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OFFICIAL NOTICE OF SALE, BID FORMS AND PRELIMINARY OFFICIAL STATEMENT

$1,500,000

CITY OF HELOTES, TEXAS
(Bexar County)

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2002

Bids to be received by the Issuer
until 11:00 A.M., Central Time
Thursday, August 8, 2002

The Issuer will designate the Certificates as "Qualified Tax-Exempt Obligations"

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Certificates described herein. The invitation for bids on such Certificates is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

$1,500,000
CITY OF HELOTES, TEXAS
(Bexar County, Texas)

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2002

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BID: The City Council of the City of Helotes, Texas (the "Issuer" or "City") is offering for sale at competitive bid $1,500,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2002 (the "Certificates"). Bidders may submit bids for the Certificates by any of the following methods:

(1) Deliver bids directly to the City as described below in "Bids Delivered Directly to the City".
(2) Submit bids electronically as described below in "Electronic Bidding Procedures"; or
(3) Submit bids by facsimile as described below in "Facsimile Bidding Procedures".

All bids must be delivered or submitted prior to the respective times set forth below on the date scheduled for bid opening. Any bid received after such scheduled time will not be accepted. Bids by telephone will not be accepted.

Bidders who wish to submit their bids electronically or by facsimile must provide to Mark M. McLiney, SWS Securities, 711 Navarro, Suite 490, San Antonio, Texas 78205, **no later than 10:00 A.M.**, Central Time, Thursday, August 8, 2002, two signed copies of the "Official Bid Form" and two signed copies of the Issue Price Certificate, together with an envelope addressed to the Mayor and City Council, City of Helotes, Texas and plainly marked "Bid for Certificates".

Bids will be opened and publicly read at 11:00 a.m., Central Time following which the bids will be evaluated by the Financial Advisor and the City Administrator of the City of Helotes, Texas. By 12:00, noon, on August 8, 2002, the City Administrator shall award the Certificates to the low qualified bidder subject to final approval of the City Council which will convene at a Regular Meeting at 6:00 P.M. Central Time on the same date and take action as they deem appropriate, which shall constitute the contract, as evidenced by the Ordinance, with the low qualified bidder.

BIDS DELIVERED DIRECTLY TO THE CITY. Bids delivered directly to the City, which must be submitted in duplicate on the Official Bid Form and plainly marked "Bid for Certificates", are to be addressed to "Mayor and City Council, City of Helotes, 12951 Bandera Road, Helotes, Texas 78023-0507." All such bids must be delivered at the above address **no later than 11:00 A.M., Central Time** on the date of the bid opening described above.

ELECTRONIC BIDDING PROCEDURES: Interested bidders may, at their option, mail two signed Bid Forms to Mark M. McLiney, SWS Securities, 711 Navarro, Suite 490, San Antonio, Texas 78205, and submit their bid by electronic media, as described below, by 11:00 a.m., Central Time, on Thursday, August 8, 2002. **Signed Bid Forms must be received by 10:00 A.M., Thursday, August 8, 2002.**

Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the Dalcomp BIDCOMP/PARITY System ("PARITY"). In the event of a malfunction in the electronic bidding process, bidders may submit their bids by facsimile as described below. Any bid received after the scheduled time for their receipt will not be accepted.

Notice is hereby given that electronic proposals will be received via PARITY, in the manner described below, until 11:00 a.m., Central Time on Thursday, August 8, 2002. Bids may be submitted electronically via PARITY pursuant to this notice until 11:00 a.m., Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY conflict with this notice, the terms of this Notice shall control. For further information about PARITY, potential bidders may contact the Financial Advisor or PARITY at (212) 806-8304

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by facsimile as described below. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of electronic bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of the Official Notice of Sale, Official Bid Form and the Official Statement.

An electronic bid made through the facilities of the PARITY System shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed and sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

FACSIMILE BIDDING PROCEDURES: Interested bidders may, at their option, utilize the fax method for submitting a bid.

On the day of the sale, **bids will be accepted by fax until 11:00 a.m., Central Time**, at (210) 695-2123, attention Ms. Marie Gelles, City Administrator. Each bid received by fax will be attached to the corresponding signed bid form as mentioned above, after which such bids will be submitted on such bid forms to the City in the manner provided above. SWS Securities will not be responsible for submitting bids received after the 11:00 a.m., Central Time deadline. The official time for the receipt of facsimile bids shall be the time maintained by the City.

Neither the City nor SWS Securities is responsible for any failure of their or the sender's fax machine, any failed delivery of a fax, any incomplete or ambiguous transmittals, or the disclosure of the bid to any persons prior to bid opening. If any portion of

a faxed or telecopied bid is illegible, the City and SWS Securities may, at their option, either call any provided reference number for clarification or reject the bid. **Bidders who telecopy or fax bids do so at their own risk. All such bids shall be binding on the bidder.**

AWARD AND SALE OF THE CERTIFICATES: By 12:00 noon, on the date set for receipt of bids, the City Administrator shall award the Certificates to the low qualified bidder subject to final approval of the City Council which will take action to adopt an Ordinance (the "Ordinance") authorizing the issuance and awarding sale of the Certificates or will reject all bids promptly at a scheduled meeting to commence at 6:00 P.M. Central Time on Thursday, August 8, 2002. The Issuer reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

The Issuer intends to award the Certificates on the basis of the lowest true interest cost bid.

THE CERTIFICATES

DESCRIPTION OF CERTAIN TERMS OF THE CERTIFICATES: The Certificates will be dated August 1, 2002 (the "Dated Date") with interest to accrue from the Dated Date and payable initially on February 1, 2003 and semiannually on August 1 and February 1 thereafter until the earlier of maturity or prior redemption. The Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of Certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" in the Official Statement.) The Certificates will be stated to mature on February 1 in each of the following years in the following amounts:

STATED MATURITY SCHEDULE

Stated Maturity	Principal Amount	Stated Maturity	Principal Amount
2003	$ 70,000	2010	$ 95,000
2004	70,000	2011	100,000
2005	75,000	2012	110,000
2006	80,000	2013	115,000
2007	85,000	2014*	120,000
2008	90,000	2015*	125,000
2009	95,000	2016*	130,000
		2017*	140,000

* Maturities available to be termed.

SERIAL CERTIFICATES OR SERIAL CERTIFICATES AND TERM CERTIFICATES: Bidders may provide that all the Certificates be issued as Serial Certificates maturing in accordance with the Maturity Schedule shown above (Alternate 1) or as a combination of Serial Certificates and Term Certificates (Alternate 2), but a bid with all Term Certificates is not permitted.

Alternate 1 - Serial Certificates:

Serial Certificates maturing on February 1, 2003 through February 1, 2017.

Alternate 2 - Serial Certificates and Term Certificates:

Serial Certificates maturing on February 1, 2003 through February 1, 2013, and up to two Term Certificates consisting of the February 1, 2014 through February 1, 2017 maturities with any Term Certificate consisting of two or more consecutive annual principal amounts accumulated from the maturity schedule shown above.

MANDATORY SINKING FUND: If the successful bidder elects to alter the Maturity Schedule reflected above and convert the principal amounts of the Serial Certificates maturing in the years 2014 through 2017 into "Term Certificates", such "Term Certificates" shall be subject to mandatory redemption on February 1, 2014 or the first February 1 next following the last maturity for Serial Certificates, and annually thereafter on each February 1 until the stated maturity for the Term Certificates at the redemption prices of par plus accrued interest to the date of redemption. The principal amounts of the Term Certificates to be redeemed on each mandatory redemption date shall be the principal amounts that would have been due and payable in the Maturity Schedule shown above had no conversion to Term Certificates occurred. At least thirty (30) days prior to each mandatory redemption date, the Paying Agent/Registrar shall select by lot the Term Certificates to be redeemed and cause a notice of redemption to be given in the manner provided in the Ordinance.

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Certificates of such stated maturity which, at least fifty (50) days prior to the mandatory redemption date (i) shall have been defeased or acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer with money in the Certificate Fund, or (iii) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

OPTIONAL REDEMPTION: The Issuer reserves the right, at its option, to redeem the Certificates maturing on or after February 1, 2013, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2012 or any date thereafter, at the redemption price of par plus accrued interest as further described in the Official Statement.

SECURITY FOR PAYMENT: The Certificates will constitute direct and general obligations of the Issuer payable from ad valorem taxes levied against all taxable property therein, within the limits prescribed by law and further secured by a lien on and pledge of the Pledged Revenues (derived from Issuer's municipal solid waste system (the "System") not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding). In the Ordinance, the Issuer has reserved the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" in the Official Statement.)

OTHER TERMS AND COVENANTS: Other terms of the Ordinance and the various covenants of the Issuer contained in the Ordinance are described in the Official Statement, to which reference is made for all purposes.

BOOK-ENTRY-ONLY SYSTEM: The City intends to utilize the Book-Entry-Only System of The Depository Trust Company. See "BOOK-ENTRY-ONLY SYSTEM" in the Official Statement.

PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar shall be The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida (see "REGISTRATION, TRANSFER AND EXCHANGE" in Official Statement). If the Paying Agent/Registrar becomes unable for any reason to act as Paying Agent/Registrar, the City has covenanted to appoint a successor Paying Agent/Registrar.

SUCCESSOR PAYING AGENT/REGISTRAR: In the Ordinance, the Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar. If the Paying Agent/Registrar is changed by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a competent and legally qualified bank, trust company, financial institution, or other agency. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Certificates will be sold in one block on an "All or None" basis, and at a price of not less than their par value plus accrued interest from the date of initial delivery of the Certificates. Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest rate for the Certificates (calculated in the manner required by Chapter 1204, Texas Government Code, as amended), must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 2% in rate. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Certificates of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the Issuer. The True Interest Cost rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates less any discount bid plus any premium bid, if any (but not interest accrued from the Dated Date to the date of their delivery). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, if any, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the Issuer with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates (the "Code"), relating to the excludability of interest on the Certificates from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the Issuer (on or before the date of initial delivery of the Certificates) a certification as to their initial offering prices of the Certificates substantially in the form and to the effect attached hereto or accompanying this Notice of Sale. In the event the successful bidder will not re-offer the Certificates for sale or is unable to sell a substantial amount of the Certificates of any stated maturity by the date of delivery, such Certificate may be modified in a manner approved by Bond Counsel. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a Certificate by the date of initial delivery of the Certificates, if its bid is accepted by the Issuer. Delivery of the Certificates is conditioned upon receipt by the Issuer from the Purchaser of such Certificate. It will be the responsibility of the Purchaser to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

GOOD FAITH DEPOSIT: A bank cashier's check payable to the order of "City of Helotes, Texas" **in the amount of $30,000 which is 2% of the par value of the Certificates** (the "Good Faith Deposit") is required. The good faith check of the Purchaser will be retained uncashed by the Issuer until the Certificates are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Certificates; however, should the Purchaser fail or refuse to take up and pay for the Certificates, said check is to be cashed by the Issuer and the proceeds accepted as full and complete liquidated damages. The above mentioned Cashier's Check may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the Issuer prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Certificates has been made.

FINANCIAL ADVISOR'S RIGHT TO BID: SWS Securities is employed as the Financial Advisor to the Issuer in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. The Issuer has permitted SWS Securities the option to bid on the Certificates. SWS Securities may submit a bid for the Certificates, either independently or as a member of a syndicate organized to submit a bid for the Certificates.

OFFICIAL STATEMENT

To assist the Purchaser in complying with Rule 15c2-12 of the Securities and Exchange Commission ("SEC"), the Issuer and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION: The Issuer has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Certificates, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the Issuer deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the Issuer of the initial offering yields of the Certificates.

