5.20 - 6.00%	9/1/2002-2005
Series 1994	October, 1994	3,550,000	475,000	51,065 (1)	5.10 - 5.70%	9/1/2002-2004
Series 1995	October, 1995	30,250,000	2,185,000	596,920 (1)	7.30 - 7.75%	9/1/2002-2005
Series 1995	October, 1995	8,660,000	1,550,000	218,100 (1)	4.75 - 6.00%	9/1/2002-2005
Series 1996	October, 1996	30,550,000	13,625,000	5,899,063 (1)	4.70 - 6.00%	9/1/2002-2011
Series 1996	October, 1996	11,755,000	4,675,000	339,530 (2)	4.70 - 4.80%	11/1/2001-2003
Taxable Series 1997	May, 1997	18,400,000	15,400,000	2,333,400 (1)	6.90 - 6.95%	3/1/2002-2004
Series 1997	October, 1997	29,295,000	28,515,000	17,221,816 (1)	5.00 - 5.75%	9/1/2002-2017
Series 1997	October, 1997	13,975,000	7,570,000	698,850 (2)	4.50%	11/1/2001-2004
Series 1997	October, 1997	2,120,000	1,850,000	908,213 (1)	4.50 - 7.00%	9/1/2002-2017
Series 1998	January, 1998	110,300,000	110,090,000	50,535,613 (1)	3.95 - 5.25%	9/1/2003-2016
Assumed MUD Debt	December, 1997	33,680,000	16,641,011	11,560,668 (3)	4.40 -10.50%	11/15/2001-2021
Series 1998	October, 1998	13,430,000	13,330,000	7,830,075 (1)	4.40 - 7.13%	9/1/2002-2018
Series 1998	October, 1998	22,770,000	20,800,000	10,151,223 (1)	4.10 - 7.00%	9/1/2002-2018
Series 1998	October, 1998	14,975,000	10,990,000	1,187,522 (2)	3.90 - 4.25%	11/1/2001-2005
Series 1999	October, 1999	51,100,000	50,690,000	37,845,500 (1)	4.13 - 5.75%	9/1/2002-2019
Series 1999	October, 1999	10,335,000	8,455,000	1,240,800 (2)	4.50 - 4.75%	11/1/2001-2006
Series 1999	October, 1999	5,590,000	5,245,000	3,091,538 (1)	5.00 - 6.00%	9/1/2002-2019
Series 2000	October, 2000	52,930,000	51,245,000	40,488,600 (1)	4.35 - 6.00%	9/4/2003-2020
Series 2000	October, 2000	6,060,000	5,890,000	3,605,694 (1)	5.00 - 5.38%	9/1/2002-2020
Series 2001	June, 2001	123,445,000	120,755,000	31,641,531 (1)	4.50 - 5.50%	9/1/2002-2022
Total			$ 638,361,011			

(1) Interest is paid semiannually on March 1 and September 1.

(2) Interest is paid semiannually on May 1 and November 1.

(3) Interest is paid four times a year on March 1, May 15, September 1, and November 15.

In October 2000, the City issued Public Improvement Bonds, Series 2000, in the amount of $52,930,000. Of the proceeds from the issue, $5,745,000 will be used for libraries, $1,000,000 will be used for asbestos abatement, $26,345,000 will be used for street improvements, $6,910,000 will be used for park and recreation facilities, $10,990,000 will be used for emergency centers, and $1,940,000 will be used for police forensics. These bonds will be amortized serially on September 1 of each year from 2001 to 2020. Certain of these bonds are callable beginning September 1, 2010. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2001. Total interest requirements for these bonds, at rates ranging from 4.35% to 6.0% are $43,353,038.

11 -- GENERAL LONG-TERM DEBT, continued

In October 2000, the City issued Certificates of Obligation, Series 2000, in the amount of $6,060,000. Of the proceeds from the issue, $2,160,000 will be used for developer reimbursements and $3,900,000 will be used for land conservation. These certificates of obligation will be amortized serially September 1 of each year from 2001 to 2020. Certain of these obligations are callable beginning September 1, 2010. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2001. Total interest requirements for these obligations, at rates ranging from 5% to 5.38% are $3,920,300.

In June 2001, the City issued $123,445,000 in Public Improvement Refunding Bonds, Series 2001, with a weighted average interest rate of 5.17% to advance refund the following:

Series Refunded	Amount	Weighted Average Interest Rate
Public Improvement Refunding Bonds, Series 1990A	$17,380,000	6.91%
Public Improvement Refunding Bonds, Series 1991A	880,000	5.88%
Public Improvement Refunding Bonds, Series 1992	3,000,000	7.25%
Certificates of Obligation, Series 1992	275,000	5.75%
Public Improvement Refunding Bonds, Series 1992	58,315,000	6.09%
Public Improvement Refunding Bonds, Series 1994	3,500,000	5.57%
Certificates of Obligation, Series 1994	800,000	5.56%
Public Improvement Refunding Bonds, Series 1995	19,755,000	5.26%
Certificates of Obligation, Series 1995	4,420,000	5.25%
Austin Municipal Utility District No. 2 Unlimited Tax Bonds, Series 1991	1,635,000	8.15%
Circle C Municipal Utility District No. 3 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1996	760,000	5.38%
Circle C Municipal Utility District No. 4 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1994	1,950,000	5.64%
Maple Run at Austin Municipal Utility District Unlimited Tax and Revenue Bonds, Series 1986	1,850,000	8.72%
North Central Austin Growth Corridor Municipal Utility District No. 1 Waterworks Combination Unlimited Tax and Revenue Bonds, Series 1986	520,000	6.38%
North Central Austin Growth Corridor Municipal Utility District No. 1 Waterworks and System Combination Unlimited Tax and Revenue Bonds, Series 1987	250,000	6.50%
South Austin Growth Corridor Municipal Utility District No. 1 Unlimited Tax and Revenue Bonds, Series 1987	250,000	6.00%
Southland Oaks Municipal Utility District Unlimited Tax and Revenue Bonds, Series 1995	2,840,000	6.10%
Southland Oaks Municipal Utility District Unlimited Tax and Revenue Bonds, Series 1996	1,470,000	5.96%
Village at Western Oaks Municipal Utility District Unlimited Tax and Revenue Bonds, Series 1995	1,815,000	6.00%
Village at Western Oaks Municipal Utility District Unlimited Tax and Revenue Bonds, Series 1996	1,580,000	5.88%
Travis County Water Control and Improvement District No.12 Waterworks and Sewer System Tax and Revenue Refunding Bonds, Series 1965	45,000	5.00%
Travis County Water Control and Improvement District No.14 Waterworks and Sewer System Tax and Revenue Refunding Bonds, Series 1963	70,000	5.00%
Travis County Water Control and Improvement District No. 9 Refunding Bonds, Series 1962	58,000	5.00%

The net proceeds of $128,476,463 (after issuer contribution of $105,332 and after payment of $303,373 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be legally defeased and the liability for the refunded bonds has been removed from the financial statements.

The City advance refunded these bonds to reduce total debt service payments in the current period and in future years by approximately $7.1 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $6.3 million.

11 -- GENERAL LONG-TERM DEBT, continued

The following is a summary of general obligation bonds, certificates of obligation, contractual obligation and tax note transactions of the City (including those of certain enterprise funds) for the year ended September 30, 2001 (in thousands of dollars), excluding assumed tax and revenue bond principal of $13,705,390 and Water and Wastewater note of $120,000 and premiums/discounts of ($28,924).

	General Obligation Bonds and Other Tax Supported Debt	
	General Long-Term Debt Account Group	**Proprietary Funds**
Balance payable--September 30, 2000	$ 550,039	56,124
Refunding activity:		
Refunding debt issued	106,234	17,211
Outstanding debt defeased by refunding	(108,515)	(5,093)
Balance payable subsequent to refunding	547,758	68,242
Debt issued:		
Parks and recreation	6,910	--
Street improvements	26,345	--
Libraries	5,745	--
Health Department safety and welfare renovations	1,000	--
Public safety	12,930	--
Developer reimburseables	2,160	--
Land conservation	3,900	--
Debt issued during the year	58,990	--
Debt retired during the year	(44,070)	(6,264)
Balance payable--September 30, 2001	$ 562,678	61,978

General obligation bonds authorized and unissued amount to $435,155,000 at September 30, 2001. Bond ratings at September 30, 2001, were Aa2 (Moody's Investor Services, Inc.), AA+ (Standard & Poor's) and AA+ (Fitch).

b -- Other Long-Term Debt

In addition to general obligation bonds, certificates of obligation, contractual obligations, and tax notes, the General Long-Term Debt Account Group includes all liabilities of the City (other than those reported in the proprietary funds) which are not due in the current period. Obligations include the following:

Description	Balance September 30, 2000	Increase (Decrease)	Balance September 30, 2001
Accrued compensated absences	$ 47,885,622	1,526,675	49,412,297
Advances from other funds	4,318,000	--	4,318,000
Loans payable:			
HUD Section 108 loan (1)	7,305,000	(285,000)	7,020,000
Municipal Energy Conservation loan (2)	1,905,660	(517,534)	1,388,126
Long-term loan	--	2,800,000	2,800,000
Other liabilities:			
Arbitrage payable	--	2,601,957	2,601,957
Grant liability	--	500,000	500,000
Other	--	1,272,149	1,272,149
	$ 61,414,282	7,898,247	69,312,529

(1) Interest payable in the amount of $3,837,734 at September 30, 2001.

(2) Interest payable in the amount of $85,242 at September 30, 2001.

12 -- ENTERPRISE FUNDS -- REVENUE BONDS AND OTHER LONG-TERM DEBT

a -- Combined Utility Systems Debt -- General

The City's Electric Fund and Water and Wastewater Fund comprise the "Combined Utility Systems," which issue Combined Utility Systems revenue bonds to fund Electric Fund and Water and Wastewater Fund capital projects. Principal and interest on these bonds are payable solely from the combined net revenues of the Electric Fund and Water and Wastewater Fund. The following table summarizes Combined Utility Systems revenue bonds and other long-term financing transactions for the year ended September 30, 2001 (in thousands of dollars):

Description (Net of discount and inclusive of premium)	Prior Lien Bonds	Subordinate Lien Bonds	Total
Balance payable, October 1, 2000	$ 1,950,526	323,587	2,274,113
Debt repaid, defeased, or refunded	(64,592)	(36,765)	(101,357)
Amortization of bond discount and premium	1,681	(272)	1,409
Balance payable, September 30, 2001	$ 1,887,615	286,550	2,174,165

The total Combined Utility Systems revenue bond obligations at September 30, 2001, exclusive of discounts and premiums, consist of $1,902,370,731 prior lien bonds and $280,854,512 subordinate lien bonds. Aggregate interest requirements for all prior liens and subordinate lien bonds are $1,515,477,155 at September 30, 2001. Revenue bonds authorized and unissued amount to $1,492,642,660 at that date. Bond ratings at September 30, 2001 for the prior lien and subordinate lien bonds were, respectively, A2 and A2 (Moody's Investor Services, Inc.), A and A- (Standard & Poor's), and A+ and A+ (Fitch).

b -- Combined Utility Systems Debt -- Revenue Bond Indenture Requirements

The City is required by bond indentures to pledge the net revenues of the Combined Utility Systems for debt service, and is required to maintain debt service funds and bond reserve funds for all outstanding revenue bonds. The debt service funds, with assets of $308,946,379 including accrued interest at September 30, 2001, are restricted within the utility systems and require that the net revenues of the systems, after operating and maintenance expenses are deducted, be irrevocably pledged by providing equal monthly installments that will accumulate to the semiannual principal and interest requirements as they become due.

The bond reserve fund for revenue bond retirement, with assets of $170,699,819 of investments at fair value at September 30, 2001, is also restricted within the utility systems. The City is required to maintain a combined reserve fund for the benefit of the holders of prior lien bonds and subordinate lien bonds, which must contain cash and investments of not less than $85,000,000 and which shall be increased upon the issuance of any additional bonds to the greater of such amount or the average annual principal and interest requirements on all prior lien bonds and subordinate lien bonds. Additional amounts required to be deposited in the reserve fund must be funded from bond proceeds or accumulated in the reserve fund in equal monthly installments within 60 months from the date of delivery of the additional bonds.

The City also covenants under the bond indentures that the custodian of the reserve fund shall be an official City depository and investment of the reserve fund shall be in direct or guaranteed obligations of the United States of America (USA), including obligations guaranteed by the USA, and certificates of deposit of any bank or trust company, the deposits of which are fully secured by a pledge or obligation of the USA or guaranteed by the USA. The revenue bond indentures also provide for a number of other limitations and restrictions. The City is in compliance with all significant limitations and restrictions contained in the revenue bond indentures.

c -- Combined Utility Systems Debt -- Revenue Bond Refunding Issues

The Combined Utility Systems have refunded various issues of revenue bonds, notes, and certificates of obligation through refunding revenue bonds. Principal and interest on these refunding bonds are payable solely from the combined net revenues of the City's Electric Fund and Water and Wastewater Fund.

The prior lien bonds are subordinate only to the prior lien revenue bonds outstanding at the time of issuance, while the subordinate lien bonds are subordinate to prior lien revenue bonds and to subordinate lien revenue bonds outstanding at the time of issuance.

12 -- ENTERPRISE FUNDS -- REVENUE BONDS AND OTHER LONG-TERM DEBT, continued

Some of these bonds are callable prior to maturity at the option of the City. The term bonds are subject to a mandatory redemption prior to the maturity dates as defined in the respective official statements.

The net proceeds of each of the refunding bond issuances were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service. As a result, the refunded bonds are considered to be legally defeased and the liability for the refunded bonds has been removed from the financial statements. The accounting gains and losses due to the advance refunding of debt have been deferred and are being amortized over the life of the refunding bonds by the straight-line method. However, a gain or loss on refunded bonds is recognized when funds from current operations are used.

d -- Combined Utility Systems Debt -- Bonds Issued and Outstanding

The following schedule shows all original and refunding revenue bonds outstanding at September 30, 2001 (in thousands of dollars):

Series	Bonds Dated	Original Amount Issued	Outstanding at September 30, 2001
1982 Refunding	March 1982	$ 598,000	$ 19,315
1986 Refunding	March 1986	545,145	34,490
1987	May 1987	65,000	1,720
1989	July 1989	65,800	2,670
1990	August 1990	6,395	4,055
1990AB Refunding	February 1990	236,009	33,962
1991A Refunding	June 1991	57,080	32,310
1992 Refunding	March 1992	265,806	232,966
1992A Refunding	May 1992	351,706	310,471
1993 Refunding	February 1993	203,166	168,911
1993A Refunding	June 1993	263,410	189,341
1994	May 1994	3,500	2,790
1994 Refunding	October 1994	142,559	107,159
1995 Refunding	June 1995	151,770	46,670
1996AB Refunding	September 1996	249,235	247,265
1997 Refunding	August 1997	227,215	218,210
1998 Refunding	August 1998	180,000	177,160
1998A Refunding	August 1998	123,020	99,065
1998 Refunding	November 1998	245,315	245,080
1998	November 1998	10,000	9,615
			$ 2,183,225

e -- Combined Utility Systems Debt -- Commercial Paper Notes

The City is authorized by ordinance to issue commercial paper notes in an aggregate principal amount not to exceed $350,000,000 outstanding at any one time. Proceeds from the notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2001 were P1 (Moody's Investor Services, Inc.), A1 (Standard & Poor's), and F1 (Fitch).

The notes will be in denominations of $100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the notes are payable from the combined net revenues of the City's Electric Fund and Water and Wastewater Fund.

12 -- ENTERPRISE FUNDS -- REVENUE BONDS AND OTHER LONG-TERM DEBT, continued

At September 30, 2001, the Electric Fund had outstanding commercial paper notes of $77,084,000 and the Water and Wastewater Fund had $78,226,000, of commercial paper notes outstanding. Interest rates on the notes range from 2.20% to 3.20%, and subsequent issues cannot exceed the maximum rate of 15%. The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

f -- Combined Utility Systems Debt -- Taxable Commercial Paper Notes

The City is authorized by ordinance to issue taxable commercial paper notes, (the "taxable notes"), in an aggregate principal amount not to exceed $160,000,000 outstanding at any one time. Proceeds from the taxable notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2001 were P1 (Moody's Investor Services, Inc.), A1+ (Standard & Poor's), and F1+(Fitch).

The taxable notes will be in denominations of $100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the taxable notes are payable from the combined net revenues of the City's Electric Fund and Water and Wastewater Fund.

At September 30, 2001, the Electric Fund had outstanding taxable notes of $73,158,720 (net of discount of $460,280), and the Water and Wastewater Fund had no taxable notes outstanding. Interest rates on the taxable notes range from 3.65% to 3.69%. The City intends to refinance maturing commercial paper notes by issuing long-term debt.

g -- Electric System Revenue Debt --General

The City is authorized by ordinance to issue electric system revenue obligations. Proceeds from these obligations are used only to fund electric capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of the Electric Fund. The following table summarizes the electric system revenue bonds for the year ended September 30, 2001 (in thousands of dollars):

Description (Net of discount and inclusive of premium on refunding)	Separate Lien Bonds
Balance payable, October 1, 2000	$ --
Debt issued	126,944
Amortization of bond discount and premium	4
Balance payable, September 30, 2001	$ 126,948

h -- Electric System Revenue Debt -- Revenue Bond Indenture Requirements

From July 18, 2000 forward, all revenue obligations, other than commercial paper obligations, to finance capital improvements for the electric system shall be payable from and secured only by a lien on and pledge of the net revenues of the electric system. Electric system revenue debt is subject to the prior claim on and lien on the net revenues of the electric system for the payment of the Combined Utility System Debt (see note 12-a).

i -- Electric System Revenue Debt -- Revenue Bond Refunding Issues

The City was authorized by ordinance to issue Electric Utility System Revenue Refunding Bonds, in an aggregate principal amount of $126,700,000. Proceeds from the bond refunding were used to convert $125,000,000 of outstanding Combined Utility System Commercial Paper Notes, Series A, to long-term debt of the electric utility system. The refunding resulted in future debt service requirements of $136,721,574. No economic gain or loss was recognized on this transaction. Bond ratings at September 30, 2001 were A3 (Moody's Investor Services, Inc.), A- (Standard & Poor's), and A (Fitch).

12 -- ENTERPRISE FUNDS -- REVENUE BONDS AND OTHER LONG-TERM DEBT, continued

j -- Electric System Revenue Debt -- Bonds Issued and Outstanding

The following table summarizes all electric system original and refunding revenue bonds outstanding at September 30, 2001 (in thousands of dollars):

Series	Bonds Dated	Original Amount Issued	Outstanding at September 30, 2001
2001 Refunding	February 2001	$126,700	$126,700

k -- Water and Wastewater System Revenue Debt -- General

The City is authorized by ordinance to issue water and wastewater system revenue obligations. Proceeds from these obligations are used only to fund water and wastewater capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of the Water and Wastewater Fund. The following table summarizes the water and wastewater system revenue bonds for the year ended September 30, 2001 (in thousands of dollars):

Description (Net of discount and inclusive of premium on refunding)	Separate Lien Bonds
Balance payable, October 1, 2000	$ 100,015
Debt issued	225,809
Amortization of bond discount and premium	5
Balance payable, September 30, 2001	$ 325,829

l -- Water and Wastewater System Revenue Debt -- Revenue Bond Indenture Requirements

From July 18, 2000 forward, all revenue obligations, other than commercial paper obligations, to finance capital improvements for the water and wastewater system shall be payable from and secured only by a lien on and pledge of the net revenues of the water and wastewater system. Water and wastewater system revenue debt is subject to the prior claim on and lien on the net revenues of the water and wastewater system for the payment of the Combined Utility System Debt (see note 12-a).

m -- Water and Wastewater System Revenue Debt -- Revenue Bond Refunding Issues and Defeasance

The City was authorized by ordinance to issue $152,180,000 of Water and Wastewater System Revenue Bonds, Series 2001A and $73,200,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2001B. Proceeds from the Series 2001A bonds were used to refund $150,000,000 of Commercial Paper Notes, Series A, and $2,625,000 of Circle C Municipal Utility District No. 4 Contract Revenue Bonds, Series 1990. The Series 2001B bonds were used to refund $57,650,000 of tax-exempt Commercial Paper Notes, Series A and $15,012,552 of taxable Commercial Paper Notes. The debt service requirements on the refunding bonds were $237,942,341. No economic gain or loss was recognized on these transactions. An accounting loss of $436,094, which will be deferred and amortized in accordance with Statement of Financial Accounting Standards No. 71, was recognized on the refunding. Bond ratings at September 30, 2001 were A2 (Moody's Investor Services, Inc.), A- (Standard & Poor's), and A+ (Fitch).

On May 1, 2001, the City defeased $9,235,000 in Circle C Municipal Utility District No. 3 Contract Revenue Bonds, Series 1996. The Water and Wastewater Fund placed $9,651,944 in an irrevocable escrow account that was used to purchase U.S. Government obligations to provide for all future debt service payments on defeased bonds. The bonds are considered to be legally defeased and the liability has been removed from these financial statements. There was no economic gain or loss recognized on this transaction; an accounting loss on the defeasance of $141,818 was recognized.

12 -- ENTERPRISE FUNDS -- REVENUE BONDS AND OTHER LONG-TERM DEBT, continued

n -- Water and Wastewater System Revenue Debt -- Bonds Issued and Outstanding

The following table summarizes all water and wastewater system original and refunding revenue bonds outstanding at September 30, 2001 (in thousands of dollars):

Series	Bonds Dated	Original Amount Issued	Outstanding at September 30, 2001
2000 Refunding	June 2000	$100,000	$ 100,000
2001A Refunding	June 2001	152,180	152,180
2001B Refunding	June 2001	73,200	73,200
			$ 325,380

o -- Water and Wastewater Fund -- Refunds Payable on Construction Contracts

Refunds payable on construction contracts of approximately $279,041 at September 30, 2001, excluding accrued interest, represent contractual obligations of the Water and Wastewater Fund to refund a percentage of certain construction costs incurred by developers. The contracts vary as to terms and conditions.

p -- Airport -- General

The City's Airport Fund issues Airport System revenue bonds to fund Airport Fund capital projects. Principal and interest on these bonds are payable solely from the net revenues of the Airport Fund. The following table summarizes Airport System revenue bonds for the year ended September 30, 2001 (in thousands of dollars):

Description (Net of discount and loss on refunding)	Prior Lien Bonds
Balance payable, October 1, 2000	$ 364,477
Amortization of bond discount and loss on refunding	560
Balance payable, September 30, 2001	$ 365,037

The total Airport System obligation for prior lien bonds is $374,245,000, exclusive of discount and loss on refunding, at September 30, 2001. Aggregate interest requirements for all prior lien bonds are $359,378,396 at September 30, 2001. Revenue bonds authorized and unissued amount to $735,795,000 at that date.

q -- Airport -- Revenue Bond Indenture Requirements

The City is required by bond indentures to pledge the net revenues of the Airport System for debt service, and is required to maintain a debt service fund and bond reserve fund for all outstanding revenue bonds. The debt service fund, with assets of $11,390,843 including accrued interest at September 30, 2001, is restricted within the Airport System and requires that the net revenues of the airport, after operating and maintenance expenses are deducted, be irrevocably pledged by providing equal monthly installments that will accumulate to the semiannual principal and interest requirements as they become due.

The City is also required to maintain a reserve fund for the benefit of the holders of prior lien bonds, which must contain cash and investments equal to the arithmetic average of the debt service requirements scheduled to occur in the then current and future fiscal years for all prior lien bonds then outstanding. The bond ordinance allows for the use of a debt service reserve fund surety bond in lieu of the cash deposit. The City holds a surety bond with a total benefit available of $30,429,177. The City is in compliance with all significant limitations and restrictions contained in the revenue bond indentures available in the event a draw is necessary.

12 -- ENTERPRISE FUNDS -- REVENUE BONDS AND OTHER LONG-TERM DEBT, continued

r -- Airport Debt -- Bonds Issued and Outstanding

The following schedule shows all original and refunding revenue bonds outstanding at September 30, 2001 (in thousands of dollars):

Series	Bonds Dated	Original Amount Issued	Outstanding at September 30, 2001
1989	September 1989	$ 30,000	$ 1,000
1995A	August 1995	362,205	342,205
1995B Refunding	August 1995	31,040	31,040
			$ 374,245

s -- Airport Debt -- Variable Rate Revenue Notes

The City is authorized to issue Airport System variable rate revenue notes, pursuant to Ordinance No. 950817B, as amended and restated by Ordinance 980205A adopted by the City Council on February 5, 1998. At September 30, 2001, the Airport System had outstanding variable rate revenue notes of $28,000,000. The debt service fund required by the bond ordinance held assets of $392,997 including accrued interest at September 30, 2001 and was restricted within the Airport System. During fiscal year 2001, interest rates on the notes ranged from 1.95% to 5.50%, adjusted weekly, and subsequent rate changes cannot exceed the maximum rate of 15%. Principal and interest on the notes are payable from the net revenues of the Airport System.

t -- Convention Center -- General

The City's Convention Center Fund issues Convention Center revenue bonds and Hotel Occupancy Tax revenue bonds to fund Convention Center Fund capital projects. Principal and interest on these bonds are payable solely from pledged hotel occupancy tax revenues and the special motor vehicle rental tax revenues. The following table summarizes the Convention Center Fund revenue bonds for the year ended September 30, 2001 (in thousands of dollars):

Description (Net of discount, premium and loss on refunding)	Prior Lien Bonds	Subordinate Lien Bonds	Total
Balance payable, October 1, 2000	$ 131,787	109,717	241,504
Debt repaid	(2,945)	--	(2,945)
Amortization of bond discounts, premiums, and loss on refunding	632	(15)	617
Balance payable, September 30, 2001	$ 129,474	109,702	239,176

The total Convention Center obligation for prior and subordinate lien bonds is $247,940,000, exclusive of discounts, premiums and loss on refunding, at September 30, 2001. Aggregate interest requirements for all prior and subordinate lien bonds are $229,850,575 at September 30, 2001. Revenue bonds authorized and unissued amount to $760,000 at September 30, 2001.

12 -- ENTERPRISE FUNDS -- REVENUE BONDS AND OTHER LONG-TERM DEBT, continued

u -- Convention Center -- Revenue Bond Issues and Indenture Requirements

The City is required by bond indentures to pledge the hotel occupancy tax revenue for debt service, and is required to maintain a debt service fund and either a bond reserve fund or a debt service reserve fund surety bond. The debt service fund, with assets of $5,341,486 at September 30, 2001, is restricted within the Convention Center and requires that the pledged hotel occupancy revenues of the Convention Center be irrevocably pledged by providing quarterly installments that will accumulate to the semiannual principal and interest requirements as they become due. The debt service reserve fund, with assets of $6,914,551 at September 30, 2001, is required to maintain cash and investments that must equal the lesser of 10% of the principal amount or the maximum annual debt service requirement scheduled to occur in the current and each future fiscal year for all bonds outstanding. All other debt service requirements have been satisfied with the purchase of surety bonds. The City is in compliance with all significant limitations contained in the revenue bond indentures.

In November 1999, the City issued the Town Lake Community Events Center Venue Project Bonds, Series 1999, in the amount of $40,000,000. The Series was issued to construct the Town Lake Community Events Center and a parking facility. The debt is secured and payable from the levy of the Special Motor Vehicle Rental Tax, a 5% tax on the gross rental receipts on the short-term motor vehicle rentals within the City. The City established a debt service fund, with assets of $606,656 at September 30, 2001 to service principal and interest payments. The City maintains as a reserve requirement, a surety bond issued at the date of delivery of the bonds.

v -- Convention Center Debt -- Bonds Issued and Outstanding

The following schedule shows all original and refunding revenue bonds outstanding at September 30, 2001 (thousands of dollars):

Series	Bonds Dated	Original Amount Issued	Outstanding at September 30, 2001
1993A	December 1993	$ 75,955	$ 67,940
1999 Refunding	June 1999	6,445	5,000
1999A	June 1999	25,000	25,000
1999	September 1999	110,000	110,000
1999	November 1999	40,000	40,000
			$ 247,940

13 -- CONDUIT DEBT

To provide for low cost housing and for acquisition and construction of industrial and commercial facilities, the City has issued several series of housing and industrial development revenue bonds. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Prior to September 30, 1997 the City issued several series of bonds; the aggregate principal amount payable of these bonds could not be determined; however, their original issue amounts totaled $310.2 million. Since 1997, the City has issued various series of bonds, with the original issues totaling $47 million, and $46.5 million outstanding at September 30, 2001.

To provide for facilities located at the airport and convention center, the City has issued various facility revenue bonds. These bonds are special limited obligations of the City, payable solely from and secured by a pledge of revenue to be received from agreements between the City and various third parties. The original issues totaled $366 million, with $364.3 million outstanding at September 30, 2001.

The above bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements.

14 -- DEBT SERVICE REQUIREMENTS

The following is a schedule of General Obligation Bonds and Other Tax Supported Debt requirements for the General Long-Term Debt Account Group (in thousands):

Fiscal Year Ended September 30	General Obligation Bonds (1)			Public Property Finance Contractual Obligations			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2002	$ 39,309	28,210	67,519	7,160	1,320	8,480	2,230	2,045	4,275
2003	37,734	26,258	63,992	7,680	994	8,674	2,095	1,913	4,008
2004	39,634	24,356	63,990	7,225	650	7,875	2,220	1,788	4,008
2005	41,852	21,958	63,810	5,550	350	5,900	2,165	1,661	3,826
2006	42,700	19,863	62,563	3,205	132	3,337	1,835	1,562	3,397
Thereafter	335,397	106,749	442,146	870	21	891	30,395	10,689	41,084
	536,626	227,394	764,020	31,690	3,467	35,157	40,940	19,658	60,598

Fiscal Year Ended September 30	Tax Notes			Total		
	Principal	Interest	Total	Principal	Interest	Total
2002	1,500	1,017	2,517	50,199	32,592	82,791
2003	1,900	900	2,800	49,409	30,065	79,474
2004	12,000	416	12,416	61,079	27,210	88,289
2005	--	--	--	49,567	23,969	73,536
2006	--	--	--	47,740	21,557	69,297
Thereafter	--	--	--	366,662	117,459	484,121
	15,400	2,333	17,733	624,656	252,852	877,508
Less: Amounts reported in Enterprise Funds				(55,926)	(17,902)	(73,828)
Amounts reported in Internal Service Funds				(6,052)	(1,467)	(7,519)
Total requirements reported in other funds, exclusive of discounts, loss on refundings and premiums				(61,978)	(19,369)	(81,347)
General Long-Term Debt Account Group requirements at September 30, 2001				$ 562,678	233,483	796,161

(1) General Obligation Bonds exclude Tax Supported Debt of $69,312,529 (see Note 11-b).