Thereafter, the Issuer will complete and authorize distribution of the Official Statement identifying the Purchaser and containing such omitted information. The Issuer does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the Issuer intends the same to be final as of such date, within the meaning of SEC Rule 15c2-12(b)(3). Notwithstanding the foregoing, the Issuer makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the Issuer, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates.

FINAL OFFICIAL STATEMENT: The Issuer will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of one-hundred (100) copies of the Official Statement (and 100 copies of any addenda, supplement or amendment thereto), together with information regarding interest rates and other terms relating to the reoffering of the Certificates, in accordance with Rule 15c2-12(b)(3) of the Securities and Exchange Commission. The Purchaser may arrange at his own expense to have the Official Statement reproduced and printed if he requires more than 100 copies and may also arrange, at his own expense and responsibility, for completion of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Certificates. The Purchaser will be responsible for providing information concerning the Issuer and the Certificates to subsequent purchasers of the Certificates, and the Issuer will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The Issuer's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Certificates to the Purchaser, unless the Purchaser notifies, in writing, the Issuer that less than all of the Certificates have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Certificates have been sold to ultimate customers.

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

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Issuer contained in its

Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the initial delivery of the Certificates, were and are true and correct in all material respects; (b) insofar as the Issuer and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the Issuer, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Issuer believes to be reliable and the Issuer has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Issuer since the date of the last financial statements of the Issuer appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the City Council on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the Issuer.

CONTINUING DISCLOSURE AGREEMENT: The Issuer will agree in the Ordinance to provide certain periodic information and notices of material events in accordance with Securities and Exchange Commission Rule 15c2-12, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: The Issuer has not previously made a continuing disclosure agreement made in accordance with SEC Rule 15c2-12.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL CERTIFICATE: The delivery of the Certificates (the "Initial Delivery") will be accomplished by the issuance of either (i) a single fully registered Certificate in the total principal amount of $1,500,000 payable in stated installments to the Purchaser and numbered R-1, or (ii) as one (1) fully registered Certificate for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (the "Initial Certificate(s)"), signed by manual or facsimile signature of the Mayor and City Secretary of the Issuer approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery of the Certificates will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Certificates, they shall be immediately canceled and one Certificate for each maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Certificates must be made in immediately available funds for unconditional credit to the Issuer, or as otherwise directed by the Issuer. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Certificates. It is anticipated that Initial Delivery can be made on or about September 5, 2002, but if for any reason the Issuer is unable to make delivery by October 3, 2002, then the Issuer shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Certificates. If the Purchaser does not so elect within six (6) days thereafter, then the Good Faith Deposit will be returned, and both the Issuer and the Purchaser shall be relieved of further obligation. In no event shall the Issuer be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the Issuer's reasonable control.

EXCHANGE OF INITIAL CERTIFICATES FOR DEFINITIVE CERTIFICATES: Upon payment for the Initial Certificate(s) at the time of such delivery, the Initial Certificate(s) are to be canceled by the Paying Agent/Registrar and registered definitive Certificates delivered in lieu thereof, in multiples of $5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Certificates shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Certificate, final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Certificate(s) and delivery of registered definitive Certificates may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Certificates, but neither the failure to print such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Certificates shall be paid by the Issuer; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Certificates is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Certificate, the Purchaser's receipt of the legal opinion of Fulbright & Jaworski L.L.P., San Antonio, Texas, Bond Counsel for the City ("Bond Counsel") and the no-litigation certificate, and the non-occurrence of the events described below under the caption "No Material Adverse Change", all as described below. In addition, if the Issuer fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Certificates by delivering written notice to the Issuer within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligations of the Purchaser to take up and pay for the Certificates, and of the Issuer to deliver the Initial Certificates, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Certificates, there shall have been no material adverse change in the affairs of the Issuer subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

LEGAL OPINIONS: The Certificates are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS-Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

The opinion of Bond Counsel is expected to be reproduced on the back panel of the Certificates over a certification by the facsimile signature of the City Secretary attesting that such opinion was dated as of the date of delivery of and payment for the Certificates and that such reproduction is a true and correct copy of the original opinion. The failure to print such legal opinion on any Certificate shall not constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates.

CHANGE IN TAX-EXEMPT STATUS: At any time before the Certificates are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Certificates shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

GENERAL CONSIDERATIONS

FUTURE REGISTRATION: The Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and interest rate as the Certificate or Certificates surrendered for exchange or transfer.

RECORD DATE: The record date ("Record Date") for the semiannual interest payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date, as specified in the Ordinance authorizing the Certificates.

MUNICIPAL BOND INSURANCE: In the event the Certificates are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost therefor will be paid by the Initial Purchaser. Any fee to be paid to Fitch Ratings ("Fitch") and Moody's Investors Service, Inc. ("Moody's") as a result of said insurance will be paid by the Initial Purchaser. The fee of Standard & Poor's Ratings Group, a division of the McGraw-Hill Corporation, will be paid by the Issuer. It will be the duty of the Initial Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Certificates and any other information or certifications which may be required to determine the effect of such insurance on the yield of the Certificates for federal income tax purposes.

SALE OF ADDITIONAL BONDS: The Issuer does not anticipate the issuance of additional debt in 2002.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE: No registration statement relating to the Certificates has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act. The Certificates have not been approved or disapproved by the Securities and Exchange Commission, nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for registration or qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify sale of the Certificates under the securities laws of any jurisdiction which so requires. The Issuer agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Certificates, or in obtaining an exemption from registration or qualification in any state

where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Certificates are offered for sale.

NOT AN OFFER TO SELL: This Official Notice of Sale does not alone constitute an offer to sell the Certificates, but is merely notice of the sale of the Certificates. The offer to sell the Certificates is being made by means of the Official Notice of Sale, the Official Bid Form and the Official Statement. Prospective purchasers are urged to carefully examine the Official Statement to determine the investment quality of the Certificates.

ADDITIONAL COPIES: Subject to the limitations described under "Official Statement" herein, additional copies of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from SWS Securities, 711 Navarro, Suite 490, San Antonio, Texas 78205.

The City Council has approved the form and content of the Official Notice of Sale, the Official Bid Form, and the Official Statement and authorized the use thereof in its initial offering of the Certificates. On the date of the sale, the Certificates will, in the Ordinance authorizing the issuance of the Certificates, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

/s/

Mayor
City of Helotes, Texas

ATTEST:
/s/

City Secretary
City of Helotes, Texas

August 1, 2002

OFFICIAL BID FORM

The Honorable Mayor and City Council
City of Helotes
P.O. Box 507
Helotes, Texas 78023-0507

August 8, 2002

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Official Statement, dated August 1, 2002, which terms are incorporated by reference to this proposal, we hereby submit the following bid for $1,500,000 CITY OF HELOTES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2002, dated August 1, 2002 (the "Certificates").

For said legally issued Certificates, we will pay you the par value thereof, plus accrued interest from their date to the date of initial delivery to us, plus a cash premium of $_____, for Certificates maturing February 1 and bearing interest per annum as follows:

February 1, 2003 _____%	February 1, 2008 _____%	February 1, 2013 _____%
February 1, 2004 _____%	February 1, 2009 _____%	February 1, 2014* _____%
February 1, 2005 _____%	February 1, 2010 _____%	February 1, 2015* _____%
February 1, 2006 _____%	February 1, 2011 _____%	February 1, 2016* _____%
February 1, 2007 _____%	February 1, 2012 _____%	February 1, 2017* _____%

*Maturities available to be termed

Of the principal maturities set forth in the table above, we have created Term Certificates as indicated in the following table (which may include up to two Term Certificates or no Term Certificates if none is indicated). For those years which have been combined into a Term Certificates, the principal amount shown in the table shown on page (i) of the Official Notice of Sale will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Certificate maturity date will mature in such year. The Term Certificate(s) created are as follows:

Term Certificate Maturity Date February 1	Year of First Mandatory Redemption	Principal Amount of Term Certificate	Interest Rate

Our calculation (which is not part of this bid) of the True Interest Cost is _____%

The Certificates are insured by _____.

The Initial Certificate shall be registered in the name of _____, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of the _____ Bank, _____, Texas, in the amount of $30,000 which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the purchaser.

We agree to accept delivery of the Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificate in immediately available funds at the Corporate Trust Division, The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida, not later than 10:00 A.M., Central Time, on September 5, 2002, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the purchaser of the Certificates to complete and file the DTC Eligibility Questionnaire.

The undersigned agrees to complete, execute, and deliver to the Issuer, by the date of initial delivery of the Certificates, a certificate relating to the "issue price" of the Certificates in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the Issuer.

Respectfully submitted,

_____

_____

_____

By:_____

Authorized Representative

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by City of Helotes, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this the 8th day of August, 2002.

_____

Mayor
City of Helotes, Texas

ATTEST:

_____

City Secretary
City of Helotes, Texas

ISSUE PRICE CERTIFICATE

The undersigned hereby certifies as follows with respect to the sale of the "City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2002" (the "Certificates"), issued in the aggregate principal amount of $1,500,000, as follows:

1. The undersigned is the underwriter or the manager of the syndicate of underwriters which has purchased the Certificates from the City of Helotes, Texas (the "Issuer") at a competitive sale.

2. The undersigned and/or one or more other members of the underwriting syndicate, if any, have made a bona fide offering to the public of the Certificates of each stated maturity at the respective prices set forth below.

3. The initial offering price (expressed as a percentage of principal amount or yield and exclusive of accrued interest) for the Certificates of each stated maturity at which at least ten percent (10%) of the Certificates of such stated maturity was sold to the public is as set forth below:

Principal Amount at Stated Maturity	Year of Stated Maturity	Offering Price % or "Yield"	Principal Amount at Stated Maturity	Year of Stated Maturity	Offering Price % or "Yield"
$ 70,000	2003		$ 95,000	2010	
70,000	2004		100,000	2011	
75,000	2005		110,000	2012	
80,000	2006		115,000	2013	
85,000	2007		120,000	2014	
90,000	2008		125,000	2015	
95,000	2009		130,000	2016	
			140,000	2017	

4. The term "public", as used herein, means persons other than bondhouses, brokers, dealers, and similar persons or 5 organizations acting in the capacity of underwriters or wholesalers.

5. The offering prices described above reflect current market prices at the time of such sales.

6. The CUSIP number of the Certificates with the latest stated maturity is _____.

7. The undersigned [have] [have not] purchased bond insurance on behalf of the Issuer for the Certificates. The bond insurance has been purchased from _____(the "Insurer") for a premium cost of $_____ (net of any non-guarantee cost, e.g., rating agency fees). The amount of such cost is set forth in the Insurer's commitment and is separately stated from all other fees or charges payable to the Insurer. The premium does not exceed a reasonable charge for the transfer of credit risk taking into account payments charged by guarantors in comparable transactions (including transactions in which a guarantee has no involvement other than as a guarantor). The present value of the debt service savings expected to be realized as a result of such insurance, discounted at a rate equal to the yield on the Certificates, which results after recovery of the insurance premium, exceeds the present value of the bond insurance premium.

8. The undersigned understands that the statements made herein will be relied upon by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, and by Bond Counsel in rendering their legal opinion concerning the excludability of interest on the Certificates from the gross income of their owners.

EXECUTED and DELIVERED this _____ day of _____, 2002.