14 -- DEBT SERVICE REQUIREMENTS, continued

The following summarizes the proprietary funds debt service obligations at September 30, 2001 (in thousands):

Fiscal Year Ended September 30	Commercial Paper Notes (1)			Revenue Notes (2)		
	Principal	Interest	Total	Principal	Interest	Total
2002	$ 228,929	1,306	230,235	--	1,680	1,680
2003	--	--	--	--	1,680	1,680
2004	--	--	--	--	1,680	1,680
2005	--	--	--	--	1,680	1,680
2006	--	--	--	--	1,680	1,680
Thereafter	--	--	--	28,000	19,320	47,320
	228,929	1,306	230,235	28,000	27,720	55,720
Less: Unamortized bond discount	(460)	--	(460)			
Unamortized loss on bond refundings	--	--	--			
Add: Unamortized bond premium	--	--	--			
Net debt service requirements	228,469	1,306	229,775			

Fiscal Year Ended September 30	General Obligation Bonds and Other Tax Supported Debt (3)			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2002	9,178	4,464	13,642	105,219	193,419	298,638
2003	8,752	4,059	12,811	90,525	182,901	273,426
2004	8,294	3,663	11,957	137,236	167,619	304,855
2005	7,770	3,109	10,879	157,092	154,516	311,608
2006	4,969	2,775	7,744	166,619	145,083	311,702
Thereafter	36,842	11,107	47,949	2,600,797	1,746,249	4,347,046
	75,805	29,177	104,982	3,257,488	2,589,787	5,847,275
Less: Unamortized bond discount	(224)	--	(224)	(54,318)	--	(54,318)
Unamortized loss on bond refundings	(843)	--	(843)	(8,113)	--	(8,113)
Add: Unamortized bond premium	1,094	--	1,094	36,099	--	36,099
Net debt service requirements	$ 75,832	29,177	105,009	3,231,156	2,589,787	5,820,943

(continued)

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

(2) These are variable rate notes with 6% interest.

(3) Includes assumed tax and revenue bond principal of $13,705,390 and interest of $9,808,616 and $120,000 of Water and Wastewater notes payable.

14 -- DEBT SERVICE REQUIREMENTS, continued

Fiscal Year Ended September 30	Water Improvement District Bonds			Municipal Utility District Contract Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2002	$ 250	13	263	6,605	4,563	11,168
2003	--	--	--	7,405	4,140	11,545
2004	--	--	--	8,045	3,664	11,709
2005	--	--	--	8,770	3,140	11,910
2006	--	--	--	9,385	2,573	11,958
Thereafter	--	--	--	36,515	4,419	40,934
	250	13	263	76,725	22,499	99,224
Less: Unamortized bond discount				(262)	--	(262)
Unamortized loss on bond refundings				--	--	--
Add: Unamortized bond premium				--	--	--
Net debt service requirements				76,463	22,499	98,962

Fiscal Year Ended September 30	Total Debt Service Requirements		
	Principal	Interest	Total
2002	350,181	205,445	555,626
2003	106,682	192,780	299,462
2004	153,575	176,626	330,201
2005	173,632	162,445	336,077
2006	180,973	152,111	333,084
Thereafter	2,702,154	1,781,095	4,483,249
	3,667,197	2,670,502	6,337,699
Less: Unamortized bond discount	(55,264)	--	(55,264)
Unamortized loss on bond refundings	(8,956)	--	(8,956)
Add: Unamortized bond premium	37,193	--	37,193
Net debt service requirements	$ 3,640,170	2,670,502	6,310,672

14 -- DEBT SERVICE REQUIREMENTS, continued

The following summarizes the proprietary funds debt service requirements at September 30, 2001 by fund (in thousands):

Fiscal Year Ended September 30	Electric (1)			Water and Wastewater (2)		
	Principal	Interest	Total	Principal	Interest	Total
2002	$ 231,489	96,681	328,170	108,336	68,887	177,223
2003	67,543	90,030	157,573	26,295	63,484	89,779
2004	92,297	77,094	169,391	44,985	61,039	106,024
2005	101,125	66,094	167,219	55,571	58,779	114,350
2006	101,642	60,240	161,882	62,513	55,281	117,794
Thereafter	1,063,003	570,545	1,633,548	1,023,798	771,655	1,795,453
	1,657,099	960,684	2,617,783	1,321,498	1,079,125	2,400,623
Less: Unamortized bond discount	(22,743)	--	(22,743)	(22,080)	--	(22,080)
Unamortized loss on bond refundings	--	--	--	--	--	--
Add: Unamortized bond premium	25,322	--	25,322	10,886	--	10,886
Net debt service requirements	1,659,678	960,684	2,620,362	1,310,304	1,079,125	2,389,429

Fiscal Year Ended September 30	Solid Waste Services			Airport		
	Principal	Interest	Total	Principal	Interest	Total
2002	1,962	986	2,948	3,387	24,426	27,813
2003	1,900	883	2,783	5,765	24,173	29,938
2004	1,888	784	2,672	7,316	23,806	31,122
2005	1,677	686	2,363	7,759	23,361	31,120
2006	909	609	1,518	8,473	22,846	31,319
Thereafter	11,428	3,414	14,842	370,495	268,775	639,270
	19,764	7,362	27,126	403,195	387,387	790,582
Less: Unamortized bond discount	(31)	--	(31)	(7,614)	--	(7,614)
Unamortized loss on bond refundings	(710)	--	(710)	(1,557)	--	(1,557)
Add: Unamortized bond premium	296	--	296	18	--	18
Net debt service requirements	$ 19,319	7,362	26,681	394,042	387,387	781,429

(continued)

(1) Included in the debt service requirements of Electric is $150,703,000 principal and $1,001,252 interest for commercial paper notes.

(2) Included in the debt service requirements of Water and Wastewater is $78,226,000 principal and $304,367 interest for commercial paper notes.

14 -- DEBT SERVICE REQUIREMENTS, continued

Fiscal Year Ended September 30	Convention Center			Drainage		
	Principal	Interest	Total	Principal	Interest	Total
2002	$ 3,146	13,649	16,795	187	109	296
2003	3,315	13,487	16,802	190	99	289
2004	5,275	13,269	18,544	166	89	255
2005	6,131	12,976	19,107	155	79	234
2006	6,544	12,644	19,188	105	72	177
Thereafter	224,037	163,996	388,033	1,417	453	1,870
	248,448	230,021	478,469	2,220	901	3,121
Less: Unamortized bond discount	(2,781)	--	(2,781)	(3)	--	(3)
Unamortized loss on bond refundings	(6,518)	--	(6,518)	(2)	--	(2)
Add: Unamortized bond premium	535	--	535	29	--	29
Net debt service requirements	239,684	230,021	469,705	2,244	901	3,145

Fiscal Year Ended September 30	Transportation			Golf		
	Principal	Interest	Total	Principal	Interest	Total
2002	117	18	135	499	414	913
2003	123	13	136	421	388	809
2004	130	7	137	493	367	860
2005	66	2	68	489	342	831
2006	--	--	--	503	319	822
Thereafter	--	--	--	6,080	1,685	7,765
	436	40	476	8,485	3,515	12,000
Less: Unamortized bond discount	--	--	--	(7)	--	(7)
Unamortized loss on bond refundings	--	--	--	(51)	--	(51)
Add: Unamortized bond premium	--	--	--	61	--	61
Net debt service requirements	$ 436	40	476	8,488	3,515	12,003

(continued)

14 -- DEBT SERVICE REQUIREMENTS, continued

Fiscal Year Ended September 30	Fleet Maintenance			Support Services		
	Principal	Interest	Total	Principal	Interest	Total
2002	$ 132	97	229	128	55	183
2003	136	89	225	138	48	186
2004	130	81	211	152	42	194
2005	130	73	203	79	34	113
2006	84	67	151	45	30	75
Thereafter	1,338	431	1,769	558	141	699
	1,950	838	2,788	1,100	350	1,450
Less: Unamortized bond discount	(2)	--	(2)	(3)	--	(3)
Unamortized loss on bond refundings	(59)	--	(59)	(59)	--	(59)
Add: Unamortized bond premium	18	--	18	28	--	28
Net debt service requirements	1,907	838	2,745	1,066	350	1,416

Fiscal Year Ended September 30	Information Systems			Total Debt Service Requirements		
	Principal	Interest	Total	Principal	Interest	Total
2002	798	123	921	350,181	205,445	555,626
2003	856	86	942	106,682	192,780	299,462
2004	743	48	791	153,575	176,626	330,201
2005	450	19	469	173,632	162,445	336,077
2006	155	3	158	180,973	152,111	333,084
Thereafter	--	--	--	2,702,154	1,781,095	4,483,249
	3,002	279	3,281	3,667,197	2,670,502	6,337,699
Less: Unamortized bond discount	--	--	--	(55,264)	--	(55,264)
Unamortized loss on bond refundings	--	--	--	(8,956)	--	(8,956)
Add: Unamortized bond premium	--	--	--	37,193	--	37,193
Net debt service requirements	$ 3,002	279	3,281	3,640,170	2,670,502	6,310,672

15 -- INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2001, are as follows:

	Current Due From Other Funds	Long-Term Advance To Other Funds
RECEIVABLES:		
Special Revenue Funds		
Other Special Revenue Funds:		
Receivable from Other Special Revenue Funds	$ 13,689,040	--
Capital Projects Funds		
Capital Projects Funds Prior to 1984:		
Receivable from Capital Projects Funds Prior to 1984	82,006	--
Capital Projects Funds 1984:		
Receivable from Capital Projects Funds 1984	504,329	--
Capital Projects Funds 1985:		
Receivable from Capital Projects Funds 1987	54,298	--
Capital Projects Funds 1992:		
Receivable from Capital Projects Funds 1992	72,989	--
Capital Projects Funds 1998:		
Receivable from Capital Project Funds 1998	2,419,473	--
Capital Projects Funds Other Funds:		
Receivable from Capital Projects Funds Other Funds	4,861,000	--
Receivable from Agency Funds	3,660	--
Enterprise Funds		
Electric:		
Special Revenue Funds:		
Receivable from Other Special Revenue Funds	150,000	--
Water and Wastewater (Restricted):		
Internal Service Funds:		
Receivable from Information Systems	26,872	241,850
Airport (Restricted):		
Receivable from General Long-Term Debt Group	--	4,318,000
Total Receivables	$ 21,863,667	4,559,850

(continued)

15 -- INTERFUND RECEIVABLES AND PAYABLES, continued

	Current Due To Other Funds	Long-Term Advance From Other Funds
PAYABLES:		
Special Revenue Funds		
Federal Grants:		
Payable to Other Special Revenue Funds	$ 8,018,701	--
State Grants:		
Payable to Other Special Revenue Funds	849,390	--
Other Special Revenue Grants:		
Payable to Other Special Revenue Funds	94,722	--
Other Special Revenue Funds:		
Payable to Other Special Revenue Funds	4,726,227	--
Payable to Electric Fund	150,000	
Capital Projects Funds		
Capital Projects Funds Prior to 1984:		
Payable to Capital Projects Funds Prior to 1984	82,006	--
Capital Projects Funds 1984:		
Payable to Capital Projects Funds 1984	504,329	--
Capital Projects Funds 1987:		
Payable to Capital Projects Funds 1985	54,298	--
Capital Projects Funds 1992:		
Payable to Capital Projects Funds 1992	72,989	--
Capital Projects Funds 1998:		
Payable to Capital Projects Funds 1998	2,419,473	--
Capital Projects Funds Other Funds:		
Payable to Capital Projects Funds Other Funds	4,861,000	--
Internal Service Funds		
Information Systems:		
Payable to Water and Wastewater	26,872	241,850
Trust and Agency Funds		
Agency Funds:		
Payable to Capital Projects Funds	3,660	--
General Long-Term Debt Group		
Payable to Airport	--	4,318,000
Total Payables	$ 21,863,667	4,559,850

16 -- INTERFUND TRANSFERS

a -- Interfund Transfers

Operating transfers between funds during the year were as follows:

Operating Transfers In	Operating Transfers Out		Amount
General Fund	Enterprise Funds:	Electric	$ 67,283,000
		Water and Wastewater	18,541,446
		Parks and Recreation	458,516
			86,282,962
Special Revenue Funds - Other:			
Balcones Canyonlands Conservation Plan	General Fund		160,000
	Enterprise Funds:	Drainage	470,015
Barton Springs Conservation	General Fund		45,000
Environmental Remediation	Enterprise Funds:	Water and Wastewater	75,000
		Solid Waste	1,750,000
		Drainage	100,000
Federally Qualified Health Center	Enterprise Funds:	Hospital	8,650,018
Neighborhood Housing and Conservation	General Fund		1,162,995
	Enterprise Funds:	Electric	133,333
		Water and Wastewater	133,333
		Airport	133,333
PARD Cultural Projects	Special Revenue Funds:	Hotel-Motel Occupancy Tax	3,634,952
Public Improvement District	Enterprise Funds:	Water and Wastewater	75,000
		Convention Center	75,000
Sustainability	General Fund		14,307,479
	Enterprise Funds:	Water and Wastewater	2,302,026
		Solid Waste	363,497
		Drainage	267,801
		Transportation	183,364
Tourism and Promotion	General Fund		125,382
	Special Revenue Funds:	Hotel-Motel Occupancy Tax	5,021,275
Voluntary Utility Assistance	General Fund		152,000
			39,320,803
Debt Service Funds:			
General Obligation Debt Service	Special Revenue Funds:	One Texas Center	2,416,538
	Capital Project Funds:	Downtown Art Museum	6,195,647
		Interest income fund	840,000
HUD Section 108 Loans	Special Revenue Funds:	Neighborhood Housing and Conservation	362,464
			9,814,649
Capital Projects Funds	General Fund		12,656,726
	Special Revenue Funds:	Sustainability	13,081,000
	Capital Project Funds:	Cultural arts	461,863
		General government projects	5,824,576
		Fire-general	1,763,404
		Capital reserve	1,000,000
		Interest income fund	6,893,200
	Expendable Trust Funds:	Planting for the future	173,580
			$ 41,854,349

(continued)

16 -- INTERFUND TRANSFERS, continued

Operating Transfers In	Operating Transfers Out		Amount
Enterprise Funds:			
Solid Waste Services	General Fund		$ 1,084,354
	Special Revenue Funds:	Environmental Remediation	868,000
	Enterprise Funds:	Drainage	46,893
Convention Center	Special Revenue Funds:	Hotel-Motel Occupancy Tax	22,488,324
		Vehicle Rental Tax	10,710,151
Drainage	General Fund		298,504
	Special Revenue Funds:	Sustainability	154,000
	Capital Project Funds:	Interest income fund	925,800
			36,576,026
Internal Service Funds:			
Information Systems	Capital Project Funds:	General government projects	1,000,000
Trust and Agency Funds-			
Expendable Trusts:			
Housing Trust Social Equity	Special Revenue Funds:	Sustainability	1,000,000
Total Operating Transfers			$ 215,848,789

b -- Residual Equity Transfers

Residual equity transfers between funds are listed below. Proprietary fund transfers are reported in the financial statements as residual equity transfers or as contributions, as appropriate under generally accepted accounting principles.