_____
(Name of Underwriter or Manager)

By: _____

Title: _____

NEW ISSUE - BOOK-ENTRY-ONLY

Ratings: S&P: "Applied For"
(See: "RATINGS" and "BOND INSURANCE" herein)

PRELIMINARY OFFICIAL STATEMENT
Dated August 1, 2002

In the opinion of Bond Counsel, assuming continuing compliance by the Issuer after the date of initial delivery of the Certificates with certain covenants contained in the Ordinance authorizing the Certificates and subject to the matters described under "TAX MATTERS" herein, interest on the Certificates under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as described herein, corporations. (See "TAX MATTERS" herein.)

The Issuer will designate the Certificates as "Qualified Tax-Exempt Obligations"

$1,500,000
CITY OF HELOTES, TEXAS
(Bexar County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2002

Dated Date: August 1, 2002 **Due: February 1, as shown below**

The $1,500,000 City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2002 (the "Certificates") are being issued pursuant to the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through 271.063, Section 363.135, as amended, Texas Health and Safety Code, and an ordinance (the "Ordinance") adopted by the City Council. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates will constitute direct and general obligations of the Issuer payable from ad valorem taxes levied against all taxable property therein, within the limits prescribed by law and further secured by a lien on and pledge of the Pledged Revenues (derived from Issuer's municipal solid waste system (the "System") not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding). In the Ordinance, the Issuer has reserved the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Interest on the Certificates will accrue from the dated date as shown above and will be payable February 1 and August 1 of each year, commencing February 1, 2003, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida, to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.) Proceeds from the sale of the Certificates will be used for the purpose or purposes of paying Contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes including: (1) constructing street improvements (including utilities repair, replacement, and relocation) and drainage incidental thereto; (2) constructing drainage improvements; (3) constructing renovations and improvements to the existing City Hall; (4) constructing renovations and improvements to the existing police department; (5) constructing a new fire station; (6) constructing a new police facility; (7) the purchase of materials, supplies, equipment, machinery, land, rights-of-way for authorized needs and purposes relating to the new fire station and for police purposes, and (8) the payment of professional services related to the construction and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

The Issuer has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond guaranty policy.

STATED MATURITY SCHEDULE
(Due February 1)

Stated Maturity	Principal Amount	Rate (%)	Yield (%)	Stated Maturity	Principal Amount	Rate (%)	Yield (%)
2003	$ 70,000			2010	$ 95,000		
2004	70,000			2011	100,000		
2005	75,000			2012	110,000		
2006	80,000			2013	115,000		
2007	85,000			2014	120,000		
2008	90,000			2015	125,000		
2009	95,000			2016	130,000		
				2017	140,000		

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2013, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2012, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. If the Purchaser so elects, certain Term Certificates will be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provision of the Certificates" herein.)

The Certificates are offered for delivery, when, as and if issued and received by the initial purchasers (the "Purchasers") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Fulbright & Jaworski L.L.P., Bond Counsel, San Antonio, Texas. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions And No-Litigation Certificate" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about September 5, 2002.

CITY OF HELOTES, TEXAS
P.O. Box 507
Helotes, Texas 78023-0507
(210) 695-8877

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)	Occupation
Steven F. Hodges Mayor	9	2003	Real Estate Manager, City of San Antonio
Garrie Gillaspie Mayor Pro Tem	4 ½	2003	Teacher
Jim Caruso Councilmember	¼	2004	Police Officer, Hill Country Village
Barbara Jane Galland Councilmember	4 ½	2004	Housewife, retired
Charles James Councilmember	¼	2004	IT Consultant and Developer
David Matthew Umbel Councilmember	1 ½	2003	Residential Construction

ADMINISTRATION

Name	Position	Length of Service With the City (Years)
Marie Gelles	City Administrator	1
Judy Tokar	City Secretary	6 months

CONSULTANTS AND ADVISORS

Bond Counsel ..... Fulbright & Jaworski L.L.P.
San Antonio, Texas

Certified Public Accountants ..... Crawford, Iverson & Co., P.C.
San Antonio, Texas

Financial Advisor ..... SWS Securities
San Antonio, Texas

For Additional Information Please Contact:

Ms. Marie Gelles
City Administrator
City of Helotes
P.O. Box 507
Helotes, Texas 78023-0507
(210) 695-8877 – Phone
(210) 695-2123 – Fax

Mark M. McLiney
SWS Securities
711 Navarro, Suite 490
San Antonio, Texas 78205
(210) 226-8677 – Phone
(210) 226-8299 - Fax

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities Exchange Commission (the "Rule"), this document constitutes a preliminary official statement of the Issuer with respect to the Certificates that has been deemed "final" by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those 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 Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

The Financial Advisors have provided the following sentence for inclusion in this Official Statement. The Financial Advisors have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisors do not guarantee the accuracy or completeness of such information.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

Neither the City nor the Financial Advisors makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System.

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Helotes, Texas (the "Issuer" or "City") is located directly adjacent to San Antonio approximately 20 miles northwest of downtown San Antonio, Texas off State Highway 16, approximately 2 miles outside of Loop 1604. The City's 2000 population was 4,285, an increase of 179.15% since 1990 and currently stands at 4,700. (See Appendix B - "General Information of the Issuer and Bexar County, Texas" herein.)
The Certificates	The Certificates are being issued pursuant to the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through Section 271.063, Section 363.135, as amended, Texas Health and Safety Code, and an ordinance (the "Ordinance") adopted by the City Council.
Paying Agent/Registrar	The initial Paying Agent/Registrar is The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida.
Security	The Certificates will constitute direct and general obligations of the Issuer payable from ad valorem taxes levied against all taxable property therein, within the limits prescribed by law and further secured by a lien on and pledge of the Pledged Revenues Revenues (derived from Issuer's municipal solid waste system (the "System") not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding). In the Ordinance, the Issuer has reserved the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)
Redemption Provision of the Certificates	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2013 on February 1, 2012, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof plus accrued interest to the date fixed for redemption. The Purchasers may elect to create Term Certificates (as referenced in the Official Notice of Sale) which will be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provision of the Certificates" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing law, subject to matters discussed herein under "TAX MATTERS". (See "TAX MATTERS" and Appendix C - "Form of Opinion of Bond Counsel" herein.)
Qualified Tax-Exempt Obligations	The Issuer will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
Tax Exemption	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing law subject to matters discussed herein under "Tax Exemption". (See "TAX EXEMPTION" and APPENDIX C - "Form of Bond Counsel's Opinion" herein.)
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used for the purpose or purposes of paying Contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes including: (1) constructing street improvements (including utilities repair, replacement, and relocation) and drainage incidental thereto; (2) constructing drainage improvements; (3) constructing renovations and improvements to the existing City Hall; (4) constructing renovations and improvements to the existing police department; (5) constructing a new fire station; (6) constructing a new police facility; (7) the purchase of materials, supplies, equipment, machinery, land, rights-of-way for authorized needs and purposes relating to the new fire station and for police purposes, and (8) the payment of professional services related to the construction and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Bond Insurance	The Issuer has made application to a municipal bond insurance company to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy. (See "BOND INSURANCE" herein.)
Ratings	A municipal bond rating application has been made to Standard & Poor's Ratings Services, A Division of The McGraw-Hill Companies, Inc. ("S&P"). The outcome of the results will be made available as soon as possible. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Payment Record	The City has never defaulted on the payment of its general obligation or revenue indebtedness.
Future Bond Issues	The Issuer does not anticipate the issuance of any additional debt in 2002.
Delivery	When issued, anticipated on or about September 5, 2002.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Fulbright & Jaworski L.L.P., San Antonio, Texas, Bond Counsel

THE CERTIFICATES

General Description of the Certificates

The Certificates will be dated August 1, 2002, will mature on the dates and in the principal amounts and will bear interest at the rates set forth on the cover page of this Official Statement. The Certificates will be registered and will be in denominations of $5,000 or any integral multiple thereof. The Certificates will bear interest from August 1, 2002, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2003. Principal and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida, as the initial Paying Agent/Registrar, as of the fifteenth (15th) day of the month next preceding such interest payment date, by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The $1,500,000 City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2002 (the "Certificates") are being issued pursuant to the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through 271.063, as amended, Section 363.135, as amended, Texas Health and Safety Code, and an ordinance (the "Ordinance") adopted by the City Council.

Security for the Certificates

The Certificates will constitute direct and general obligations of the Issuer payable from ad valorem taxes levied against all taxable property therein, within the limits prescribed by law and further secured by a lien on and pledge of the Pledged Revenues (derived from Issuer's municipal solid waste systems (the "System") not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding. In the Ordinance, the Issuer has reserved the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Redemption Provision of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature February 1, 2013 in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar) on February 1, 2012, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

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

Certificates of a denomination larger than $5,000 may be redeemed in part ($5,000 or any integral multiple thereof). Any Certificate to be partially redeemed must be surrendered in exchange for one or more new Certificates of the same stated maturity and interest rate for the unredeemed portion of the principal.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose or purposes of paying Contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes including: (1) constructing street improvements (including utilities repair, replacement, and relocation) and drainage incidental thereto; (2) constructing drainage improvements; (3) constructing renovations and improvements to the existing City Hall; (4) constructing renovations and improvements to the existing police department; (5) constructing a new fire station; (6) constructing a new police facility; (7) the purchase of materials, supplies, equipment, machinery, land, rights-of-way for authorized needs and purposes relating to the new fire station and for police purposes, and (8) the payment of professional services related to the construction and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Payment Record

The City has never defaulted on the payment of its general obligation or revenue indebtedness.

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of or any installment of interest on any Certificate is due and payable, reduce the principal amount thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (2) give any preference to any Certificate over

any other Certificate, or (3) reduce the aggregate principal amount of the Certificates required for consent to any amendment, addition, or waiver.

Defeasance

The Ordinance provides that any Certificate will be deemed paid and shall no longer be considered to be outstanding within the meaning of the Ordinance when payment of principal of and interest on such Certificate to its stated maturity has been made or provided for. Payment may be provided for by deposit of any combination of (1) money in an amount sufficient to make such payment and (2) Government Securities (as defined in the Ordinance). Any such deposit must be certified by an independent public accountant to be of such maturities and interest payment dates and bear such interest as will, without reinvestment, be sufficient to make the payment to be provided for on the Certificates.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. Provided, however, the City has reserved the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates 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 Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates 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.

Default and Remedies

The Ordinance does not establish specific events of default with respect to the Certificates. Under State law there is no right to the acceleration of maturity of the Certificates upon the failure of the Issuer to observe any covenant under the Ordinance. If the Issuer defaults in the payment of the principal of or interest on any of the Certificates when due or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Ordinance, any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the Issuer to make such payment or observance and perform such covenant, obligations, or condition. Such right is in addition to any other rights the registered owners of the Certificates may be provided by the laws of the State of Texas. The principal of and interest on the Certificates will not be accelerated upon default and there is no security interest granted in any property owned in the City. Although a registered owner of Certificates could presumably obtain a judgment against the Issuer if a default occurred in the payment of principal of or interest on any such Certificates, such judgment could not be satisfied by execution against any property of the Issuer. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the Issuer to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and/or interest on the Certificates as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The Ordinance does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the Issuer to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the Issuer is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Issuer avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida. In the Ordinance the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates affected by the change by United States mail, first-class, postage prepaid.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any interest payment date means the fifteenth (15th) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "Special Record Date for Interest Payment" herein.)

Future Registration

In the event the Certificates are not in the Book-Entry-Only System, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates.)

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of an Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last day next preceding the date of mailing of such notice.

Limitation on Transfer of Certificates

Neither the Issuer nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Certificate called for redemption, in whole or in part (1) to transfer or exchange any Certificate during a period beginning at the opening of business fifteen (15) days before the day of the first mailing of a notice of redemption of Certificates hereunder and ending at the close of business on the day of such mailing or (2) thereafter to transfer or exchange in whole or in part any Certificate so selected for redemption.

Replacement Certificates

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates. The Certificates 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 certificate will be issued for the Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500

million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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 its 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 the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as 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 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of the Certificates ("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 interest in the Certificates 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 the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 Certificates 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 the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Certificates 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 Issuer or Agent, 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 Issuer, 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 Issuer, disbursement of

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

A Beneficial Owner shall give notice to elect to have its Certificates purchased or tendered, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the Certificates, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Certificates to the Paying Agent's DTC account.

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

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 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 Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Certificates, the Issuer will have no obligation or responsibility to the DTC Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

Use of Certain Terms in Other Sections of this Official Statement

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

BOND INSURANCE

The Issuer has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy. The Issuer shall notify potential purchasers upon obtaining a commitment from a bond insurance company concerning this matter. The Final Official Statement shall disclose, to the extent necessary, any relevant information relating to this municipal bond insurance policy.

INVESTMENT POLICIES

The Issuer invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the Issuer. Both state law and the Issuer's investment policies are subject to change.

Legal Investment

Under Texas law, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) certificates of deposit issued by a state or national bank, savings bank, or a state or federal credit union, which is domiciled in the State of Texas, that are guaranteed or insured by the Federal deposit Insurance Corporation, guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (5) or in any other manner and amount provided by law for Issuer deposits, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), requires the securities being purchased by the Issuer to be pledged to the Issuer, held in the Issuer's name, and deposited at the time the investment is made with the Issuer or with a third party selected and approved by the Issuer, and are placed through a primary government securities dealer or a finalcial institution doing business in the State of Texas, (8) bankers' acceptances with the remaining term of 270 days or less, which will be liquidated in full at maturity, is eligible for collateral for borrowing from a federal Reserve Bank, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1, or the equivalent by at least one nationally recognized credit rating agency, (9) commercial paper with a stated maturity of 270 days or less and is rated at least A-1 or P-1or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (10) no-load money market

mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and provide the Issuer with a prospectus and other information required by the Securities and Exchange Act of 1934 or the Investment Act of 1940, (11) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceeding clauses; are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and conforms to the requirements for eligible investment pools, (12) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or AAA-m or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days, (13) bonds issued, assumed, or guaranteed by the State of Israel, and (14) guaranteed investment contracts secured by obligations of the United States of America or its agencies and instrumentalities, other than prohibited obligations described in the next succeeding paragraph, with a defined termination date, and pledged to the Issuer and deposited with the Issuer or a third party selected and approved by the Issuer.

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

Investment Policies

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

Under Texas law, Issuer investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the Issuer shall submit an investment report detailing: (1) the investment position of the Issuer, (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 Issuer funds without express written authority from the City Council.

Additional Provisions

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

disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Issuer.

Current Investments **TABLE 1**

Investments at July 10, 2002 totaled $1,271,622 and consisted of money market trust accounts and Texpool.

	Amount	Percentage
Money Market	$ 1,229,174	96.66%
TexPool	42,448	3.34%
	$1,271,622	100.00%

As of such date, the market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Issuer are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

AD VALOREM TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Tax Code ") provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Bexar Appraisal District (the "Appraisal District") is responsible for appraising property within the City generally as of January 1 of each year. The appraisal values set by the Appraisal District are subject to review and change by the Bexar Appraisal Review Board (the "Appraisal Review Board") which is appointed by the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the Issuer in establishing its tax roll and tax rate.

Property Subject to Taxation by the Issuer

Except for certain exemptions provided by Texas law, all real and certain tangible personal property with a tax situs in the City are subject to taxation by the Issuer. Principal categories of exempt property (including certain exemptions which are subject to local option by the City Council) include property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which the Issuer has agreed to abate ad valorem taxes, certain household goods, family supplies and personal effects; farm products owned by the producers; certain property of a non-profit corporation used in scientific research and educational activities benefiting a college or university, and designated historical sites. Other principal categories of exempt property include tangible personal property not held or used for production of income, solar and wind-powered energy devices; most individually owned automobiles; certain varying amounts of valuation attributable to residential homesteads of persons ages 65 or over and property of disabled veterans or their surviving spouses or children; and certain classes of intangible property. Owners of agricultural and open space land, under certain circumstances, may request valuation of such land on the basis of productive capacity rather than market value.

Valuation of Property for Taxation

Generally, property in the City must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal role is prepared and finally approved by the Appraisal Review Board, it is used by the Issuer in establishing its tax rolls and tax rate. Assessments under the Tax Code are to be based on one hundred percent (100%) of market value, except as described below, and no assessment ratio can be applied.

Article VIII of the Texas Constitution and the Tax Code permits land designated for agricultural use (Section 1-d), open space or timberland (Section 1-d-1) to be appraised at the lesser of its value based on the land's capacity to produce agricultural or timber products or its market value. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Tax Code to act on each claimant's right to the designation individually. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the Issuer can collect taxes based on the new value, including three (3) years for agricultural use and five (5) years for agricultural open space land and timberland prior to the loss of the designation. The same land may not be qualified under both Section 1-d and 1-d-1.

The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. The Issuer, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the City or an estimate of any new property or improvements within the City. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the City, it cannot be used for

establishing a tax rate within the City until such time as the Appraisal District chooses to formally include such values on its appraisal role.

Residential Homestead Exemptions

Under Section 1-b, Article VIII of the Texas Constitution, 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. The Issuer has not elected to grant this additional exemption.

2. An exemption of up to 20% of the market value of residence homesteads; minimum exemption $5,000. The Issuer has not elected to grant this additional exemption.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the Contract by which the debt was created. The Issuer has not granted the additional exemption.

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 maximum of $12,000.

Freeport Goods Exemption

Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and other petroleum products, which have been acquired or brought into the State for assembling, storing, manufacturing, repair, maintenance, processing or fabricating, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the State within 175 days. As a result of a State constitutional amendment passed by Texas Voters on November 7, 1989, goods in transit ("freeport goods") are exempted from taxation effective January 1, 1990. The Issuer took official action before January 1, 1990 to tax Article VIII, Section 1-j exempt property.

Tax Abatement

The Issuer may designate areas within the City as a reinvestment zone. Thereafter, the Issuer may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity with taxing authority over the property will follow in granting tax abatement to owners of property. The tax abatement agreement may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the Issuer, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. The terms of all tax abatement agreements must be substantially the same.

The Issuer has entered into an abatement agreement with Aerospace Plating and has adopted criteria therefor, which is a prerequisite to the execution of abatement agreements. The Agreement will abate 10% of real property improvements for 6 years.

Issuer and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the Issuer, may appeal the orders of the Appraisal Review Board by filing a timely petition for review in district court within 45 days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party, or through binding arbitration, if requested by the taxpayer. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code.

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

The Financial Institutions Act of 1989

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

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

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

Levy and Collection of Taxes

The Issuer is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. Before the later of September 30th or the 60th day after the date the certified appraisal roll is received by the taxing unit, the rate of taxation is set by the Issuer based upon the valuation of property within the City as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the Issuer. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. The Issuer does not allow split payments and discounts.

Issuer's Rights in the Event of Tax Delinquencies

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

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

TAX RATE LIMITATIONS

Article XI, Section 4 of the Texas Constitution, applicable to cities of 5,000 or less: $1.50 per $100 assessed valuation for all city purposes.

No direct funded debt limitation is imposed on the City under current Texas law. Article XI, Section 4 of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 assessed valuation for all City purposes. The Texas Attorney General has adopted an administrative policy that generally prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from $1.00 of the foregoing $1.50 maximum tax rate calculated at 90% collection. The issuance of the Certificates does not violate this constitutional provision or the Texas Attorney General's administrative policy.

Before the later of September 30th or the 60th day after the date the certified appraisal roll is received by the taxing unit, the Board adopts a tax rate per $100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

The Tax Code:

The City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The City Council may not adopt a tax rate that exceeds the lower of the rollback rate or 103% of the effective tax rate until it has held a public hearing on the proposed increase following notice to the taxpayers and otherwise complied with the Tax Code. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the City, by petition, may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (adjusted) divided by the anticipated tax collection rate.

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

The Tax Code provides certain cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. Further, the Tax Code provides certain cities the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for economic development purposes, if approved by a majority of the voters in a local option election. The Issuer has authorized the additional one-half cent sales tax.

TAX MATTERS

Tax Exemption

The delivery of the Certificates is subject to the delivery of the opinion of Fulbright & Jaworski L.L.P., San Antonio, Texas, Bond Counsel to the Issuer ("Bond Counsel"), to the effect that interest on the Certificates under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates (the "Code"), of the owners thereof for federal income tax purposes, pursuant to Section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

Interest on all tax-exempt obligations owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a financial asset securitization investment trust, a real estate investment trust, or a real estate mortgage investment conduit. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the Issuer made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Certificates and certain other funds of the Issuer. As described above, Bond Counsel will assume continuing compliance with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, if required, the periodic calculation and payment to the United States Treasury of any arbitrage "profits" from the investment of the proceeds of the Certificates and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Certificates to be includable in the gross income of the owners thereof for federal income tax purposes from the date of the issuance of the Certificates.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal tax consequences to, among others, financial institutions (see discussion under the caption "Qualified Tax-Exempt Obligations" herein), life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Certificates is commenced, under current procedures the Service is likely to treat the Issuer as the "taxpayer", and the Owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the Issuer may have different or conflicting interests from the Owners. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Tax Accounting Treatment of Discount and Premium on Certain Certificates

The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that at least 10% of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption". Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see discussion under the caption "Qualified Tax-Exempt Obligations" herein), life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Certificates (the "Premium Certificates") may be greater than the stated redemption price on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that at least 10% of the Premium Certificates of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, Section 265 of the Code completely disallows any deduction for interest expense which is incurred by "financial institutions" described in such section and is

allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the Issuer, as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The Issuer intends to designate the Certificates as "qualified tax-exempt obligations" and certify its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under Section 265(b) of the Code. However, 20% of the interest expense incurred by a financial institution which is allocable to the interest on the Certificates will not be deductible pursuant to Section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Certificates qualifies for the SEC Rule 15c2-12(d)(2) exemption from SEC Rule 15c2-12(b)(5) regarding the Issuer's continuing disclosure obligations because the Issuer has not issued more than $10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Certificates. Pursuant to the exemption, the Issuer in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the Issuer 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.

Updated Information and Data

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the Issuer must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file each audit report within 120 days after the close of the Issuer's fiscal year. The Issuer's fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the Issuer's audit reports to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The Issuer will provide certain financial information and operating data, which is customarily prepared by the City and is publicly available, upon written request of any person. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type disclosed in Table 1 herein and Tables 1 through 14 in Appendix A and certain information in the annual financial statements in Appendix D. The Issuer will provide the updated information to any person upon request made to the Issuer in writing; provided that the Issuer reserves the right at any time to commence making filings of such information with the Texas State Information Depository (the "SID") (if any, and if none, to each NRMSIR, as defined below) in lieu of providing such information to persons upon request.

The Issuer 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 updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the Issuer will provide unaudited financial statements for the applicable fiscal year to each NRMSIR and any SID, with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the end of March in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify each nationally recognized municipal securities information repository ("NRMSIR") and any SID of the change.