	Residual Equity Transfers In	Residual Equity Transfers Out
Governmental funds		
General Fund	$ --	500,000
Special Revenue Funds:		
Other Special Revenue Funds:		
APD Incident Management	500,000	--
Disproportionate Share	--	65,143
Capital Projects Funds:		
Conservation Land	747,919	--
Balcones Canyonlands Conservation Plan	--	747,919
Proprietary funds		
Enterprise Funds:		
Water and Wastewater	197,978	--
Hospital	904,368	--
Trust and Agency funds		
Expendable Trust Funds:		
Penta Development	--	111,000
Fairway Ridge	--	197,978
Brackenridge Imaging	--	839,225
Town Lake Beautification	111,000	--
	$ 2,461,265	2,461,265

17 -- SEGMENT INFORMATION

a -- Enterprise Fund Activities

The City maintains ten enterprise funds, which provide electric, water and wastewater, hospital, solid waste services, airport, convention center, drainage, transportation, golf, and parks and recreation activities. Segment information for the year ended September 30, 2001, is as follows (in thousands of dollars):

	Electric Fund	Water & Wastewater Fund	Hospital Fund	Solid Waste Services Fund	Airport Fund	Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds
Operating revenues	$ 806,311	219,914	9,755	36,958	68,528	11,072	55,066	1,207,604
Depreciation and amortization expense	85,828	52,240	2,520	1,801	15,292	2,668	1,944	162,293
Operating income (loss)	262,516	65,720	5,010	991	13,978	(7,074)	2,741	343,882
Operating transfers in	--	--	--	1,999	--	33,198	1,379	36,576
Operating transfers out	(67,416)	(21,127)	(8,650)	(2,114)	(133)	(75)	(1,527)	(101,042)
Net income (loss)	103,425	1,696	(1,790)	1,310	16,169	24,198	6,431	151,439
Current assets	234,444	34,913	35,460	6,797	9,655	18,514	9,074	348,857
Current liabilities	74,535	19,119	61	4,074	8,620	982	3,480	110,871
Net working capital surplus	159,909	15,794	35,399	2,723	1,035	17,532	5,594	237,986
Property, plant and equipment:								
Additions	244,226	129,523	--	9,078	14,202	82,121	9,495	488,645
Retirements	(10,512)	(2,987)	--	(3,439)	(1,033)	(1,294)	(370)	(19,635)
Transfers from other funds	5	--	--	--	--	--	37	42
Net property, plant and equipment	1,935,789	1,657,341	41,040	43,218	608,609	199,448	64,419	4,549,864
Total assets	3,118,190	2,223,771	76,500	59,443	733,420	345,967	101,005	6,658,296
Bond, restricted, and other long-term liabilities	1,931,549	1,437,220	--	25,066	412,415	259,747	12,642	4,078,639
Current capital contributions	--	--	904	--	1	--	1	906
Total equity	1,112,106	767,432	76,439	30,303	312,384	85,238	84,884	2,468,786

17 -- SEGMENT INFORMATION, continued

b -- Proprietary Fund Contributed Capital

The following table summarizes activity in contributed capital for the year ended September 30, 2001:

	Balance September 30, 2000	(To) From Municipality	Depreciation Taken	Balance September 30, 2001
Enterprise Funds:				
Electric	$ 65,065,927	--	(3,335,183)	61,730,744
Water and Wastewater	350,855,981	--	(14,175,147)	336,680,834
Hospital	12,754,170	904,368	--	13,658,538
Solid Waste Services	1,372,233	--	--	1,372,233
Airport	152,302,895	1,366	(2,468,017)	149,836,244
Convention Center	21,606,204	--	(70,216)	21,535,988
Drainage	31,010,335	--	--	31,010,335
Transportation	331,206	--	--	331,206
Golf	848,680	--	(6,885)	841,795
Parks and Recreation	1,069,976	--	--	1,069,976
Internal Service Funds:				
Fleet Maintenance	27,468,252	3,731,702	--	31,199,954
Support Services	941,164	--	--	941,164
Information Systems	5,955,380	3,253,421		9,208,801
Employee Benefits	9,244,036	--	--	9,244,036
Workers' Compensation	2,443,283	--	--	2,443,283
Radio Communication	56,255	--	--	56,255
Infrastructure Support Services	343,005	--	--	343,005
Capital Projects Management	28,300	--	--	28,300
Total	$ 683,697,282	7,890,857	(20,055,448)	671,532,691

18 -- JOINT OPERATIONS

The City has entered into several participating agreements on joint projects. As required by generally accepted accounting principles, such joint operations have been evaluated to determine if they fall within the definition of the reporting entity. The following joint operations meet the criteria of an undivided interest as defined in GASB Statement 14 and, accordingly, the City's share of assets, liabilities, and expenses is included in the City's financial statements.

a -- Fayette Power Project

The Fayette Power Project (the "Project", Units I and II) is jointly owned by the City and the Lower Colorado River Authority (LCRA, Project Manager) -- each participant has an undivided interest in the Project. The Project is a joint operation of two coal-fired electric power generation units with a net capacity of 1,140 megawatts. Each participant's actual equity in the Project may vary from 50% depending on the percentage of kilowatt hours produced by the Project and used by each.

The Project is governed by a management committee whose four members are administratively appointed, two each, by the participants. As managing partner, LCRA is responsible for the operation of the Project and appoints the Project's management. However, the City has the ability to influence significantly the operation of the Project through approval of major contracts and new major expenditures by its appointees to the management committee. Each participant issued its own debt to finance its share of construction costs. The City's portion is financed through revenue bonds to be repaid by the Electric Fund. In addition, each participant has the obligation to finance its portion of any deficits that may occur.

18 -- JOINT OPERATIONS, continued

The following is a summary of financial information taken from the Project's audited financial statements, dated June 30, 2001, and 2000, the Project's fiscal year end (in thousands of dollars). These statements include Unit III, which is 100% owned by LCRA. These statements were not examined by the City's auditors.

	June 30, 2001			June 30, 2000		
	Total	COA	LCRA	Total	COA	LCRA
Assets	$ 58,227	22,105	36,122	62,897	26,536	36,361
Liabilities	8,005	2,930	5,075	14,412	5,275	9,137
Equity	50,222	19,175	31,047	48,485	21,261	27,224
Revenues	2,526	549	1,977	1,538	361	1,177
Expenses	154,339	53,905	100,434	150,069	52,712	97,357
Net expenses incurred	$ 151,813	53,356	98,457	148,531	52,351	96,180

Financial reports that include financial statements and supplementary information for the Fayette Power Project are publicly available at the LCRA, 3700 Lake Austin Blvd., Austin, TX 78703, (512) 473-3200.

b -- South Texas Project

The South Texas Project (STP) was formed for the purpose of licensing, constructing and operating two 1,250 megawatt nuclear generating units. The City was admitted to the STP in December 1973, with a 16% ownership in generating units and common facilities. The City is a tenant-in-common with Reliant Energy, Inc. (formerly Houston Lighting and Power Company or HL&P), City Public Service of San Antonio (CPS), and Central Power and Light Company (CP&L).

On October 1, 1997 the STP Nuclear Operating Company (OPCO) was formed by the owners of STP and replaced HL&P as the project manager. OPCO is a separate entity formed to manage STP. Each participant appoints one member to the board of directors of OPCO. There is also an owner's committee, and each participant appoints one member to the owner's committee. A member of the owner's committee may serve on the board of directors in the absence of a board member. OPCO, serving as project manager, is responsible for the operation and maintenance of the project as well as capital improvements. Each participant is responsible for its debt related to STP. The City's portion is financed through revenue bonds or commercial paper, which are repaid by the Electric Fund (see Note 12). In addition, each participant has the obligation to finance any deficits that may occur.

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

The following is a summary of financial information taken from the South Texas Project's audited financial statements dated December 31, 2000 (in thousands of dollars). These statements were not examined by the City's auditors.

	Reliant	CPS	CP&L	Austin	Total
Operations	$ 91,029	82,754	74,519	47,288	295,590
Spent fuel	5,325	4,787	4,213	2,767	17,092
Total 2000 funding	$ 96,354	87,541	78,732	50,055	312,682

Financial reports that include financial statements and supplementary information for the STP are publicly available at the STP Nuclear Operating Company, P.O. Box 289, Wadsworth, TX 77483, (361) 972-7067.

18 -- JOINT OPERATIONS, continued

c -- South Texas Project Decommissioning

The South Texas Project (STP) is subject to regulation by the Nuclear Regulatory Commission (NRC). The NRC requires that each holder of a nuclear plant operating license submit information to the NRC indicating the minimum amount of funds that will be required to decommission the plant while demonstrating reasonable assurance that sufficient funds are being accumulated to provide the minimum amount at the time the plant is decommissioned. This minimum amount must be adjusted annually in accordance with an adjustment factor as required by the NRC. At September 30, 2001 and 2000, the City had funded its share of the estimated decommissioning liability as follows:

	2001	2000
Estimated cost to decommission STP	$210,784,554	$200,423,996
Restricted decommissioning fund assets	72,591,362	63,515,224

The City of Austin and other STP participants have provided the required information to the NRC, and the City of Austin has established an external irrevocable trust for decommissioning and has been collecting through its rates since 1989 sufficient amounts to provide for its share of the estimated decommissioning costs. For fiscal years 2001 and 2000, the City collected $4,958,221 in each year for decommissioning expenses.

d -- Sandhill Power Project

The City entered into a Participation Agreement with Enron Sandhill Limited Partnership ("Enron Sandhill") for the construction and operation of the Sandhill Energy Center in Travis County. Operational since June 2001, the plant contains four gas-turbine units and has a total output capacity of 180 megawatts. Enron Sandhill was responsible for constructing the plant, while Austin Energy is responsible for the vast majority of the construction costs and for occupying and running the plant. Enron Sandhill's interest is limited to an 8.6% ownership interest in the plant (though Austin Energy owns 100% of the land on which the plant is sited) and a right to the first 100 megawatts of output until November 3, 2003. At that time Enron's interest in the plant will terminate and Austin Energy shall acquire full ownership and control. Currently, the Sandhill Energy Center is governed by a management committee composed of a representative of each, with Austin Energy's representative serving as the Chair.

e -- Municipal Utility Districts

The City has certain contractual commitments with several municipal utility districts (MUDs) for the construction of additions and improvements to the City's water and wastewater system that serve the MUDs and surrounding areas. These additions and improvements are funded by the issuance of City contract revenue bonds, whose principal and interest are payable primarily from the net revenues of the Water and Wastewater Fund.

The City reports the bond proceeds as "investment in municipal utility districts" on the balance sheet of the Water and Wastewater Fund. As facilities funded by the contract revenue bonds are completed, the City's investment in municipal utility districts is reduced and plant in service is increased.

f -- Brushy Creek

During fiscal year 2001, the City entered into a contract with the Lower Colorado River Authority and the Brazos River Authority for the Brushy Creek Regional Wastewater System. The City sold its assets in the system and is now a customer rather than an owner in the system. The Lower Colorado River Authority constructs the assets of the system and the Brazos River Authority operates the system.

18 -- JOINT OPERATIONS, continued

g -- Rivercrest Water Supply Corporation

Upon annexation, in December 1997, of Davenport Ranch Municipal Utility District ("Davenport MUD"), the City assumed a cost sharing agreement with Davenport MUD, Davenport Limited, Rivercrest Water Supply Corporation and Loop 360 Water Supply Corporation. The agreement allocates the costs, based on capacity allocations, of operating a private water treatment facility servicing the Davenport MUD and the other participants' service areas. ST Environmental is under contract to operate the water treatment facility. The City may amend this arrangement in the future to provide for facility improvements that will allow the customers to be served by the City's system. The City incurred expenses of $255,619 during the fiscal year.

19 -- LITIGATION

a -- Water and Wastewater Litigation

The City is involved in a number of lawsuits involving the operation of its water and wastewater system; some small lawsuits involve various property claims. The City believes these suits will not have a material effect on these financial statements.

b -- Other Litigation

A number of claims against the City are pending with respect to various matters arising in the normal course of the City's operations. Legal counsel and City management are of the opinion that the settlement of these claims and pending litigation will not have a material effect on the City's financial statements. The City has accrued liabilities in the Liability Reserve Fund for claims payable at September 30, 2001. These liabilities include amounts for lawsuits settled subsequent to year end.

20 -- COMMITMENTS AND CONTINGENCIES

a -- Certificates of Participation

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

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

The certificates represent proportionate interests in lease payments to be made by the City to a third-party lessor. The City has title to the office projects, pursuant to general warranty deeds; however, the trustee maintains a vendor's lien and superior title to the properties until all sums due are paid in full.

The City's obligations under the lease agreements are subject to and dependent upon annual appropriations by the City Council and do not obligate the City to levy or pledge any form of taxation. Thus the certificates are treated as capital lease obligations rather than long-term bonds and are recorded as a liability in the funds.

20 -- COMMITMENTS AND CONTINGENCIES, continued

The following table presents information regarding these certificates:

Description	Electric Fund Office Project (1)	Water and Wastewater Fund Office Project (1)
Date issued	February 1987	August 1987
Amount issued	$23,060,000	$14,000,000
Interest rates	4.00% - 7.00%	5.25% - 8.00%
Interest payable on	March 15 and September 15	May 15 and November 15
Maturity dates	September 15 1988 - 2007	November 15 1989 - 2007
Present value of lease payments	$10,085,000	$7,450,000
Reserve Fund (2)	$ 2,000,000	$1,250,000

(1) Subject to mandatory redemption upon the occurrence of certain events.
(2) Held by trustee, to be used to make final payments.

b -- Federal and State Financial Assistance Programs

The City participates in a number of Federally assisted and State grant programs, with most funding from the Housing and Urban Development (HUD) Department, Health and Human Services (HHS) Department, and Department of Transportation. The City's programs are subject to program compliance audits by the granting agencies. Management believes that no material liability will arise from any such audits.

c -- Arbitrage Rebate Payable

The City's financial advisor has determined that the City has earned interest revenue on unused bond proceeds in excess of amounts allowed by applicable Federal regulations, which will be rebated to the federal government. The estimated amounts payable at September 30, 2001 are $844,124 for the enterprise funds and $2,804,045 for the capital projects funds. The long-term payable related to the capital projects funds, in the amount of $2,601,957, has been recorded in the General Long-Term Debt Group.

d -- Capital Improvement Plan

As required by the City Charter, the City has a *Five Year Capital Improvement Plan* that is an anticipated spending plan for projects in the upcoming year (a *Capital Budget*) as well as for future years. The City's 2002 Capital Budget includes new appropriations of $430,817,449 for the City's enterprise funds and $106,859,820 for general government projects and appropriation reductions of $37,351,005 for the enterprise funds and $6,263,334 for general government projects. The City has substantial contractual commitments relating to its capital improvement plan.

e -- Operating lease with Daughters of Charity Health Services of Austin

Effective October 1, 1995, the City entered into a long-term lease arrangement with the Daughters of Charity Health Services of Austin ("Seton"). Under the terms of the lease, Seton will operate City-owned Brackenridge Hospital and will provide all necessary medical services for all residents of Austin regardless of their ability to pay. The City will fund these services through payments to Seton for three programs. Under the Charity Care Program, the City will reimburse Seton up to a maximum of $5.6 million annually for providing care to the medically indigent; provided, however, that Seton must first satisfy its requirement under State law to provide charity care in the amount of 4% of net revenues. Under the Medical Assistance Program, the City will pay Seton a maximum of approximately $7.5 million beginning February 2001 (adjusted annually for the next 4 years) for providing services to patients enrolled in the City's Medical Assistance Program. For fiscal year 2001, expenditures were $7.0 million. Under the Physician Services Program, the City paid Seton approximately $5.4 million during fiscal year 2001, for providing physician services to patients in the first two programs. This amount will be adjusted annually for the next four years.

20 -- COMMITMENTS AND CONTINGENCIES, continued

In June 2001, Seton formally notified the City that it would be unable to perform or permit others to perform certain reproductive services at Brackenridge Hospital. The notification was due to revisions in the *Ethical and Religious Directives for Catholic Health Care Services* to which Seton adheres. The City is in discussion with Seton in order to reach a mutually agreeable resolution.

f -- Landfill Closure and Postclosure Liability

State and federal regulations require the City to place a final cover on the City of Austin landfill site (located on FM812) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports in the Solid Waste Services Fund a portion of these closure and postclosure care costs as an operating expense in each period, based on landfill capacity used as of each balance sheet date. The $6,904,024 reported as accrued landfill closure and postclosure costs at September 30, 2001, represents the cumulative amount reported to date based on the use of 77.9% of the estimated capacity of the landfill. The Solid Waste Services Fund will recognize the remaining estimated cost of closure and postclosure care of $1,958,652 as the remaining estimated capacity is filled over the next ten years. The total estimated costs of $8,862,676 include costs of closure in 2010 of $2,298,015 and postclosure costs over the subsequent thirty years of $6,564,661. These amounts are based on what it would cost to perform all closure and postclosure care in 2001. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

State and federal laws to demonstrate financial assurance for closure, postclosure, and/or corrective action became effective in April 1997. The City complies with the financial and public notice components of the local government financial test and government-guarantee of the test.

g -- Risk-Related Contingencies

The City uses internal service funds to account for risks related to health benefits, third-party liability, and workers' compensation. The funds are as follows:

Fund name	Description
Employee Benefits	Approximately 13% of City employees use one of two HMOs; approximately 87% use the City's program, which is self-insured. In addition, retirees may choose from two HMOs and a PPO. Premiums are charged to other City funds through a charge per employee per pay period.
Liability Reserve	Self-insured. Includes losses and claims related to liability for bodily injury, property damage, professional liability, and certain employment liability. Excludes losses and claims related to health benefits or workers' compensation. Premiums are charged to other City funds each year based on historical costs.
Workers' Compensation	Self-insured. Premiums are charged to other City funds each year based on historical costs.