Material Event Notices

The Issuer will also provide timely notices of certain events to certain information vendors. The Issuer will provide notice of any of the following events with respect to the Certificates, if such event is material to a decision to purchase or sell Certificates: (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 Certificates; (7) modifications to rights of holders of the Certificates; (8) Certificate calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates; and (11) rating changes. Neither the Certificates nor the Ordinance make any provision for debt service reserves, credit enhancement, or liquidity enhancement. In addition, the Issuer will provide timely notice of any failure by the Issuer to provide information, data, or financial statements in accordance with its agreement described above under "Updated Information and Data". The

Issuer will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

Availability of Information from NRMSIRs and SID

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

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

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of material events only as described above. The Issuer 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 Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The Issuer 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 or beneficial owners of Certificates may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer 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 Issuer, if the agreement, as amended, would have permitted an Purchaser to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The Issuer may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Issuer also may amend the provisions of this Article in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an Purchaser from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Updated Information and Data" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

The City has not previously made a continuing disclosure agreement in accordance with SEC Rule 15c2-12.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchasers with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. In its capacity as Bond Counsel, Fulbright & Jaworski L.L.P., San Antonio, Texas has reviewed the information under the captions "THE CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds", "Payment Record", and "Default and Remedies" as to which no opinion is expressed.) "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Certificates for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. 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 Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 271.051, as amended, of the Certificate of Obligation Act provides that the Certificates are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, and trustees, and for the sinking funds of cities, school districts, and other political subdivisions or public agencies of the State of Texas. Texas law further provides that obligations, such as the Certificates are eligible to secure deposits 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, Chapter 2256, as amended, Texas Government Code) the Certificates 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. See "Ratings" herein.

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 Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of law sin other states to determine whether the Certificates are legal investments for various institutions in those states.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

Ratings

A municipal bond rating application has been made to Standard & Poor's Rating Services, A Division of The McGraw-Hill Companies, Inc. ("S&P"). The outcome of the results will be made available as soon as possible. An explanation of the significance of such a rating may be obtained form S&P. The rating of the Certificates by S&P reflects the view of said company at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the obligations.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources that are believed to be reliable. All of the summaries of the statutes, documents and Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Winning Bidder

On August 8, 2002 the Certificates were awarded to a Purchaser or group of Purchasers managed by _____ (the "Purchasers"). The initial reoffering yields were provided to the Issuer by the Purchasers. The initial reoffering yields shown on the cover page will produce compensation to the Purchasers of approximately $_____. The municipal bond insurance premium of $_____ is to be paid from the Purchasers' compensation.

Financial Advisor

SWS Securities is employed as a Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has drafted this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates. The Issuer has permitted SWS Securities the option to bid on the Certificates. SWS Securities may submit a bid for the Certificates, either independently or as a member of a syndicate organized to submit a bid for the Certificates.

The Financial Advisors have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisors do not guarantee the accuracy or completeness of such information.

Certification of the Official Statement

At the time of payment for and delivery of the Initial Certificates, the Purchasers will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Issuer contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Issuer and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the Issuer, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Issuer believes to be reliable and the Issuer has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Issuer since the date of the last financial statements of the Issuer appearing in the Official Statement. The Official Statement will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the City Council on the date of sale, and the Purchasers will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the Issuer.

Authorization of the Official Statement

The Official Statement will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the City Council on the date of sale, and the Purchasers will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the Issuer.

The Ordinance will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Issuer, and authorize its further use in the reoffering of the Certificates by the Purchasers.

This Official Statement has been approved by the City Council of the Issuer for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

CITY OF HELOTES, TEXAS

/s/
Mayor
City of Helotes, Texas

ATTEST:

/s/
City Secretary
City of Helotes, Texas

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APPENDIX A

Financial Information of the City of Helotes, Texas.

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2001 Actual Market Value of Taxable Property		$259,558,054
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	$ 1,415,000	
Disabled and Deceased Veterans' Exemptions	998,000	
Productivity Loss	604,155	
Solar	10,807	
10% Per Year Cap on Residential Homesteads	1,646,733	
TOTAL EXEMPTIONS	$ 4,674,695	
2001 Net Taxable Assessed Valuation (100% of Actual)[1]		$254,883,359
2002 Preliminary Net Taxable Assessed Valuation (100% of Actual)		$273,465,897

[1] See "AD VALOREM TAXATION" in the Official Statement for a description of the Issuer's taxation procedures.

Source: The Bexar Appraisal District, the State Comptroller's Office, Property Tax Division and information supplied by the Issuer.

GENERAL OBLIGATION BONDED DEBT

[As of July 1, 2002]

General Obligation Debt Outstanding:	
General Obligation Bonds, Series 1993	$ 200,000
The Certificates	1,500,000
Total	$ 1,700,000
General Obligation Interest and Sinking Fund Balance as of September 30, 2001	$ 43,417
2001 Net Taxable Assessed Valuation[1]	$ 254,883,359
Ratio of Gross Debt to 2001 Net Taxable Assessed Valuation	0.68%
2002 Preliminary Net Taxable Assessed Valuation	$ 273,465,897
Ratio of Gross Debt to 2002 Preliminary Net Taxable Assessed Valuation	0.62%

[1] See "AD VALOREM TAXATION" in the Official Statement for a description of the Issuer's taxation procedures.

Population: 1990 – 1,535; 2000– 4,285; 2002- 4,700 (estimated)
Per Capita 2001 Net Taxable Assessed Valuation – $54,230.50
Per Capita Gross General Obligation Debt – $361.70

DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 2

NONE

Source: *The Issuer's Annual Financial Report for Fiscal Year Ending September 30, 2001.*

ESTIMATED GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

(As of July 1, 2002)

Fiscal Year Ending 9/30	Current Total Debt Service	The Certificates			Gross General Obligation Debt
		Principal	Interest[1]	Principal & Interest	
2003	$ 36,820	$ 70,000	$ 73,250	$ 143,250	$ 180,070
2004	35,320	70,000	69,750	139,750	175,070
2005	33,795	75,000	66,125	141,125	174,920
2006	37,083	80,000	62,250	142,250	179,333
2007	35,185	85,000	58,125	143,125	178,310
2008	33,250	90,000	53,750	143,750	177,000
2009	36,138	95,000	49,125	144,125	180,263
2010		95,000	44,375	139,375	139,375
2011		100,000	39,500	139,500	139,500
2012		110,000	34,250	144,250	144,250
2013		115,000	28,625	143,625	143,625
2014		120,000	22,750	142,750	142,750
2015		125,000	16,625	141,625	141,625
2016		130,000	10,250	140,250	140,250
2017		140,000	3,500	143,500	143,500
	$247,590	$1,500,000	$632,250	$2,132,250	$2,379,840

[1] Interest calculated at 5.00% for illustration purposes only.

TAX ADEQUACY

2001 Net Taxable Assessed Valuation	$254,883,359
Estimated Maximum Annual Debt Service Requirements for Fiscal Year Ending 9/30/09	180,263
Indicated Interest and Sinking Fund Tax Rate	0.0730
Indicated Interest and Sinking Fund Tax Levy at 97% Collections	180,483

Note: See "Tax Data" herein

INTEREST AND SINKING FUND MANAGEMENT INDEX

Interest and Sinking Fund Balance, Audited Fiscal Year Ended September 30, 2001	$43,417
2001 Interest and Sinking Fund Tax Levy at 97% Collections Produce	49,447
Total Available for Debt Service	$92,864
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/02	33,145
Estimated Surplus at Fiscal Year Ending 9/30/02[1]	$59,719

[1] Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(As of July 1, 2002)

Fiscal Year Ending 9/30	Currently Outstanding Obligations Principal Repayment Schedule	The Certificates Repayment Schedule	Combined Principal Repayment Schedule	Obligations Remaining Outstanding End of Year[1]	Percent of Principal Retired (%)
2003	$ 25,000	$ 70,000	$ 95,000	$ 1,605,000	
2004	25,000	70,000	95,000	1,510,000	
2005	25,000	75,000	100,000	1,410,000	
2006	30,000	80,000	110,000	1,300,000	
2007	30,000	85,000	115,000	1,185,000	30.29%
2008	30,000	90,000	120,000	1,065,000	
2009	35,000	95,000	130,000	935,000	
2010		95,000	95,000	840,000	
2011		100,000	100,000	740,000	
2012		110,000	110,000	630,000	62.94%
2013		115,000	115,000	515,000	
2014		120,000	120,000	395,000	
2015		125,000	125,000	270,000	
2016		130,000	130,000	140,000	
2017		140,000	140,000	0	100.00%
	$200,000	$1,500,000	$1,700,000		

NET TAXABLE ASSESSED VALUATION FOR TAX YEARS 1991 - 2002

TABLE 3

Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount ($)	Percent
1991-92	$82,310,722	---	---
1992-93	82,427,767	117,045	0.14%
1993-94	86,888,300	4,460,533	5.41%
1994-95	91,407,042	4,518,742	5.20%
1995-96	95,724,262	4,317,220	4.72%
1996-97	100,443,438	4,719,176	4.93%
1997-98	107,380,082	6,936,644	6.91%
1998-99	144,416,393	37,036,311	34.49%
1999-00	185,540,633	41,124,240	28.48%
2000-01	223,069,266	37,528,633	20.23%
2001-02	255,889,258	32,819,992	14.71%
2002-03	273,465,897 [1]	17,576,639	6.87%

(1) Preliminary numbers provided by Bexar Appraisal District.

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Bexar Appraisal District and information supplied by the City.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 4

	2001	% OF TOTAL	2000	% OF TOTAL	1999	% OF TOTAL
Real, Residential, Single-Family	$216,824,779	83.54%	$194,524,517	86.56%	$164,235,337	87.23%
Real, Residential, Multi-Family	0	0.00%	0	0.00%	112,100	0.06%
Real, Vacant Lots/Tracts	7,011,423	2.70%	5,752,103	2.56%	5,764,906	3.06%
Real, Acreage (Land Only)	2,411,167	0.93%	2,196,568	0.98%	2,598,451	1.38%
Real, Farm and Ranch Improvements	408,300	0.16%	433,240	0.19%	425,492	0.23%
Real, Commercial	13,943,600	5.37%	12,170,450	5.42%	9,450,950	5.02%
Real, Industrial	0	0.00%	0	0.00%	0	0.00%
Real & Tangible, Personal Utilities	865,680	0.33%	796,370	0.35%	754,340	0.40%
Tangible Personal, Commercial	4,314,840	1.66%	3,634,530	1.62%	3,062,720	1.63%
Tangible Personal, Industrial	279,790	0.11%	384,930	0.17%	308,490	0.16%
Tangible Personal, Mobile Homes	82,500	0.03%	81,000	0.04%	81,500	0.04%
Intangible	12,148,635	4.68%	0	0.00%	2,560	0.00%
Real Property, Inventory	1,267,340	0.49%	4,745,865	2.11%	1,481,020	0.79%
Total Appraised Value	$259,558,054	100.00%	$224,719,573	100.00%	$188,277,866	100.00%
Less:						
Local, Optional Over-65 or Disabled Exemptions	$1,415,000		$ 1,295,000		$ 1,170,000	
Disabled and Deceased Veterans' Exemptions	998,000		860,000		680,000	
Productivity Loss	604,155		619,218		603,956	
Solar	10,807		7,172		61,423	
10% Per Year Cap on Residential Homesteads	1,646,733		910,772		221,854	
Net Taxable Assessed Valuation	$254,883,359		$221,027,411		$185,540,633	

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

Source: State Comptroller's Office, Property Tax Division.