The City purchases stop loss insurance for the City's self-funded Medical Plan. This stop loss insurance covers individual claims that exceed $150,000 per calendar year, up to a maximum of $1 million. During fiscal year 2001, two claims exceeded the stop loss limit of $150,000; four claims exceeded the stop loss limit in fiscal year 2000; and six claims exceeded the stop loss limit in fiscal year 1999. City coverage is limited to $1 million in lifetime benefits. The City does not purchase stop loss insurance for workers' compensation claims.

The City purchases commercial insurance for coverage for property loss or damage, commercial crime, fidelity bond, and airport operations. The City also purchases a broad range of insurance coverage through the Rolling Owner Controlled Insurance Program (ROCIP). The program provides auto and commercial general liability coverage for the City and for contractors working at selected capital improvement sites; it also provides workers' compensation, employers' liability, and excess liability for contractors at these sites. The City purchases excess liability coverage for the Electric Fund and the Airport Fund. The City also purchases medical malpractice insurance coverage for physicians in the City's Health and Human Services Department and Primary Care Department clinics. None of the policies had claims settlements in excess of insurance coverage. The City does not participate in a risk pool. There are no significant reductions in insurance coverage in fiscal year 2001.

20 -- COMMITMENTS AND CONTINGENCIES, continued

Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities for the Employee Benefits Fund are calculated considering recent claim settlement trends; liabilities for the Liability Reserve Fund and Workers' Compensation Fund are calculated based on outstanding claims. The amount to be paid out ultimately may be more or less than the amount accrued at September 30, 2001. The possible range of loss is $23.5 - $36.5 million. The City contributes amounts to an internal service fund based on an estimate of the cost of claims expected to be incurred each year.

Changes in the balances of claims liability are as follows (in thousands of dollars):

	Employee Benefits		Liability Reserve		Workers' Compensation	
	2001	2000	2001	2000	2001	2000
Liability balances, beginning of year	$ 3,737	3,021	12,042	12,497	6,347	4,154
Claims and changes in estimates	4,015	4,024	3,897	2,705	3,472	5,483
Claim payments	(3,282)	(3,308)	(3,239)	(3,160)	(3,472)	(3,290)
Liability balances, end of year	$ 4,470	3,737	12,700	12,042	6,347	6,347

The Liability Reserve Fund claims liability balance at fiscal year end includes liabilities of $5.8 million discounted at 5.28% in 2001 and $6.2 million discounted at 5.74% in 2000.

h -- Environmental Remediation Contingencies

The Electric Fund may incur potential costs related to environmental remediation of certain sites including the Seaholm Power Plant, and the statements include a liability of $2 million at September 30, 2001. This amount includes the cost of penalties associated with an Environmental Protection Agency (EPA) PCB inspection and estimated remaining costs for the remediation of the contaminated sites. The Electric Fund anticipates payment of these costs in 2002.

The EPA previously issued an Administrative Order to the Water and Wastewater Utility. The Utility must conduct studies of its wastewater collection system, eliminate overflows by December 2007 and make necessary improvements requiring capital investment for the repair and/or rehabilitation of the collection system infrastructure. When the studies are complete the utility will be able to estimate the cost of the improvements. Currently, the Utility is complying with all requirements of the Administrative Order.

The Airport Fund may also incur potential costs related to environmental remediation of certain sites, and has recorded in these financial statements an estimated liability of $3 million.

i -- Downtown Development Projects

The Austin Convention Center expansion is under way. The $110 million expansion will double the amount of space currently available. The expansion is scheduled to be completed in May 2002. In March 2001, the City Council approved payment of $15 million to Austin Convention Enterprises, Inc. for the City's share in the construction of a new Convention Center Headquarter Hotel; the payment is recorded as a deferred asset in the Convention Center Fund. The hotel will be financed by debt issued by Austin Convention Enterprises, Inc. The debt does not constitute a pledge of faith and credit of the City and accordingly has not been reported in the accompanying financial statements. The hotel is scheduled to open for business in January 2004.

The Lester E. Palmer Events Center and Parking Garage are also nearing completion. These facilities will replace the City Coliseum and Palmer Auditorium. The Lester E. Palmer Events Center and Parking Garage were approved through a bond proposition by Austin residents in 1998. The total project cost is approximately $48.3 million, which is funded by an increase in the vehicle rental tax of 5%. The parking garage is scheduled to open in November 2001; the events center is scheduled to open in June 2002.

20 -- COMMITMENTS AND CONTINGENCIES, continued

The 1998 election also authorized the City to lease the existing Palmer Auditorium and adjacent parkland for up to fifty years. Arts Center Stage, the lessee, will renovate the auditorium using privately-raised funds. The renovated auditorium will be known as the Long Center for the Performing Arts. The auditorium reverts to the City at the end of the fifty-year lease.

In August 2001, Computer Sciences Corporation (CSC) employees moved into the first of two new buildings. Employees are scheduled to move into the second building in November. CSC has not begun construction of a planned third building. See Footnote 22 for an update subsequent to September 30.

In December 2000, the City Council approved a resolution for a $25 million incentive package for Vignette Corp. to relocate in downtown Austin. Vignette announced in May 2001 that it was canceling the relocation plans due to the economic slowdown. Also, Intel Corporation has halted construction of a 10-story downtown center due to the economic slowdown. Any decision on the project has been postponed indefinitely. Intel was to have received up to $9 million in incentives for development in the downtown area.

j -- Other Commitments and Contingencies

The City is committed under various leases for building and office space, tracts of land and rights of way, and various equipment. These leases are considered for accounting purposes to be operating leases. Lease expense for the year ended September 30, 2001, amounted to $17,617,658. The City expects these leases to be replaced in the ordinary course of business with similar leases. Future minimum lease payments for these leases should be approximately the same amount.

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

The following summarizes utility assets recorded at September 30, 2001, under capital lease obligations:

	Electric	Water & Wastewater	Total
Assets			
Building	$ 21,604,300	12,750,000	34,354,300
Accumulated depreciation	(7,463,804)	(3,434,330)	(10,898,134)
Net assets	$ 14,140,496	9,315,670	23,456,166

20 -- COMMITMENTS AND CONTINGENCIES, continued

The following is an analysis of the future minimum lease payments under these capital leases and Certificates of Participation and the present value of the net minimum lease payments, as of September 30, 2001:

Fiscal Year Ended September 30		Electric	Water and Wastewater	Total
2002	$	2,210,065	1,406,194	3,616,259
2003		2,207,430	1,387,931	3,595,361
2004		2,206,730	1,389,216	3,595,946
2005		2,203,680	1,384,350	3,588,030
2006		2,202,930	1,373,437	3,576,367
Later years		4,301,059	2,758,000	7,059,059
Total minimum lease payments		15,331,894	9,699,128	25,031,022
Less:				
Amount representing interest		3,858,760	2,249,128	6,107,888
Present value of net minimum lease payments		11,473,134	7,450,000	18,923,134
Current portion		1,436,614	850,000	2,286,614
Long-term portion	$	10,036,520	6,600,000	16,636,520

The City guarantees certain energy improvement loans made by a bank. The maximum contingent liability of the RMD Loan Fund, a special revenue fund, is $3.7 million, which City management does not anticipate having to fulfill.

The City has entered into an agreement with the Federal Aviation Administration regarding the development of new facilities exclusively for the use of the State Aircraft Pooling Board of Austin-Bergstrom International Airport. The construction of these facilities was paid for from the Aviation Fund, which receives Federal airport grant assistance. The Aviation Fund was partially reimbursed for the $4.8 million in construction costs with $1.4 million that was received by the City from the Austin Museum of Art, Inc. for land conveyed to the City from the State of Texas. Additionally, land at the City's former airport site (Mueller) received Federal grant assistance. Repayment of these amounts will be made from the City to the Aviation Fund over a period of 5-7 years. The Aviation Fund has recorded a corresponding interfund receivable in the amount of $4.3 million.

To comply with Federal Aviation Administration (FAA) requirements, the City stopped sending household garbage to the City's landfill site near Austin-Bergstrom International Airport. The landfill site continues to accept nonbird attracting waste, and the FAA has agreed to this approach. With the closing of the City landfill for household garbage, the City has entered into long-term contracts for household waste disposal.

21 -- OTHER POST-EMPLOYMENT BENEFITS

In addition to making contributions to the three pension systems, the City provided certain other post-employment benefits to its retirees. Other post-employment benefits include access to medical and dental insurance for the retiree and the retiree's family and $1,000 of life insurance on the retiree only.

All retirees who are eligible to receive pension benefits under any of the City's three pension systems are eligible for other post-employment benefits. Retirees may also enroll eligible dependents under the medical and dental plan(s) in which they participate. Eligible dependents of the retiree include a legally married spouse, unmarried children under age 19 (under age 24 if an eligible student) who are dependent upon the retiree for support including natural children, stepchildren, legally adopted children, children for whom the retiree has obtained court-ordered guardianship/conservatorship, qualified children placed pending adoption, and grandchildren who qualify as a dependent on the retiree's or retiree's spouse's federal income tax return, and eligible disabled children. A surviving spouse of a deceased retiree may continue medical coverage until the date the surviving spouse remarries. A surviving spouse of a deceased retiree may continue dental coverage for 36 months by paying the entire premium plus a two-percent administrative fee. Other surviving dependents of a deceased retiree may continue medical and dental coverage for 36 months by paying the entire premium plus a two-percent administrative fee.

21 -- OTHER POST-EMPLOYMENT BENEFITS, continued

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

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

Years of Service	Retiree only	Dependent only
Less than 5 years	6% - 18%	4% - 11%
5 to 10 years	10% - 26%	5% - 17%
10 to 15 years	16% - 44%	9% - 28%
15 to 20 years	23% - 62%	14% - 39%
Greater than 20 years	32% - 88%	18% - 56%

The City pays 100% of the retiree's life insurance premium. Group dental coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental premium.

Other post-employment benefits are expensed and funded on a pay-as-you-go basis. The City recognizes the cost of providing these benefits as payroll expense/expenditure in an operating fund with corresponding revenue in the Employee Benefits Fund. Medical and dental premiums and claims and life insurance premiums are reported in the Employee Benefits Fund. The cost of providing these benefits for 2,090 retirees and 9,713 active employees in 2001 and 2,050 retirees and 9,320 active employees in 2000 is not separable and cannot be reasonably estimated. Total payments to the Employee Benefits Fund for retirees and active employees were $39,444,283 in 2001 and $31,479,028 in 2000.

As more fully described in Note 18, the City is a participant in the South Texas Project Nuclear Operating Company (OPCO) and as such is liable for certain post-employment benefits for OPCO employees. At December 31, 2000, the City's portion of this obligation, $5,899,126, is not reflected in the financial statements of the Electric Fund.

22 -- SUBSEQUENT EVENTS

a – General Obligation Bonds Issuance

In October 2001, the City issued Public Improvements Bonds, Series 2001, in the amount of $79,650,000. Of the proceeds from the issue, $6,310,000 will be used for land acquisition and libraries, $1,000,000 will be used for asbestos abatement, $35,555,000 will be used for street improvements, $8,920,000 will be used for park and recreation facilities, $4,565,000 will be used for emergency centers, and $2,300,000 will be used for the Carver Museum expansion, $15,000,000 will be used for ROW acquisition and utility relocation, and $6,000,000 will be used for police forensics. These bonds will be amortized serially on September 1 of each year from 2004 to 2021. Certain of these bonds are callable beginning September 1, 2012. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2002. Total interest requirements for these bonds, at rates ranging from 4% to 5.25%, are $53,100,504.

b – Public Property Finance Contractual Obligations Issuance

In October 2001, the City issued Certificates of Obligation, Series 2001, in the amount of $2,650,000. Of the proceeds from the issue, $1,385,000 will be used for police helicopter and $1,265,000 will be used for capital equipment. These certificates of obligation will be amortized serially May 1 of each year from 2002 to 2008. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2002. The contractual obligations are not subject to optional redemption prior to maturity. Total interest requirements for these obligations, at rates ranging from 3% to 3.88%, are $391,720.

22 -- SUBSEQUENT EVENTS, continued

c -- Certificates of Obligation Issuance

In October 2001, the City issued Certificates of Obligation, Series 2001, in the amount of $65,335,000. The proceeds from the issue will be used as follows: developer reimbursements ($500,000); right of way acquisition and utility relocation ($29,500,000), convention center ($10,000,000), golf course improvements ($620,000), north service center ($3,545,000), City Hall ($19,150,000), and landfill capital requirements ($2,020,000). These certificates of obligation will be amortized serially September 1 of each year from 2002 to 2021. Certain of these obligations are callable beginning September 1, 2012. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2002. Total interest requirements for these obligations, at rates ranging from 4% to 5.25%, are $31,414,665.

d – Water and Wastewater System Revenue Bond Refunding Issue

In November 2001, the City issued $95,380,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2001C. Proceeds from the bonds were used to refund $96,660,000 of the par amount of the bonds. The refunding resulted in future interest requirements to service the debt of $25,419,181. An economic gain of $7,971,757 was recognized on this transaction. The change in net cash flows that resulted was $8,066,955. An accounting loss of $3,123,904, which will be deferred and amortized in accordance with Statement of Financial Accounting Standards No. 71, was recognized on the refunding. The following bonds were refunded in this transaction (in thousands of dollars):

Series	Amount
1986 Revenue	$ 10,065
1990A Refunding	4,920
1990B Refunding	900
1990 Sub Lien	3,740
1991A Refunding	29,670
1991 Circle C MUD No. 3	14,200
1991 Southland Oaks MUD	18,155
1991 Village at Western Oaks MUD	15,010
	$ 96,660

e – Grant Liability

In October 2001, the Housing and Urban Development (HUD) Department directed the City to repay $1.25 million used to purchase land in a prior year. The City contracted with a subrecipient to develop the land with a housing project known as Vision Village. The subrecipient is under investigation by the City and FBI; in November 2001, the investigation was turned over to the county district attorney's office. HUD has agreed to allow the City to repay the amount in installments during fiscal years 2002 and 2003, and the City has reported this amount in the fiscal year 2001 financial statements.

f – Electric Retail Competition

Municipally owned utilities such as the City's electric utility system have the option of offering retail competition after January 1, 2002. The City Council has directed that the electric utility will not open its service area for retail competition ("opt in") at this time.

g -- Enron Bankruptcy

The electric utility (Austin Energy) and Enron Corporation have entered into a joint operation agreement (the Sandhill Power Project). Although Enron Sandhill is not in bankruptcy, its guarantor, Enron North America Corporation is currently under Chapter 11 protection. Prior to the bankruptcy filing, Austin Energy issued a notice of default to Enron Sandhill and Enron North America stating that Enron and Partnership were in anticipatory breach of their obligations under the Participation Agreement because of past due invoices. The letter also stated that Austin Energy would decline any requests to schedule delivery of energy from Sandhill Energy Center until payment of delinquent invoices have been received and authorized written assurances are given that future invoices will be paid in a timely manner. Austin Energy suspended all bilateral transactions with Enron in early November 2001 and no additional energy transactions are contemplated with Enron. Austin Energy does not anticipate that the Enron bankruptcy proceedings, in which Austin Energy is listed as an unsecured creditor, will have a material adverse effect on the operation of the Sandhill Energy Center.

22 -- SUBSEQUENT EVENTS, continued

Enron has not billed Austin Energy for all remaining construction costs of the Sandhill Energy Center, which are estimated at $1 million. Austin Energy considers these costs probable and, in accordance with generally accepted accounting principles, has accrued this amount. Other potential costs associated with Enron include recent payments to Austin Energy by Enron, which may be subject to preference challenge in bankruptcy court. Estimates of the costs range from $0 to $1.6 million.

h -- Conduit Debt

In December 2001, the City issued $11.5 million of housing revenue bonds for Austin Housing Finance Corporation. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly will not be reported in future financial statements.

i – Computer Sciences Corporation

In January 2002, the City Council voted to buy back from Computer Sciences Corporation (CSC) the right to develop a city-owned block that the City agreed in 1999 to lease to CSC. The City will pay $4 million to CSC in order to buy back the development rights. In addition to the $4 million payment, CSC will keep a $4 million deposit it originally paid into escrow, which was to be paid to the City at the inception of construction on this block. The City will avoid paying $2.6 million in incentives and will keep previously promised parking garage space beneath City Hall with an estimated value of $4 million. CSC has completed construction on two other city-owned blocks that constituted the original agreement.

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ENTERPRISE FUNDS
COMBINING BALANCE SHEET
September 30, 2001
With comparative totals for September 30, 2000

	Electric	Water and Wastewater	Hospital	Solid Waste Services
ASSETS				
Current assets:				
Cash	$ 17,000	12,450	--	2,550
Pooled investments and cash	56,571,935	11,904,032	35,173,831	2,389,996
Working capital advances	2,890,794	--	--	--
Accounts receivable	103,809,396	22,912,691	3,675,901	4,516,165
Less allowance for doubtful accounts	(4,310,094)	(994,716)	(3,389,316)	(132,627)
Net accounts receivable	99,499,302	21,917,975	286,585	4,383,538
Receivable from other governments	--	--	--	--
Due from other funds	150,000	--	--	--
Inventories, at cost	47,649,254	1,078,454	--	--
Prepaid expenses and other assets	27,665,645	--	--	20,448
Total current assets	234,443,930	34,912,911	35,460,416	6,796,532
Restricted assets:				
Revenue note current debt service account	--	--	--	--
Revenue bond current debt service account	81,116,278	35,634,023	--	--
Revenue bond future debt service account	192,196,078	--	--	--
Revenue bond retirement reserve account	116,568,219	54,131,600	--	--
Construction account	67,543,721	99,448,693	--	9,217,149
Due from other funds	--	26,872	--	--
Advances to other funds	--	241,850	--	--
Decommissioning account	72,591,362	--	--	--
Capital improvement account	--	--	--	--
Operating reserve account	--	--	--	--
Hotel occupancy tax account	--	--	--	--
Renewal and replacement account	--	--	--	--
Investments and cash held by trustee	--	5,213,934	--	--
Nuclear fuel inventory acquisition account	31,898,253	--	--	--
Mueller disposition account	--	--	--	--
Customer and escrow deposits	4,073,789	2,137,203	--	170,800
Other restricted accounts	2,060,156	--	--	--
Total restricted assets	568,047,856	196,834,175	--	9,387,949
Fixed assets, at cost:				
Property, plant and equipment in service	2,823,080,198	2,095,315,953	74,793,203	52,979,101
Less accumulated depreciation	(1,131,860,735)	(592,992,200)	(33,753,688)	(22,483,056)
Net property, plant and equipment in service	1,691,219,463	1,502,323,753	41,039,515	30,496,045
Construction in progress	193,752,698	155,017,516	--	12,722,470
Nuclear fuel, net of amortization	19,438,007	--	--	--
Plant held for future use	31,378,983	--	--	--
Net property, plant and equipment	1,935,789,151	1,657,341,269	41,039,515	43,218,515
Investment in municipal utility districts	--	1,756,084	--	--
Intangible assets, net of amortization	--	95,101,582	--	--
Other long-term assets	3,969,980	--	--	--
Deferred costs and expenses, including bond issue cost, net of amortization	375,938,961	237,825,191	--	39,772
Total assets	$3,118,189,878	2,223,771,212	76,499,931	59,442,768

See accompanying independent auditors' report.

Airport	Convention Center	Drainage	Transportation	Golf	Parks and Recreation	Totals 2001	Totals 2000
7,500	2,000	700	800	1,300	--	44,300	42,050
5,012,442	17,981,848	1,230,766	2,749,555	651,968	190,825	133,857,198	80,318,516
--	123,841	--	--	--	--	3,014,635	2,548,202
4,783,960	363,618	2,615,113	1,575,880	--	--	144,252,724	167,850,654
(150,000)	(1,024)	(97,156)	(176,772)	--	--	(9,251,705)	(9,163,184)
4,633,960	362,594	2,517,957	1,399,108	--	--	135,001,019	158,687,470
--	--	--	--	--	--	--	698,954
--	--	--	--	--	--	150,000	--
--	--	--	263,723	--	--	48,991,431	46,401,728
1,200	43,500	67,230	--	--	--	27,798,023	64,184,961
9,655,102	18,513,783	3,816,653	4,413,186	653,268	190,825	348,856,606	352,881,881
392,997	--	--	--	--	--	392,997	441,867
11,390,843	5,948,142	--	--	--	--	134,089,286	118,709,645
--	--	--	--	--	--	192,196,078	221,753,105
--	6,914,551	--	--	--	--	177,614,370	168,178,520
27,241,407	94,096,467	26,321,922	26,405	1,136,641	--	325,032,405	374,192,036
--	--	--	--	--	--	26,872	384,424
4,318,000	--	--	--	--	--	4,559,850	4,586,722
--	--	--	--	--	--	72,591,362	63,515,224
34,547,866	--	--	--	--	--	34,547,866	15,485,262
6,900,950	--	--	--	--	--	6,900,950	17,509,286
--	572,788	--	--	--	--	572,788	2,076,499
10,000,000	1,063,999	--	--	--	--	11,063,999	11,043,578
--	--	--	--	--	--	5,213,934	20,393,686
--	--	--	--	--	--	31,898,253	33,473,935
5,778,587	--	--	--	--	--	5,778,587	2,616,040
196,301	747,219	--	--	--	--	7,325,312	12,199,305
12,093,434	--	--	--	--	--	14,153,590	10,156,981
112,860,385	109,343,166	26,321,922	26,405	1,136,641	--	1,023,958,499	1,076,716,115
724,642,522	114,992,716	28,705,631	10,070,022	12,913,309	173,018	5,937,665,673	5,630,759,243
(126,437,598)	(24,598,883)	(4,707,994)	(4,259,138)	(3,628,130)	(53,173)	(1,944,774,595)	(1,797,068,649)
598,204,924	90,393,833	23,997,637	5,810,884	9,285,179	119,845	3,992,891,078	3,833,690,594
10,403,624	109,054,206	23,631,480	--	1,573,647	--	506,155,641	354,580,793
--	--	--	--	--	--	19,438,007	17,862,325
--	--	--	--	--	--	31,378,983	31,378,983
608,608,548	199,448,039	47,629,117	5,810,884	10,858,826	119,845	4,549,863,709	4,237,512,695
--	--	--	--	--	--	1,756,084	2,107,665
--	--	--	--	--	--	95,101,582	97,500,000
--	--	--	--	--	--	3,969,980	1,326,942
2,295,702	18,662,165	5,974	1,129	20,906	--	634,789,800	641,812,260
733,419,737	345,967,153	77,773,666	10,251,604	12,669,641	310,670	6,658,296,260	6,409,857,558

(continued)

ENTERPRISE FUNDS
COMBINING BALANCE SHEET
September 30, 2001
With comparative totals for September 30, 2000

	Electric	Water and Wastewater	Hospital	Solid Waste Services
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Accounts payable	$ 60,116,489	1,221,671	35,554	565,580
Accrued payroll	1,811,695	1,070,686	3,109	361,718
Accrued compensated absences	4,967,011	2,861,904	2,105	895,528
Construction contracts payable	--	204,041	--	--
Contract revenue bonds payable	--	6,605,000	--	--
Due to other funds	--	--	--	--
Interest payable on other debt	1,004,687	4,029,558	--	113,938
Deferred revenue	--	959,058	19,873	--
General obligation bonds payable and other tax supported debt	--	--	--	1,962,116
Water improvement district bonds payable	--	250,000	--	--
Capital lease obligations payable	1,436,614	850,000	--	--
Other liabilities	5,198,430	1,066,943	--	175,153
Total current liabilities	74,534,926	19,118,861	60,641	4,074,033
Liabilities payable from restricted assets:				
Accounts and retainage payable	18,023,476	11,752,863	--	425,232
Accrued interest payable	34,686,964	22,553,515	--	--
General obligation bonds payable and other tax supported debt	336,624	4,709,229	--	--
Revenue bonds payable within one year	80,449,446	18,426,216	--	--
Capital lease obligations payable	--	--	--	--
Customer deposits	2,504,419	889,034	--	170,800
Escrow deposits	1,569,370	1,248,169	--	--
Decommissioning expense payable	72,591,362	--	--	--
Nuclear fuel expense payable	31,898,253	--	--	--
Other liabilities	--	--	--	--
Total liabilities payable from restricted assets	$ 242,059,914	59,579,026	--	596,032

See accompanying independent auditors' report.

Airport	Convention Center	Drainage	Transportation	Golf	Parks and Recreation	Totals 2001	Totals 2000
6,882,391	447,032	265,164	681,130	73,538	60,446	70,348,995	74,328,647
350,862	133,092	266,640	166,567	58,812	37,591	4,260,772	3,411,366
852,867	295,941	480,684	386,075	117,971	28,132	10,888,218	11,409,500
--	--	--	--	--	--	204,041	1,074,032
--	--	--	--	--	--	6,605,000	6,930,000
--	--	--	--	--	--	--	30,825
8,341	--	11,141	8,176	34,490	--	5,210,331	6,301,865
380,433	--	--	--	--	--	1,359,364	1,386,130
132,009	55,766	187,477	116,934	499,305	--	2,953,607	2,700,523
--	--	--	--	--	--	250,000	366,000
--	--	--	--	--	--	2,286,614	2,100,001
13,728	49,970	--	--	---	--	6,504,224	5,909,229
8,620,631	981,801	1,211,106	1,358,882	784,116	126,169	110,871,166	115,948,118
1,684,794	13,943,756	810,897	--	5,836	--	46,646,854	40,191,049
8,586,936	5,196,840	--	--	--	--	71,024,255	62,027,168
--	--	--	--	--	--	5,045,853	3,688,803
3,255,000	3,090,000	--	--	--	--	105,220,662	104,302,365
--	--	--	--	--	--	--	7,500,000
196,301	747,219	212,380	--	--	--	4,720,153	3,803,624
--	--	--	--	--	--	2,817,539	3,608,061
--	--	--	--	--	--	72,591,362	63,515,224
--	--	--	--	--	--	31,898,253	33,473,935
3,432,722	--	--	--	--	--	3,432,722	4,542,323
17,155,753	22,977,815	1,023,277	--	5,836	--	343,397,653	326,652,552

(continued)

ENTERPRISE FUNDS
COMBINING BALANCE SHEET
September 30, 2001
With comparative totals for September 30, 2000

	Electric	Water and Wastewater	Hospital	Solid Waste Services
LIABILITIES AND FUND EQUITY, CONTINUED				
Long-term liabilities:				
Accrued compensated absences payable	$ 4,282,537	1,848,301	--	209,538
Construction contracts payable	--	75,000	--	--
Contract revenue bonds payable, net of discount	--	69,858,104	--	--
Capital appreciation bond interest payable	91,208,535	53,852,283	--	--
Commercial paper notes payable	150,242,720	78,226,000	--	--
Revenue notes payable	--	--	--	--
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	2,729,710	30,080,275	--	17,356,515
Revenue bonds payable, net of discount and inclusive of premium	1,425,918,901	1,102,148,563	--	--
Water improvement district bonds payable	--	--	--	--
Capital lease obligations payable	10,036,520	6,600,000	--	--
Decommissioning assessment payable	1,703,648	--	--	--
Accrued landfill closure and postclosure costs	--	--	--	6,904,024
Deferred revenue and other liabilities	3,366,279	34,952,501	--	--
Total long-term liabilities	1,689,488,850	1,377,641,027	--	24,470,077
Total liabilities	2,006,083,690	1,456,338,914	60,641	29,140,142
Fund equity				
Contributions from municipality	3,562,708	2,797,496	9,097,495	1,372,233
Contributions from State and Federal governments	670,509	27,460,799	874,135	--
Contributions in aid of construction	57,497,527	306,422,539	--	--
Contributions from the private sector	--	--	3,686,908	--
Total contributions	61,730,744	336,680,834	13,658,538	1,372,233
Retained earnings:				
Reserved for renewal and replacement	--	--	--	--
Reserved for passenger facility charge	--	--	--	--
Unreserved	1,050,375,444	430,751,464	62,780,752	28,930,393
Total retained earnings	1,050,375,444	430,751,464	62,780,752	28,930,393
Total fund equity	1,112,106,188	767,432,298	76,439,290	30,302,626
Total liabilities and fund equity	$3,118,189,878	2,223,771,212	76,499,931	59,442,768

See accompanying independent auditors' report.

Airport	Convention Center	Drainage	Transportation	Golf	Parks and Recreation	Totals 2001	Totals 2000
286,284	231,052	709,456	314,618	168,691	55,568	8,106,045	6,229,468
--	--	--	--	--	--	75,000	75,000
--	--	--	--	--	--	69,858,104	88,254,611
--	--	--	--	--	--	145,060,818	128,547,946
--	--	--	--	--	--	228,468,720	403,255,427
28,000,000	--	--	--	--	--	28,000,000	28,000,000
873,260	452,215	2,056,430	319,120	7,988,457	--	61,855,982	67,274,825
361,782,102	236,086,093	--	--	--	--	3,125,935,659	2,875,791,298
--	--	--	--	--	--	--	423,000
--	--	--	--	--	--	16,636,520	17,534,999
--	--	--	--	--	--	1,703,648	1,976,937
--	--	--	--	--	--	6,904,024	6,700,886
4,318,000	--	--	--	--	--	42,636,780	9,233,172
395,259,646	236,769,360	2,765,886	633,738	8,157,148	55,568	3,735,241,300	3,633,297,569
421,036,030	260,728,976	5,000,269	1,992,620	8,947,100	181,737	4,189,510,119	4,075,898,239
3,033,536	18,988,154	15,188,310	331,206	811,795	1,069,976	56,252,909	55,779,691
133,713,334	248,339	--	--	--	--	162,967,116	167,117,885
13,089,374	1,811,059	15,822,025	--	30,000	--	394,672,524	410,144,687
--	488,436	--	--	--	--	4,175,344	4,175,344
149,836,244	21,535,988	31,010,335	331,206	841,795	1,069,976	618,067,893	637,217,607
10,000,000	1,063,999	--	--	--	--	11,063,999	11,065,953
11,909,161	--	--	--	--	--	11,909,161	10,152,485
140,638,302	62,638,190	41,763,062	7,927,778	2,880,746	(941,043)	1,827,745,088	1,675,523,274
162,547,463	63,702,189	41,763,062	7,927,778	2,880,746	(941,043)	1,850,718,248	1,696,741,712
312,383,707	85,238,177	72,773,397	8,258,984	3,722,541	128,933	2,468,786,141	2,333,959,319
733,419,737	345,967,153	77,773,666	10,251,604	12,669,641	310,670	6,658,296,260	6,409,857,558

ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended September 30, 2001
With comparative totals for year ended September 30, 2000

	Electric	Water and Wastewater	Hospital	Solid Waste Services
REVENUES				
Utility services	$ 806,310,682	219,914,504	--	--
User fees and rentals	--	--	6,488,666	36,957,905
Operating revenues from other governments	--	--	3,266,054	--
Operating revenues	806,310,682	219,914,504	9,754,720	36,957,905
EXPENSES				
Operating expenses before depreciation	458,685,525	102,411,722	2,223,956	34,168,607
Depreciation and amortization	85,109,400	51,782,640	2,520,452	1,797,946
Total operating expenses	543,794,925	154,194,362	4,744,408	35,966,553
Operating income (loss) before nonoperating revenues (expenses) and operating transfers	262,515,757	65,720,142	5,010,312	991,352
NONOPERATING REVENUES (EXPENSES)				
Interest and other revenues	47,779,398	13,536,485	1,849,476	696,209
Interest on revenue bonds and other debt	(111,623,386)	(75,672,996)	--	(1,056,841)
Interest capitalized during construction	--	--	--	800,393
Capital contributions	3,366,279	30,996,387	--	--
Passenger facility charges	--	--	--	--
Amortization of bond issue cost	(718,676)	(456,791)	--	(3,091)
Other nonoperating expense	(909,855)	(149,075)	--	(3,394)
Total nonoperating revenues (expenses)	(62,106,240)	(31,745,990)	1,849,476	433,276
Cost (recovered) to be recovered in future years	(29,568,154)	(11,151,302)	--	--
Income (loss) before operating transfers	170,841,363	22,822,850	6,859,788	1,424,628
Operating transfers:				
Operating transfers in	--	--	--	1,999,247
Operating transfers out	(67,416,333)	(21,126,805)	(8,650,018)	(2,113,497)
Net income	103,425,030	1,696,045	(1,790,230)	1,310,378
Add depreciation transferred to contributions	--	--	--	--
Net increase (decrease) in retained earnings	103,425,030	1,696,045	(1,790,230)	1,310,378
Retained earnings at beginning of year, as previously reported	946,950,414	429,055,419	64,570,982	27,620,015
Prior period adjustment	--	--	--	--
Retained earnings at beginning of year, as restated	946,950,414	429,055,419	64,570,982	27,620,015
Retained earnings at end of year	$ 1,050,375,444	430,751,464	62,780,752	28,930,393

See accompanying independent auditors' report.