PRINCIPAL TAXPAYERS

TABLE 5

Name	Type of Property	2001 Net Taxable Assessed Valuation	% of Total 2001 Assessed Valuation
Shugard Texas Limited	Storage Center	$ 2,033,960	0.80%
Valson Limited Partnership	Shopping Center	1,940,900	0.76%
Texas American Bank	Bank	800,000	0.31%
Logan, Scott A	Medical Offices	762,400	0.30%
Aplin, Inc.	Post Office	700,800	0.27%
Ramirez, Anthony & Irene	Residential	680,900	0.27%
Nakissa, Nasser & Teresa	Residential	607,700	0.24%
Southwestern Bell	Utility	551,610	0.22%
Jolly, Jerrold P. & Elsa I.	Residential	522,600	0.21%
Yancy, TJ	Vacant	521,400	0.20%
Total		$9,122,270	3.58%

Source: State Comptroller's Office, Property Tax Division.

TAX RATE DISTRIBUTION

TABLE 6

	2001	2000	1999	1998	1997
General Fund	$0.3305	$0.3345	$0.3338	$0.3277	$0.3219
I & S Fund	0.0200	0.0160	0.0194	0.0255	0.0313
Total Tax Rate	$0.3505	$0.3505	$0.3532	$0.3532	$0.3532

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, and the State Comptroller's Office, Property Tax Division.

TAX DATA

TABLE 7

Taxes are due October 1 and become delinquent after February 1. Current collections are those taxes collected through August 31 applicable to the current year's tax levy. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 15% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections Current	% Collections Total	Year Ended
1994	91,407,042	0.3398	310,601	N/A	N/A	9/30/95
1995	95,724,262	0.3540	338,864	N/A	100.45	9/30/96
1996	100,443,438	0.3541	355,670	N/A	99.78	9/30/97
1997	107,380,082	0.3532	379,266	97.88	101.36	9/30/98
1998	144,416,393	0.3532	510,079	93.75	95.55	9/30/99
1999	185,540,633	0.3532	650,966	93.86	95.88	9/30/00
2000	223,069,266	0.3505	774,639	95.75	99.79	9/30/01
2001	255,889,258	0.3505	893,145	89.83	92.52	[As of 7/11/02]

[1] *Preliminary.*

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the State Comptroller's Office, Property Tax Division, and information supplied by the Issuer.

MUNICIPAL SALES TAX

TABLE 8

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. The Issuer has not authorized the additional one-half cent sales tax. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	($) Equivalent of Ad Valorem Tax Rate
1993	$ 100,704	41.08%	0.12%
1994	111,668	35.95%	0.12%
1995	128,768	38.00%	0.13%
1996	139,057	39.10%	0.14%
1997	167,469	44.16%	0.16%
1998	172,528	33.82%	0.12%
1999	161,322	24.78%	0.09%
2000	208,721	26.94%	0.09%
2001	223,926	(As of June 14, 2002)	

Source: State Comptroller's Office of the State of Texas.

NET TAXABLE ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2001 Net Taxable Assessed Valuation	% of Actual	2001 Tax Rate
Alamo Community College District	$ 54,357,874,557	100.00%	0.1046
Bexar County	50,208,852,093	100.00%	0.3208
Northside ISD	14,322,658,868	100.00%	1.7375

Source: The Texas Municipal Reports published by the Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date Authorized	Purpose	Amount Authorized	Issued to Date	Unissued
Alamo CCD	None				
Bexar County	11/02/93	Detention Facility	$79,000,000	$66,999,113	$12,000,887
Northside ISD	09/26/98	Sch. Bldg.	224,000,000	184,000,000	40,000,000
	02/24/01	Sch. Bldg.	484,500,000	200,000,000	284,500,000
	Total		$ 787,500,000	$ 450,999,113	$ 336,500,887

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

OVERLAPPING DEBT DATA AND INFORMATION

(As of July 1, 2002)

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

Taxing Body	Gross Debt	% Overlapping	Amount Overlapping
Alamo Community College District	$ 38,470,565	0.51%	$ 196,200
Bexar County	146,217,332	0.51%	-0-
Northside Independent School District	523,489,963	1.72%	9,004,027
Total Gross Overlapping Debt			$ 9,200,227
Helotes, City of	1,700,000	100.00%	1,700,000
Total Direct and Overlapping Debt			$ 10,900,227
Ratio of Direct and Overlapping Debt to 2001 Assessed Valuation			4.28%
Ratio of Direct and Overlapping Debt to 2001 Actual Value			4.20%

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES AND ANALYSIS OF CHANGES IN FUND BALANCES

TABLE 9

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended			
	9/30/2001	9/30/2000	9/30/1999	9/30/1998
Fund Balance - Beginning of Year	$ 952,667	$ 721,959	$ 385,357	$ 327,294
Revenues	$1,685,455	$1,438,335	$1,369,674	$1,049,929
Expenditures	1,434,236	1,207,628	1,033,072	991,866
Excess (Deficit) of Revenues Over Expenditures	$ 251,219	$ 230,707	$ 336,602	$ 58,063
Other Financing Sources (Uses):				
Operating Transfers In	$ -0-	$ -0-	$ -0-	$ -0-
Operating Transfers Out	-0-	-0-	-0-	-0-
Total Other Financing Sources (Uses):	$ -0-	$ -0-	$ -0-	$ -0-
Fund Balance - End of Year	$ 767,679	$ 636,063	$ 541,196	$ 449,320

According to City Management, FY 2002 Fund Balance is expected to slightly increase.
Source: The Issuer's Annual Financial Reports.

EMPLOYEE'S PENSION PLAN

TABLE 10

Plan Description:

The Issuer provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined contribution plan in the State-wide Texas Municipal Retirement System (TMRS), one of 745 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the Issuer-financed monetary credits, with interest. At the date the plan began, the Issuer granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the Issuer can grant as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the money credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and Issuer matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Deposit Rates	5%
Matching Ratio (City to Employee)	1-1
A member is vested after	10 Years

Members can retire at certain ages, based on the years of service with the City. The service retirement eligibility for the City is 10 year/age 60, 25 years/any age.

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfounded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/00	12/31/99	12/31/98
Actuarial Value of Assets	$ 229,717	$ 207,340	$ 276,043
Actuarial Accrued Liability	224763	232,117	299,959
Percentage Funded	102.2%	89.3%	92.0%
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	$ (4,954)	$ 24,777	$ 23,916
Annual Covered Payroll	448,978	408,816	334,243
UAAL as a Percentage of Covered Payroll	-1.1%	6.1%	7.2%
Net Pension Obligation (NPO) at the Beginning of Period	$ –	$ –	$ –
Annual Pension Cost:			
Annual Required Contribution (ARC)	$ 24,497	$ 23,246	$ 15,084
Interest on NPO	–	–	–
Adjustment to the ARC	–	–	–
Contributions Made	$ 24,497	$ 23,246	$ 15,084
Increase in NPO	–	–	–
NPO at the End of Period	$ –	$ –	$ –

Source. The Issuer's Annual Financial Report for Fiscal Year Ending September 30, 2001.

REVENUE GENERATED BY MUNICIPAL SOLID WASTE SYSTEM **TABLE 11**

[As of August2, 2001]

	Fiscal Year Ended				
	9/30/2002	9/30/2001	9/30/2000	9/30/1999	9/30/1998
Revenue	$ 13,831 [1]	$ 18,219	$ 11,496	$ 10,532	$ 6,911

Pursuant to the provisions of a franchise ordinance adopted by the City Council on March 29, 2000 as permitted by the provisions of Chapter 363, as amended, Texas Health and Safety Code, the City has entered into a contract with Texas Waste Systems Inc. ("Contractor") for the collection and disposal of the City's solid waste, pursuant to which the City receives a percentage of the revenues generated by the Contractor. The contract is for an initial term through April 30, 2003, subject to three-year extension.

[1] *Revenue through June 26, 2002.*

Source: The Issuer.

APPENDIX B

General Information Regarding the City of Helotes and Bexar County, Texas.

GENERAL INFORMATION REGARDING THE CITY OF HELOTES AND BEXAR COUNTY

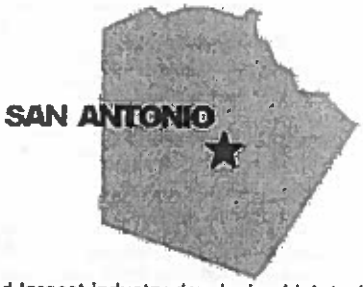
The City of Helotes

Helotes is on State Highway 16 some twenty miles northwest of downtown San Antonio in northwestern Bexar County, approximately two miles outside of Loop 1604. It was first settled around 1856 by Mexicans who intermarried with the Apache Indians camped in the vicinity. A man named Chaca was supposed to have been the first person to build a house and cultivate a cornfield at the site and may have been responsible for the name, which in Spanish means "green roasting ear of corn." A post office opened at Helotes in 1873, and by 1885 the community had a hotel, a school, a general store, a blacksmith, and a population of fifty. By 1914 its population had climbed to 700. Between 1930 and 1945 the number of residents fell to 100, but after the 1960's the town grew steadily. In 1982 it population was 475. During the 1980's, some San Antonio residents moved to the area. The town incorporated in the 1980's and in 1990 had 1,535 inhabitants and forty-eight businesses. The City's 2000 population was 4,285, an increase of 179.15% since 1990.

Source: "The Handbook of Texas Online"; and the Texas Municipal Report published by the Municipal Advisory Council of Texas.

Bexar County

Physical Features: On edge of Balcones Escarpment, Coastal Plain; heavy black to thin limestone soils; spring-fed streams; underground water; mesquite, other brush.



Population 1,260,287 - (Change fm '90) 6.3%

Land Area (sq. mi.) 1,246.9	Altitude (ft.) 486-1,892
Rainfall (in.) 29.1	Jan. mean min 39
July mean max 95	Growing season (days) 265
Av. Weekly Wage $435.32	Prop. Value $33,864,741,782

Retail Sales $11,865,260,086

Economy: Government center with large federal payroll, five military bases, tourism second-largest industry developing high-tech industrial park, research center; education center with 14 colleges.

History: Created 1836 from Spanish municipality named for Duke de Bexar, a colonial capital of Texas.

Recreation: Historic sites include the Alamo, other missions; River Walk; Seaworld; El Mercado (market), La Villita; Tower of the Americas; Brackenridge Park; zoo; symphony orchestra; HemisFair Plaza; Fiesta San Antonio, Institute of Texan Cultures; parks, museums; hunting, fishing.

Minerals: Cement, stone, oil, gas, sand and gravel, lime, clays.

Agriculture: Beef, dairy cattle, other livestock, wheat, peanuts, sorghums, vegetables, hay, corn, commercial nursery stock; some irrigation.

Education: Fourteen colleges including Our Lady of the Lake, St. Mary's University, Trinity University and the University of Texas at San Antonio.

SAN ANTONIO county seat, Texas' third largest city, varied manufacturing with emphasis on high-tech industries; other products include construction equipment, concrete and dairy products; industrial warehousing.

Other towns include: China Grove (1,099); Converse (9,569); Elmendorf (668); Kirby (8,987), Leon Valley (9,981); Live Oak (10,524); St. Hedwig (1,649); Schertz (approximately 15,000), Selma (629); Somerset (1,309); Universal City (14,270).

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San Antonio

Population and Location

The 2000 U.S. Census cites the population of the City to be 1,144,646. The United States Census Bureau ranks the City as the third largest in the State of Texas and the ninth largest in the United States. The City is the county seat of Bexar County which has a population of 1,372,867 according to the 2000 U. S. The City is located in south central Texas approximately 75 miles south of the State Capital in Austin, 140 miles northwest from the Gulf of Mexico, and 150 miles northeast from the Mexican border cities of Del Rio, Eagle Pass, and Laredo.