Airport	Convention Center	Drainage	Transportation	Golf	Parks and Recreation	Totals 2001	Totals 2000
--	--	--	--	--	--	1,026,225,186	1,023,207,762
68,528,440	11,071,836	25,885,542	19,089,514	6,300,537	3,790,441	178,112,881	159,972,993
--	--	--	--	--	--	3,266,054	3,278,280
68,528,440	11,071,836	25,885,542	19,089,514	6,300,537	3,790,441	1,207,604,121	1,186,459,035
39,362,751	15,645,795	23,135,527	18,074,757	5,311,793	3,861,117	702,881,550	639,978,856
15,187,731	2,500,508	761,164	749,149	420,936	10,243	160,840,169	156,647,504
54,550,482	18,146,303	23,896,691	18,823,906	5,732,729	3,871,360	863,721,719	796,626,360
13,977,958	(7,074,467)	1,988,851	265,608	567,808	(80,919)	343,882,402	389,832,675
6,083,184	10,040,917	1,273,325	178,319	142,866	18,791	81,598,970	71,129,441
(24,339,580)	(14,457,667)	(139,001)	(21,323)	(437,916)	--	(227,748,710)	(225,078,583)
1,237,475	3,090,193	106,500	--	--	--	5,234,561	1,852,527
9,568,393	--	2,912,379	--	--	--	46,843,438	--
9,999,244	--	--	--	--	--	9,999,244	9,407,652
(104,660)	(167,767)	(16)	(407)	(1,586)	--	(1,452,994)	(1,426,863)
(119,809)	(356,568)	(15,891)	--	(177,963)	--	(1,732,555)	(4,103,677)
2,324,247	(1,850,892)	4,137,296	156,589	(474,599)	18,791	(87,258,046)	(148,219,503)
--	--	--	--	--	--	(40,719,456)	25,711,965
16,302,205	(8,925,359)	6,126,147	422,197	93,209	(62,128)	215,904,900	267,325,137
--	33,198,475	1,378,304	--	--	--	36,576,026	25,108,879
(133,333)	(75,000)	(884,709)	(183,364)	--	(458,516)	(101,041,575)	(86,315,239)
16,168,872	24,198,116	6,619,742	238,833	93,209	(520,644)	151,439,351	206,118,777
2,468,017	69,168	--	--	--	--	2,537,185	2,342,835
18,636,889	24,267,284	6,619,742	238,833	93,209	(520,644)	153,976,536	208,461,612
146,410,574	39,434,905	35,143,320	7,688,945	2,787,537	(420,399)	1,699,241,712	1,488,280,100
(2,500,000)	--	--	--	--	--	(2,500,000)	--
143,910,574	39,434,905	35,143,320	7,688,945	2,787,537	(420,399)	1,696,741,712	1,488,280,100
162,547,463	63,702,189	41,763,062	7,927,778	2,880,746	(941,043)	1,850,718,248	1,696,741,712

ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended September 30, 2001
With comparative totals for year ended September 30, 2000

	Electric	Water and Wastewater	Hospital	Solid Waste Services
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 864,905,398	224,505,932	6,617,614	36,487,578
Cash payments to suppliers for goods and services	(345,410,122)	(50,075,244)	(2,137,996)	(16,420,811)
Cash payments to employees for services	(86,533,773)	(50,818,437)	(146,470)	(17,059,157)
Cash received from other governments	--	--	3,266,054	--
Taxes collected and remitted to other governments	(22,824,871)	--	--	--
Net cash provided (used) by operating activities	410,136,632	123,612,251	7,599,202	3,007,610
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers in	--	--	--	1,999,247
Operating transfers out	(67,416,333)	(21,126,805)	(8,650,018)	(2,113,497)
Interest paid on revenue notes and other debt	(170,966)	(8,186)	--	(9,916)
(Increase) decrease in deferred assets	(938,863)	--	--	--
Contributions from municipalities	--	--	904,368	--
Loan repayments to other funds	(150,000)	--	--	(22,610)
Loan repayments from other funds	--	--	--	--
Net cash provided (used) by noncapital financing activities	(68,676,162)	(21,134,991)	(7,745,650)	(146,776)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the sale of commercial paper notes	72,890,000	99,940,000	--	--
Proceeds from the sale of general obligation bonds and other tax supported debt	--	--	--	--
Proceeds from the sale of revenue bonds	--	--	--	--
Proceeds from long-term loans	1,405,340	--	--	--
Principal paid on long-term debt	(85,379,610)	(28,793,666)	--	(1,683,362)
Proceeds from the sale of fixed assets	--	--	--	--
Purchased interest received	928,590	1,782,096	--	--
Interest paid on revenue bonds and other debt	(96,290,708)	(63,413,727)	--	(1,007,893)
Passenger facility charges	--	--	--	--
Acquisition and construction of capital assets	(221,252,697)	(118,399,797)	--	(8,851,778)
Contributions from municipality	--	--	--	--
Contributions from State and Federal governments	--	--	--	--
Acquisition of intangible assets	--	(101,582)	--	--
Contributions in aid of construction	4,260,137	12,080,569	--	--
Bond discounts and issuance costs	(1,540,668)	(2,230,001)	--	(29,132)
Bond premiums	872,584	1,923,865	--	199,731
Cash paid for bond defeasance	--	(9,651,944)	--	--
Bonds issued for advanced refundings of debt	126,700,000	235,507,025	--	4,185,585
Cash paid for bond refunding escrow	(125,000,000)	(236,084,975)	--	(4,356,184)
Cash paid for nuclear fuel inventory	(10,571,733)	--	--	--
Net cash used by capital and related financing activities	$(332,978,765)	(107,442,137)	--	(11,543,033)

See accompanying independent auditors' report.

Airport	Convention Center	Drainage	Transportation	Golf	Parks and Recreation	Totals 2001	Totals 2000
68,869,789	12,084,084	25,390,755	19,284,517	6,300,537	3,790,841	1,268,237,045	1,092,020,136
(21,532,048)	(9,364,578)	(10,275,418)	(10,123,111)	(2,624,747)	(1,498,218)	(469,462,293)	(388,201,653)
(15,892,440)	(6,568,446)	(12,590,728)	(8,066,449)	(2,778,402)	(2,314,090)	(202,768,392)	(187,490,128)
--	--	--	--	--	--	3,266,054	2,785,271
--	--	--	--	--	--	(22,824,871)	(16,981,467)
31,445,301	(3,848,940)	2,524,609	1,094,957	897,388	(21,467)	576,447,543	502,132,159
--	33,198,475	1,378,304	--	--	--	36,576,026	25,108,879
(133,333)	(75,000)	(884,709)	(183,364)	--	(458,516)	(101,041,575)	(86,315,239)
--	--	--	--	--	--	(189,068)	(1,170,582)
--	--	--	--	--	--	(938,863)	135,567
--	--	--	--	--	--	904,368	139,155
--	--	(5,559)	--	--	--	(178,169)	--
--	--	--	--	--	--	--	21,222
(133,333)	33,123,475	488,036	(183,364)	--	(458,516)	(64,867,281)	(62,080,998)
--	--	--	--	--	--	172,830,000	170,149,960
--	--		--	--	--	--	7,695,000
--	--	--	--	--	--	--	40,000,000
--	--	--	--	--	--	1,405,340	--
(243,076)	(2,996,908)	(180,752)	(111,461)	(444,108)	--	(119,832,943)	(134,063,118)
--	--	--	20,000	--	--	20,000	930,246
--	--	4,405	--	--	--	2,715,091	815,775
(23,811,694)	(13,798,898)	(127,384)	(23,413)	(434,074)	--	(198,907,791)	(201,280,319)
9,999,244	--	--	--	--	--	9,999,244	9,407,652
(22,079,392)	(68,313,504)	(6,887,337)	(2,092,857)	(1,738,435)	(24,769)	(449,640,566)	(356,196,325)
1,366	--	--	--	--	--	1,366	621
8,943,294	--	--	--	--	--	8,943,294	10,931,313
--	--	--	--	--	--	(101,582)	(100,000,000)
1,506	(15,000,000)	2,912,379	--	--	--	4,254,591	16,594,929
(2,915)	--	(4,540)	--	(1,913)	--	(3,809,169)	(2,245,888)
19,986	--	31,129	--	13,119	--	3,060,414	240,583
--	--	--	--	--	--	(9,651,944)	--
418,838	--	652,345	--	274,917	--	367,738,710	100,000,000
(435,909)	--	(678,934)	--	(286,122)	--	(366,842,124)	(99,205,027)
--	--	--	--	--	--	(10,571,733)	(6,681,685)
(27,188,752)	(100,109,310)	(4,278,689)	(2,207,731)	(2,616,616)	(24,769)	(588,389,802)	(542,906,283)

(continued)

ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended September 30, 2001
With comparative totals for year ended September 30, 2000

	Electric	Water and Wastewater	Hospital	Solid Waste Services
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investment securities	$(544,087,681)	(99,397,105)	--	--
Proceeds from sale and maturities of investment securities	562,767,173	95,436,997	--	--
Interest on investments	31,263,718	10,841,010	1,849,476	788,099
Reverse repurchase agreement income	--	--	--	--
Reverse repurchase agreement expense	--	--	--	--
Net cash provided by investing activities	49,943,210	6,880,902	1,849,476	788,099
Net increase (decrease) in cash and cash equivalents	58,424,915	1,916,025	1,703,028	(7,894,100)
Cash and cash equivalents, October 1 (including $476,493,720 in restricted accounts)	106,146,753	116,240,426	33,470,803	19,646,329
Cash and cash equivalents, September 30 (including $431,935,471 in restricted accounts)	164,571,668	118,156,451	35,173,831	11,752,229
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	262,515,757	65,720,142	5,010,312	991,352
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	85,109,400	49,282,640	2,520,452	1,797,946
Amortization	10,346,051	2,500,000	--	--
Change in assets and liabilities:				
(Increase) decrease in working capital advances	(466,433)	--	--	--
(Increase) decrease in accounts receivable	14,857,960	6,830,026	308,517	436,180
Increase (decrease) in allowance for doubtful accounts	433,785	(67,003)	(179,569)	(3,886)
Decrease in due from other funds	--	--	--	--
(Increase) decrease in inventory	(2,154,651)	(383,983)	--	--
(Increase) decrease in prepaid expenses and deferred costs	20,639	608,733	--	(16,526)
(Increase) decrease in other regulatory assets	(100,068)	--	--	--
(Increase) decrease in other long-term assets	(2,643,038)	--	--	--
Increase (decrease) in accounts payable	(4,027,304)	(689,228)	(6,367)	(302,709)
Increase (decrease) in accrued payroll and compensated absences	803,897	525,833	3,587	79,311
Increase (decrease) in deferred revenue	--	(959,058)	(57,730)	--
Decrease in decommissioning assessment payable	(262,048)	--	--	--
(Increase) decrease in unrecovered fuel revenue	35,803,879	--	--	--
Increase in accrued landfill closure costs	--	--	--	203,138
Decrease in due to other governments	--	--	--	--
Increase (decrease) in other liabilities	9,135,820	(782)	--	(208,377)
Increase (decrease) in customer deposits	762,986	244,931	--	31,181
Total adjustments	147,620,875	57,892,109	2,588,890	2,016,258
Net cash provided (used) by operating activities	$ 410,136,632	123,612,251	7,599,202	3,007,610

See accompanying independent auditors' report.

Airport	Convention Center	Drainage	Transportation	Golf	Parks and Recreation	Totals 2001	Totals 2000
(29,467,016)	(34,900,083)	--	--	--	--	(707,851,885)	(652,344,315)
38,214,351	34,831,359	--	--	--	--	731,249,880	668,174,899
6,083,184	9,972,997	1,273,325	160,762	142,866	18,791	62,394,228	61,965,545
--	--	--	--	--	--	--	4,398,582
--	--	--	--	--	--	--	(4,157,670)
14,830,519	9,904,273	1,273,325	160,762	142,866	18,791	85,792,223	78,037,041
18,953,735	(60,930,502)	7,281	(1,135,376)	(1,576,362)	(485,961)	8,982,683	(24,818,081)
70,453,852	175,394,823	27,546,107	3,912,136	3,366,271	676,786	556,854,286	581,672,367
89,407,587	114,464,321	27,553,388	2,776,760	1,789,909	190,825	565,836,969	556,854,286
13,977,958	(7,074,467)	1,988,851	265,608	567,808	(80,919)	343,882,402	389,832,675
15,187,731	2,500,508	761,164	749,149	420,936	10,243	158,340,169	154,147,504
--	--	--	--	--	--	12,846,051	11,549,749
--	--	--	--	--	--	(466,433)	578,050
319,059	1,126,143	180,745	195,003	--	400	24,254,033	(38,828,870)
--	--	(1,805)	(50,150)	--	--	131,372	(364,004)
--	--	--	--	--	--	--	24,766
--	--	--	(51,069)	--	--	(2,589,703)	3,551,801
--	(42,393)	(2,743)	--	--	--	567,710	(854,809)
--	--	--	--	--	--	(100,068)	356,339
--	--	--	--	--	--	(2,643,038)	123,674
2,781,638	(381,219)	(627,743)	(90,142)	(165,597)	33,727	(3,474,944)	32,876,093
263,384	136,415	226,140	76,558	74,304	15,271	2,204,700	(5,984,425)
30,964	--	--	--	--	--	(985,824)	(770,921)
--	--	--	--	--	--	(262,048)	(271,131)
--	--	--	--	--	--	35,803,879	(51,725,251)
--	--	--	--	--	--	203,138	233,505
--	--	--	--	--	--	--	(493,009)
(1,106,759)	(32)	--	--	(63)	(189)	7,819,618	7,207,980
(8,674)	(113,895)	--	--	--	--	916,529	942,443
17,467,343	3,225,527	535,758	829,349	329,580	59,452	232,565,141	112,299,484
31,445,301	(3,848,940)	2,524,609	1,094,957	897,388	(21,467)	576,447,543	502,132,159

(continued)

ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended September 30, 2001
With comparative totals for year ended September 30, 2000

	Electric	Water and Wastewater	Hospital	Solid Waste Services
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Increase in advances to other funds	$ --	--	--	--
Increase (decrease) in deferred assets/expenses	(31,523,876)	9,262,422	--	--
Unamortized bond discounts, premiums, and issue costs on refunded bonds	--	(783,202)	--	--
Increase in capital appreciation bond interest payable	(8,514,138)	(7,998,734)	--	--
Increase in deferred revenue	--	--	--	--
Increase in contributed facilities	--	18,229,303	--	--
Net increase in the fair value of investments	13,707,170	3,029,280	--	--
Amortization of bond discounts, premiums and issue costs	(2,507,444)	(1,458,953)	--	(3,091)
Amortization of deferred loss on refundings	--	--	--	(30,495)
Gain (loss) on disposal of assets	(320,455)	(149,075)	--	(3,394)
Costs (recovered) to be recovered in future years	(29,568,154)	(11,151,302)	--	--
Loss on extinguishment of debt	--	(116,807)	--	--
Due to other funds for fixed assets	--	--	--	--
Contributions from other funds	--	--	--	--
Deferred revenue and other liabilities	3,366,279	30,996,387	--	--

See accompanying independent auditors' report.

Airport	Convention Center	Drainage	Transportation	Golf	Parks and Recreation	Totals 2001	Totals 2000
--	--	--	--	--	--	--	4,318,000
--	--	--	--	--	--	(22,261,454)	9,720,597
(7,263)	--	--	--	--	--	(790,465)	--
--	--	--	--	--	--	(16,512,872)	(18,674,086)
--	--	--	--	--	--	--	(4,318,000)
--	--	--	--	--	--	18,229,303	14,918,520
660,584	207,806	--	--	--	--	17,604,840	990,517
(581,753)	(357,340)	(1,485)	(282)	(2,360)	--	(4,912,708)	(5,332,652)
(81,395)	(427,477)	(20)	--	--	--	(539,387)	(510,847)
(119,809)	(356,568)	(15,891)	17,557	--	--	(947,635)	(1,835,798)
--	--	--	--	--	--	(40,719,456)	25,711,965
--	--	--	--	--	--	(116,807)	(556,529)
--	--	--	--	--	--	--	(2,656)
--	--	--	--	--	--	--	63,750
--	--	--	--	--	--	34,362,666	--

ENTERPRISE FUNDS
COMBINING SCHEDULE OF CHANGES IN FIXED ASSETS AND ACCUMULATED DEPRECIATION
Year ended September 30, 2001

	Assets					
	Balance September 30, 2000	Additions	Retirements	Transfers from Construction in Progress	Transfers from (to) Other Funds (1)	Balance September 30, 2001
Property, plant and equipment in service:						
Electric	$2,642,600,458	3,535,337	(3,105,832)	180,044,934	5,301	2,823,080,198
Water	1,038,123,601	11,156,476	(1,358,037)	32,126,850	--	1,080,048,890
Wastewater	998,622,903	8,233,587	(1,628,797)	10,039,370	--	1,015,267,063
Hospital	74,793,203	--	--	--	--	74,793,203
Solid Waste Services	39,316,231	(25,995)	(3,438,539)	17,127,404	--	52,979,101
Airport	681,077,907	988,346	(1,033,176)	43,609,445	--	724,642,522
Convention Center	115,058,302	193,957	(1,294,349)	1,034,806	--	114,992,716
Drainage	21,240,331	86,507	(230,722)	7,609,515	--	28,705,631
Transportation	7,291,534	2,092,857	(129,830)	778,595	36,866	10,070,022
Golf	12,486,524	79,390	(8,841)	356,236	--	12,913,309
Parks and Recreation	148,249	24,769	--	--	--	173,018
	5,630,759,243	26,365,231	(12,228,123)	292,727,155	42,167	5,937,665,673
Construction in progress:						
Electric	151,085,316	230,118,939	(7,406,623)	(180,044,934)	--	193,752,698
Water	52,787,985	68,864,509	--	(32,126,850)	--	89,525,644
Wastewater	34,262,428	41,268,814	--	(10,039,370)	--	65,491,872
Solid Waste Services	20,745,445	9,104,429	--	(17,127,404)	--	12,722,470
Airport	40,800,037	13,213,032	--	(43,609,445)	--	10,403,624
Convention Center	28,161,630	81,927,382	--	(1,034,806)	--	109,054,206
Drainage	25,524,340	5,716,655	--	(7,609,515)	--	23,631,480
Transportation	778,595	--	--	(778,595)	--	--
Golf	435,017	1,494,866	--	(356,236)	--	1,573,647
	354,580,793	451,708,626	(7,406,623)	(292,727,155)	--	506,155,641
Electric-nuclear fuel inventory	138,479,330	10,571,732	--	--	--	149,051,062
Electric-plant held for future use	31,378,983	--	--	--	--	31,378,983
Total	$6,155,198,349	488,645,589	(19,634,746)	--	42,167	6,624,251,359

See accompanying independent auditor's report.

Accumulated Depreciation				
Balance September 30, 2000	**Current Depreciation & Amortization**	**Retirements**	**Transfers and Adjustments**	**Balance September 30, 2001**
1,048,947,313	85,109,400	(2,195,978)	--	1,131,860,735
242,395,336	23,250,115	(1,293,234)	--	264,352,217
304,151,983	26,032,525	(1,544,525)	--	328,639,983
31,233,236	2,520,452	--	--	33,753,688
24,120,255	1,797,946	(3,435,145)	--	22,483,056
112,163,234	15,187,731	(913,367)	--	126,437,598
23,036,156	2,500,508	(937,781)	--	24,598,883
4,161,661	761,164	(214,831)	--	4,707,994
3,600,510	749,149	(127,387)	36,866	4,259,138
3,216,035	420,936	(8,841)	--	3,628,130
42,930	10,243	--	--	53,173
1,797,068,649	158,340,169	(10,671,089)	36,866	1,944,774,595
--	--	--	--	--
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120,617,005	8,996,050	--	--	129,613,055
--	--	--	--	--
1,917,685,654	167,336,219	(10,671,089)	36,866	2,074,387,650

(continued)

ENTERPRISE FUNDS
COMBINING SCHEDULE OF CHANGES IN FIXED ASSETS AND ACCUMULATED DEPRECIATION
Year ended September 30, 2001

	Electric	Water	Wastewater	Hospital	Solid Waste Services
Property, plant and equipment:					
Land and land rights	$ 34,352,298	111,199,423	23,954,778	759,502	10,461,629
Buildings	547,735,403	673,255,342	608,019,323	74,002,127	5,559,117
Improvements to grounds	14,011,739	24,148,080	18,223,947	14,580	4,567,919
Machinery and equipment	2,003,951,131	175,221,740	286,973,971	4,045	1,617,316
Vehicles	19,640,769	6,358,696	9,637,897	--	9,795,959
Completed assets not classified	203,388,858	89,865,609	68,457,147	12,949	20,977,161
	2,823,080,198	1,080,048,890	1,015,267,063	74,793,203	52,979,101
Less accumulated depreciation	(1,131,860,735)	(264,352,217)	(328,639,983)	(33,753,688)	(22,483,056)
Net property, plant and equipment in service	1,691,219,463	815,696,673	686,627,080	41,039,515	30,496,045
Construction in progress	193,752,698	89,525,644	65,491,872	--	12,722,470
Nuclear fuel, net of amortization	19,438,007	--	--	--	--
Plant held for future use	31,378,983	--	--	--	--
Total property, plant and equipment	1,935,789,151	905,222,317	752,118,952	41,039,515	43,218,515
(1) Transfers from (to) other funds and account groups are as follows:					
General Fixed Assets	5,301	--	--	--	--
	$ 5,301	--	--	--	--

See accompanying independent auditors' report.

Airport	Convention Center	Drainage	Transportation	Golf	Parks and Recreation	Total
58,690,308	26,089,465	2,435,911	--	324,266	--	268,267,580
574,379,745	83,644,609	511,963	--	3,042,324	--	2,570,149,953
64,634,140	130,155	4,749,395	--	7,952,456	2,999	138,435,410
15,051,253	1,384,819	9,718,945	187,336	503,475	52,032	2,494,666,063
1,615,577	358,880	2,191,142	4,314,727	256,134	329	54,170,110
10,271,499	3,384,788	9,098,275	5,567,959	834,654	117,658	411,976,557
724,642,522	114,992,716	28,705,631	10,070,022	12,913,309	173,018	5,937,665,673
(126,437,598)	(24,598,883)	(4,707,994)	(4,259,138)	(3,628,130)	(53,173)	(1,944,774,595)
598,204,924	90,393,833	23,997,637	5,810,884	9,285,179	119,845	3,992,891,078
10,403,624	109,054,206	23,631,480	--	1,573,647	--	506,155,641
--	--	--	--	--	--	19,438,007
--	--	--	--	--	--	31,378,983
608,608,548	199,448,039	47,629,117	5,810,884	10,858,826	119,845	4,549,863,709
--	--	--	36,866	--	--	42,167
--	--	--	36,866	--	--	42,167

APPENDIX C

Form of Bond Counsel's Opinions

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P.,
Bond Counsel, upon the delivery of the Bonds,
assuming no material changes in facts or law.

CITY OF AUSTIN, TEXAS
PUBLIC IMPROVEMENT BONDS,
SERIES 2002,
DATED AUGUST 15, 2002,
IN THE PRINCIPAL AMOUNT OF $99,615,000

AS BOND COUNSEL for the City of Austin, Texas (the "City"), the issuer of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which Bonds are issued in the aggregate principal amount of $99,615,000. The Bonds bear interest from the date and mature on the dates specified on the face of the Bonds, and are subject to redemption prior to maturity on the dates and in the manner specified on the face of the Bonds, all in accordance with the ordinance of the City authorizing the issuance of the Bonds (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE ACTED AS BOND COUNSEL for the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and statutes of the State of Texas and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for purposes of federal income taxation, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data or other material relating to the financial condition or capabilities of the City, and have not assumed any responsibility with respect thereto. We have relied solely on representations by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, the charter of the City, certified copies of the proceedings of the City, and other proofs authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond No. R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with the Constitution and laws of the State of Texas, and constitute valid and legally binding obligations of the City; and that the ad valorem taxes, upon all taxable property within the City, necessary to pay the interest on and principal of said Bonds, have been pledged for such purpose, within the limits prescribed by the Constitution and the charter of the City. The opinion hereinbefore expressed is qualified to the extent that the obligations of the City, and the enforceability

thereof, are subject to applicable bankruptcy, reorganization or similar laws relating to or affecting creditors' rights generally, and the exercise of judicial discretion in accordance with general principles of equity.

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

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

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

THE FOREGOING OPINIONS represent our legal judgment based upon a review of legal authorities that we deem relevant to render such opinions and are not a guarantee of the result.

Respectfully,

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P.,
Bond Counsel, upon the delivery of the Certificates of Obligation,
assuming no material changes in facts or law.

CITY OF AUSTIN, TEXAS
CERTIFICATES OF OBLIGATION,
SERIES 2002,
DATED AUGUST 15, 2002,
IN THE PRINCIPAL AMOUNT OF $34,095,000

AS BOND COUNSEL for the City of Austin, Texas (the "City"), the issuer of the certificates of obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which Certificates are issued in the aggregate principal amount of $34,095,000. The Certificates bear interest from the date and mature on the dates specified on the face of the Certificates, and are subject to redemption prior to maturity on the dates and in the manner specified on the face of the Certificates, all in accordance with the ordinance of the City authorizing the issuance of the Certificates (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE ACTED AS BOND COUNSEL for the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and statutes of the State of Texas and with respect to the exclusion of the interest on the Certificates from the gross income of the owners thereof for purposes of federal income taxation, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data or other material relating to the financial condition or capabilities of the City, and have not assumed any responsibility with respect thereto. We have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness and assessed valuation of taxable property of the City and to the availability and sufficiency of the pledged revenues. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, the charter of the City, certified copies of the proceedings of the City, and other proofs authorizing and relating to the issuance of the Certificates, including one of the executed Certificates (Certificate No. R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been authorized, issued and delivered in accordance with the Constitution and laws of the State of Texas, and constitute valid and legally binding obligations of the City; and that the ad valorem taxes, upon all taxable

property within the City, necessary to pay the interest on and principal of the Certificates, have been pledged for such purpose, within the limits prescribed by the Constitution and the charter of the City; and that the principal of and interest on the Certificates are additionally secured by and payable from a limited pledge (not to exceed $1,000) of the surplus revenues from the operation of the City's solid waste disposal system remaining after payment of all operation and maintenance expenses thereof and any other obligations heretofore or hereafter incurred to which such revenues have been or shall be encumbered by a lien on and pledge of such revenues superior to the lien on and pledge of such revenues to the Certificates. The opinion hereinbefore expressed is qualified to the extent that the obligations of the City, and the enforceability thereof, are subject to applicable bankruptcy, reorganization or similar laws relating to or affecting creditors' rights generally, and the exercise of judicial discretion in accordance with general principles of equity.

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

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

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

THE FOREGOING OPINIONS represent our legal judgment based upon a review of legal authorities that we deem relevant to render such opinions and are not a guarantee of the result.

Respectfully,

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P.,
Bond Counsel, upon the delivery of the Contractual Obligations,
assuming no material changes in facts or law.

CITY OF AUSTIN, TEXAS
PUBLIC PROPERTY FINANCE
CONTRACTUAL OBLIGATIONS,
SERIES 2002,
DATED AUGUST 15, 2002,
IN THE PRINCIPAL AMOUNT OF $8,690,000

AS BOND COUNSEL for the City of Austin, Texas (the "City"), the issuer of the public property finance contractual obligations described above (the "Contractual Obligations"), we have examined into the legality and validity of the Contractual Obligations, which Contractual Obligations are issued in the aggregate principal amount of $8,690,000. The Contractual Obligations bear interest from the date and mature on the dates specified on the face of the Contractual Obligations, all in accordance with the ordinance of the City authorizing the issuance of the Contractual Obligations (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE ACTED AS BOND COUNSEL for the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Contractual Obligations under the Constitution and statutes of the State of Texas and with respect to the exclusion of the interest on the Contractual Obligations from the gross income of the owners thereof for purposes of federal income taxation, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data or other material relating to the financial condition or capabilities of the City, and have not assumed any responsibility with respect thereto. We have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness and assessed valuation of taxable property of the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Contractual Obligations has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, the charter of the City, certified copies of the proceedings of the City, and other proofs authorizing and relating to the issuance of the Contractual Obligations, including one of the executed Contractual Obligations (Contractual Obligation No. R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Contractual Obligations have been authorized, issued and delivered in accordance with the Constitution and laws of the State of Texas, and constitute valid and legally binding obligations of the City; and that the ad valorem taxes, upon all taxable property within the City, necessary to pay the interest on and principal of said Contractual

Obligations, have been pledged for such purpose, within the limits prescribed by the Constitution and the charter of the City. The opinion hereinbefore expressed is qualified to the extent that the obligations of the City, and the enforceability thereof, are subject to applicable bankruptcy, reorganization or similar laws relating to or affecting creditors' rights generally, and the exercise of judicial discretion in accordance with general principles of equity.

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

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

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

THE FOREGOING OPINIONS represent our legal judgment based upon a review of legal authorities that we deem relevant to render such opinions and are not a guarantee of the result.

Respectfully,

APPENDIX D

Specimen Bond Insurance Policy

FINANCIAL GUARANTY INSURANCE POLICY
MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

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

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

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

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

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

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

President

Attest: _____

Assistant Secretary

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

STD-TX-6
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