The following table provides, as of April 1 for the years shown, the population of the City of San Antonio, Bexar County, and the San Antonio Metropolitan Statistical Area (MSA), which includes Bexar, Comal, and Guadalupe Counties:

Year	City of San Antonio	Bexar County	San Antonio MSA
1920	161,399	202,096	238,639
1930	231,542	292,533	333,442
1940	253,854	338,176	376,093
1950	408,442	500,460	542,209
1960	587,718	687,151	736,066
1970	654,153	830,460	888,179
1980	786,023	988,971	1,088,881
1990	935,933	1,185,394	1,324,749
2000	1,144,646	1,372,867	1,564,949

Source: U.S. Census of Population, 1920-2000.

San Antonio Metropolitan Statistical Area (MSA)

The population of the San Antonio MSA, which includes Bexar, Comal, Guadalupe and Wilson Counties, is predicted to increase to nearly 1.75 million by 2005, a growth of some 149,700 over the next five years. This amount reflects a 1.81% annual growth rate. The number of wage and salary workers is expected to rise by approximately 87,700 between 2000 to 2005, representing a 2.12% annual growth rate.

Retail salesa will probably see 6.42% yearly growth and top $28.03 billion over the forecast horizon. From 2000 to 2005, real personal income (by place or residence) is expected to expand by about $8.6 billion. The growth represents a 4.08% per annum rate.

From 1995 to 2000, the three leading industrial sectors in the San Antonio MSA, as measured by the number of jobs added, were services, wholesale and retail trade, and construction. The industries which are expected to employ the most new workers during the 2000 to 2005 period are services, trade, and government.

These industries, number of workers, and the percentage of the San Antonio MSA's projected real gross product (RGP) in 2005 are listed below:

Sector	No. Workers	% Total Jobs	Total RGP	% of RGP
Services	281,388	31.95%	$10,782.308 mln	18.74%
Trade	199,536	22.66%	$10,266.767 mln	17.84%
Government	189,942	21.57%	$ 9,866.396 mln	17.14%

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APPENDIX C

Form of Opinion of Bond Counsel.

FULBRIGHT & JAWORSKI L.L.P.
A REGISTERED LIMITED LIABILITY PARTNERSHIP
300 CONVENT STREET. SUITE 2200
SAN ANTONIO. TEXAS 78205

TELEPHONE: 210/224-5575
FACSIMILE: 210/270-7205

HOUSTON
WASHINGTON, D.C.
AUSTIN
SAN ANTONIO
DALLAS
NEW YORK
LOS ANGELES
MINNEAPOLIS
LONDON
MUNICH
HONG KONG

DRAFT 7/19/02

IN REGARD to the authorization and issuance of the "City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2002" (the *Certificates*), dated August 1, 2002 in the aggregate principal amount of $1,500,000, we have reviewed the legality and validity of the issuance thereof by the City of Helotes, Texas (the *City*). The Certificates are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof, and have stated maturities of February 1 in each of the years 2003 through 2017, unless redeemed prior to stated maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance authorizing the issuance of the Certificates (the *Ordinance*).

WE HAVE SERVED AS BOND COUNSEL for the City solely to pass upon the legality and validity of the issuance of the Certificates under the laws of the State of Texas and with respect to the exemption of the interest on the Certificates from federal income taxes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City or the City's solid waste management system and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. 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, and in rendering the opinions herein we rely upon, original or certified copies of the proceedings of the City Council of the City in connection with the issuance of the Certificates, including the Ordinance; certificates executed by officers of the City relating to the expected use of proceeds of the Certificates and certain other funds of the City and to certain other facts within the knowledge and control of the City; and such other material, including an examination of the Certificate executed and delivered initially by the City, which we found to be in due form and properly executed, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

Legal Opinion of Fulbright & Jaworski L.L.P. in connection with the authorization and issuance of "City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2002"

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the City enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the levy of an ad valorem tax, within the limitations prescribed by law, upon all taxable property in the City and are additionally payable from and secured, by a lien on and pledge of the Pledged Revenues (as defined in the Ordinance), being a limited amount of the Net Revenues (as defined in the Ordinance) derived from the operation of the City's solid waste management system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. In the Ordinance, the City retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (each as defined in the Ordinance) without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

IT IS FURTHER OUR OPINION THAT, assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance and in reliance upon the representations and certifications of the City made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Certificates will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations.

WE CALL YOUR ATTENTION TO THE FACT THAT, with respect to our opinion in clause (2) above, interest on all tax-exempt obligations, such as the Certificates, owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a mutual fund, a financial asset securitization investment trust, a real estate mortgage investment conduit, or a real estate investment trust. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Legal Opinion of Fulbright & Jaworski L.L.P. in connection with the authorization and issuance of "City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2002"

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX D

Excerpts (Table of Contents, Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements), from the City of Helotes, Texas Audited Financial Statements for the fiscal year ended September 30, 2001, and are not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.

City of Helotes, Texas

Annual Financial Statements

September 30, 2001

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CRAWFORD, IVERSON & CO., P.C.
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FAX (210) 340-6732

Independent Auditors' Report

The Honorable Mayor and Members
of the City Council
City of Helotes, Texas

We have audited the accompanying general-purpose financial statements of the City of Helotes, TX as of and for the year ended September 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of Helotes, TX management. Our responsibility is to express an opinion on these general-purpose financial statements 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 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. 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 Helotes, TX, as of September 30, 2001, and the results of its operations for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Crawford, Iverson & Co. P.C.

Crawford, Iverson & Co., P.C.

November 15, 2001

City of Helotes, TX
Combined Balance Sheet - All Fund Types and Account Groups
September 30, 2001

	Governmental Fund Type	
	General	Debt Service
Assets		
Cash	$1,087,920	$ 59,024
Texpool Investment	41,843	--
Receivables:		
Taxes	26,371	--
General	69,971	--
C.O.P.S. Receivable	--	--
Due From Debt Service	15,607	--
Restricted Assets	--	--
General Fixed Assets	--	--
Amount Available in Debt Service Fund	--	--
Amount to be Provided for Retirement of Long-term Debt	--	--
Total Assets	$1,241,712	$ 59,024
Liabilities and Fund Equity		
Liabilities		
Accounts Payable	$ 11,455	$ --
Compensated Absences Payable	--	--
Deferred Revenue	26,371	--
Due to General Fund	--	15,607
General Obligation Debt	--	--
Total Liabilities	37,826	15,607
Equity		
Investment in General Fixed Assets	--	--
Fund Balances		
Unreserved	1,194,481	--
Designated	9,405	--
Reserved for Debt Service	--	43,417
Total Fund Balances	1,203,886	43,417
Total Fund Equity	1,203,886	43,417
Total Liabilities and Fund Equity	$1,241,712	$ 59,024

See Accompanying Notes to Financial Statements.

Account Groups		Totals "Memorandum Only"	
General Fixed Assets	General Long-term Debt	2001	2000
$ --	$ --	$ 1,146,944	$ 928,777
--	--	41,843	39,747
--	--	26,371	29,300
--	--	69,971	56,898
--	--	--	11,075
--	--	15,607	15,609
--	--	--	--
819,096	--	819,096	766,438
--	59,024	59,024	57,649
--	176,562	176,562	193,354
$ 819,096	$ 235,586	$ 2,355,418	$ 2,098,847
$ --	$ --	$ 11,455	$ 41,791
--	15,586	15,586	11,003
--	--	26,371	29,300
--	--	15,607	15,609
--	220,000	220,000	240,000
--	235,586	289,019	337,703
819,096	--	819,096	766,438
--	--	1,194,481	951,053
--	--	9,405	1,613
--	--	43,417	42,040
--	--	1,247,303	994,706
819,096	--	2,066,399	1,761,144
$ 819,096	$ 235,586	$ 2,355,418	$ 2,098,847

City of Helotes, TX
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types
For the Year Ended September 30, 2001

	Governmental Fund Type		Totals "Memorandum Only"	
	General	Debt Service	2001	2000
Revenues				
Ad Valorem Taxes	$ 743,023	$ 33,661	$ 776,684	$ 661,946
Franchise Taxes	151,518	--	151,518	127,368
Sales Taxes	239,347	--	239,347	202,902
Mixed Beverage Tax	26,672	--	26,672	11,257
Licenses and Permits	284,062	--	284,062	257,335
Bingo	2,589	--	2,589	1,054
Municipal Court	200,294	--	200,294	145,990
Interest	33,658	2,020	35,678	21,454
C.O.P.S. Grant	--	--	--	35,529
Other Revenue	4,292	--	4,292	11,824
Total Revenues	1,685,455	35,681	1,721,136	1,476,659
Expenditures				
Administration	266,410	--	266,410	197,691
Municipal Court	115,312	--	115,312	102,661
General Government Buildings	33,753	--	33,753	21,074
Police Department	574,684	--	574,684	457,793
Emergency Services	82,266	--	82,266	68,677
Fire Department	83,305	--	83,305	66,588
Public Works	215,078	--	215,078	185,584
Planning and Zoning	--	--	--	105
Inspections	38,895	--	38,895	53,330
Debt Service	--	34,305	34,305	35,625
Animal Control	3,385	--	3,385	1,382
C.O.P.S. Fast and More	2,794	--	2,794	17,118
Forestry Grant	18,354	--	18,354	--
Total Expenditures	1,434,236	34,305	1,468,541	1,207,628
Excess (Deficit) Revenues Over Expenditures	251,219	1,376	252,595	269,031
Fund Balances at October 1	952,667	42,041	994,708	725,675
Fund Balances at September 30	$1,203,886	$ 43,417	$1,247,303	$ 994,706

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City of Helotes, TX
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Revenue and Debt Service Funds
For the Year Ended September 30, 2001

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Ad Valorem Taxes	$ 766,047	$ 743,023	$ (23,024)
Franchise Taxes	110,836	151,518	40,682
Sales Taxes	165,858	239,347	73,489
Mixed Beverage Tax	8,593	26,672	18,079
Licenses and Permits	226,496	284,062	57,566
Bingo	1,541	2,589	1,048
Municipal Court	144,394	200,294	55,900
Interest	18,257	33,658	15,401
C.O.P.S. Grant	21,257	--	(21,257)
Other Revenue	16,803	4,292	(12,511)
Total Revenues	1,480,082	1,685,455	205,373
Expenditures			
Administrative	233,510	266,410	32,900
Municipal Court	120,953	115,312	(5,641)
General Government Buildings	62,195	33,753	(28,442)
Police Department	513,878	574,684	60,806
Emergency Services	60	82,266	82,206
Fire Department	83,304	83,305	1
Public Works	222,936	215,078	(7,858)
Planning and Zoning	280	--	(280)
Inspections	56,400	38,895	(17,505)
Debt Service	35,460	--	(35,460)
Animal Control	1,843	3,385	1,542
C.O.P.S. Fast and More	34,285	2,794	(31,491)
Forestry Grant	--	18,354	18,354
Total Expenditures	1,365,104	1,434,236	69,132
Excess (Deficit) Revenues Over Expenditures	114,978	251,219	136,241
Fund Balance at October 1	952,667	952,667	--
Fund Balance at September 30	$1,067,645	$1,203,886	$ 136,241

See Accompanying Notes to Financial Statements.

Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)
$ 35,429	$ 33,661	$ (1,768)
--	--	--
--	--	--
--	--	--
--	--	--
--	--	--
--	--	--
--	--	--
--	2,020	2,020
--	--	--
--	--	--
35,429	35,681	252
--	--	--
--	--	--
--	--	--
--	--	--
--	--	--
--	--	--
35,460	34,305	(1,155)
--	--	--
--	--	--
--	--	--
35,460	34,305	(1,155)
(31)	1,376	1,407
42,041	42,041	--
$ 42,010	$ 43,417	$ 1,407

Note 1 - Summary of Accounting Policies

The City of Helotes, TX (the "City") was incorporated in 1981, under the provisions of the State of Texas. The City operates under as a General Law City.

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

The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Helotes, TX. The financial statements presented herein do not include any dependent agencies.

Basis of Presentation

The accounts of the City are organized 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 by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Governmental Fund Types

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.

Debt Service Fund

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

Note 1 - Summary of Accounting Policies-(Continued)

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurements focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. All major revenues are susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation and (2) principal and interest on general long-term debt which is recognized when due.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control devise during the year for the General Fund.

2. The City Council approves, by ordinance, the total budget appropriation.

3. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Restricted Assets

Restricted assets consist of cash restricted for police department use obtained from the sale of seized property and a donation received from the defunct Helotes Chamber of Commerce for permanent improvements to City facilities.

Deposits and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date of three months or less.

The City's investment policy authorizes investment instruments consistent with governing law (Government Code 2256) as follows:

Note 1 - Summary of Accounting Policies-(Continued)

Deposits and Investments (Continued)

Assets of Funds of the government of the City of Helotes may be invested in:

1. U.S. Treasury securities maturing in less than three (3) years;
2. Short-term obligations of U.S. government agencies;
3. Fully insured or collateralized certificates of deposits at commercial banks and savings and loan agencies;
4. Repurchase agreements collateralized by U.S. Treasury or U.S. government agency securities;
5. Local government investment pools which are rated in the highest investment category by at least one nationally recognized rating service.

Property, Plant and Equipment and Long-term Liabilities

The accounting and reporting treatment applied to property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Property, plant and equipment used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on such property, plant and equipment.

All property, plant and equipment are valued at historical cost or if donated are recorded at fair market value at the date received.

The City has adopted the accounting policy of not capitalizing "infrastructure" general fixed assets (roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the City).

Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

Note 1 - Summary of Accounting Policies-(Continued)

Property, Plant and Equipment and Long-term Liabilities (Continued)

These two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-term Debt Account Group.

Inventory

Supplies and materials used for operations and repairs are purchased as needed and accordingly, no stock of supplies is maintained.

Encumbrance Accounting

Encumbrances for goods on purchased services are documented by purchase orders or contracts. Appropriations lapse at September 30 and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget.

Accumulated Compensated Absences

It is the City's policy to permit employees to accumulate an amount of earned but unused vacation, which will be paid to employees upon separation from the City's service. This accumulation of vacation leave cannot exceed 80 hours for a 40-hour employee or 60 hours for a 30 hour employee. In governmental funds the cost of vacation and sick leave is recognized when payments are made to employees.

Property Taxes - Revenue Recognition

Taxes are levied on October 1 and are due and payable at that time. Property taxes attach as an enforceable lien on property as of January 1. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. Delinquent taxes are fully reserved.

Note 1 - Summary of Accounting Policies-(Continued)

Pension Plan

The City is a member of the Texas Municipal Retirement System which covers all full-time employees. The City had an unfunded actuarial accrued liability at September 30, 2001 totaling $4,954.

General Obligation Bonded Debt Service

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The ad valorem tax rate allocated to the Debt Service Fund, at the beginning of each year, is based on the projected annual requirement for debt service on general obligation bonded debt.

Designation of Fund Balances

The City records Fund Designations to indicate that a portion of the fund balance is segregated for a specific future use. The following details the description and amount of all designated funds used by the City.

	Balance at September 30, 2001
Police Seizure Fund	$ 2,286
Municipal Court Technology Funds	7,119
Total	$ 9,405

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 in each of the statements) has not been presented since their inclusion would make the statements unduly complex and difficult to read.

Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2 - Cash and Investments

All cash and certificates of deposit are held in one financial institution in the name of the City. These deposits were insured throughout the year and at the financial statement date by a combination of FDIC insurance coverage and pledged U.S. Government Securities.

Deposits

At year end, the carrying amount of the City's deposits was $1,146,942 and the bank balance was $1,375,237. Compass Bank, as the City's depository, had pledged $4,704,544 in their assets to fully collateralize the City's deposits in addition to FDIC coverage.

Investments

The City's investments are categorized as either (1) insured or registered or for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the City's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

	Categories			Carrying	Market
	1	2	3	Amount	Value
State and U.S. Government Securities	$ 41,843	$ --	$ --	$ 41,843	$ 41,843
Total Investments	$ 41,843	$ --	$ --	$ 41,843	$ 41,843

Investments totaling $41,843 were invested in Texpool, an investment service for public funds at the statement date. These investments are category 1 investments.

Note 3 - Accounts Receivable

Accounts Receivable, other than taxes receivable, are considered fully collectable by the City. Accordingly, no allowance for losses is recognized in the financial statements. Taxes are fully reserved and are recorded as revenue when collected.

Note 4 - General Fixed Assets Account Group

The following is a summary of Changes in the General Fixed Assets Account Group:

	Balance October 1, 2000	Additions	Deletions	Balance September 30, 2001
Police Equipment	$ 150,454	$ 23,619	$ --	$ 174,073
Office Furniture and Equipment	46,926	26,823	--	73,749
Emergency Equipment	385	--	--	385
Road Equipment	190	--	--	190
Public Works	78,686	--	--	78,686
City Hall Facilities	489,797	2,216	--	492,013
Totals	$ 766,438	$ 52,658	$ --	$ 819,096

Note 5 - Changes in General Long-term Debt Account Group

The following is a summary of the Compensated Absences and General Obligation Debt 1993 Bonds of the City for the year ended September 30, 2001:

	Balance October 1, 2000	Additions	Reductions	Balance September 30, 2001
General Obligation Bonds	$ 240,000	$ --	$ 20,000	$ 220,000
Compensated Absences	11,003	4,583	--	15,586
	$ 251,003	$ 4,583	$ 20,000	$ 235,586

The General Long-term Debt as of September 30, 2001 follows:

(1) General Obligation Bonds, Series 1993, in the original sum of $350,000 to provide funds for the construction of a Municipal Complex. General Obligation bonds are direct obligation and pledge the full faith and credit of the City.	$ 220,000
(2) Compensated Absences	15,586
Total Compensated Absences and General Obligation Bonds, Series 1993	$ 235,586

Note 5 - Changes in General Long-term Debt Account Group-(Continued)

The annual requirements to amortize the General Obligation Bonds, Series 1993 as of September 30, 2001 follows:

Summary of Debt Service Requirements to Maturity

General Obligation Bonds

Year Ending September 30,	Principal	Interest	Total
2002	$ 20,000	$ 13,145	$ 33,145
2003	25,000	11,820	36,820
2004	25,000	10,320	35,320
2005	25,000	8,795	33,795
2006	30,000	7,083	37,083
2007	30,000	5,185	35,185
2008	30,000	3,250	33,250
2009	35,000	1,137	36,137
	$ 220,000	$ 60,735	$ 280,735

Interest rates range from 7.5% to 5.5%.

Note 6 - Contingent Liabilities

The City contracts in the form of inter-local agreements with the Texas Municipal League (TML) to provide the following types of insurance coverage through an intergovernmental risk pool:

Liability/Property
Workers' Compensation

These multi-employer accounts provide for a combination of modified self-insurance and stop loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the amounts calculated by the inter-local agreements.

Note 7 - Budget Presentation

The original City budget is adopted by the City Council prior to the beginning of the fiscal year and amended, as required, during the year. Budgets are prepared for the General and Debt Service Funds, and the final amended budget for each of these funds is used in the accompanying financial statements.

Note 8 - Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 9 - Pension Plans

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 745 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Deposit Rates	5%
Matching Ratio (City to Employee)	1-1
A member is vested after	10 years

Members can retire at certain ages, based on the years of service with the City. The service retirement eligibility for the City is 10 years/age 60, 25 years/any age.

Note 9 - Pension Plans (Continued)

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Schedule of Actuarial Liabilities and Fund Progress

Actuarial Valuation Date	12-31-00	12-31-99	12-31-98
Actuarial Value of Assets	$229,717	$207,340	$276,043
Actuarial Accrued Liability	$224,763	$232,117	$299,959
Percentage Funded	102.2%	89.3%	92.0%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	$(4,954)	$ 24,777	$ 23,916
Annual Covered Payroll	$458,978	$408,816	$334,243
UAAL as Percentage of Covered Payroll	-1.1%	6.1%	7.2%
Net Pension Obligation (NPO) at the Beginning of Period	$ --	$ --	$ --
Annual Pension Cost:			
Annual Required Contribution (ARC)	$ 24,497	$ 23,246	$ 15,084
Interest on NPO	$ --	$ --	$ --
Adjustment to the ARC	$ --	$ --	$ --
Contributions Made	$ 24,497	$ 23,246	$ 15,084
Increase in NPO	$ --	$ --	$ --
NPO at the End of Period	$ --	$ --	$ --

Note 9 - Pension Plans-(Continued)

Actuarial Valuation Date	12-31-97	12-31-96	12-31-95
Actuarial Value of Assets	$228,341	$187,303	$149,818
Actuarial Accrued Liability	$249,464	$203,879	$162,465
Percentage Funded	91.5%	91.9%	92.2%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	$ 21,123	$ 16,576	$ 12,647
Annual Covered Payroll	$256,689	$262,150	$230,963
UAAL as Percentage of Covered Payroll	8.2%	6.39%	4.82%
Net Pension Obligation (NPO) at the Beginning of Period	$ --	$ --	$ --
Annual Pension Cost:			
Annual Required Contribution (ARC)	$ 10,774	$ 8,919	$ 6,902
Interest on NPO	$ --	$ --	$ --
Adjustment to the ARC	$ --	$ --	$ --
Contributions Made	$ 10,774	$ 8,919	$ 6,902
Increase in NPO	$ --	$ --	$ --
NPO at the End of Period	$ --	$ --	$ --

The City of Helotes is one of 745 municipalities having the benefit plan administered by TMRS. Each of the 745 municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2000 valuations are contained in the 2000 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

Note 10 – Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the current year presentation.

Note 11 - New Reporting Standard

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*" This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years will be affected. The City is required to implement this standard for the fiscal year ending September 30, 2004. The City has not determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

NEW ISSUE - BOOK-ENTRY-ONLY

Ratings: S&P: "AAA"
"FSA" Insured"
(See "OTHER PERTINENT INFORMATION – Ratings"
and "BOND INSURANCE" herein)

OFFICIAL STATEMENT
Dated August 8, 2002

In the opinion of Bond Counsel, assuming continuing compliance by the Issuer after the date of initial delivery of the Certificates with certain covenants contained in the Ordinance authorizing the Certificates and subject to the matters described under "TAX MATTERS" herein, interest on the Certificates under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as described herein, corporations. (See "TAX MATTERS" herein.)

The Issuer will designate the Certificates as "Qualified Tax-Exempt Obligations"

$1,500,000
CITY OF HELOTES, TEXAS
(Bexar County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2002

Dated Date: August 1, 2002 **Due: February 1, as shown below**

The $1,500,000 City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2002 (the "Certificates") are being issued pursuant to the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through 271.063, Section 363.135, as amended, Texas Health and Safety Code, and an ordinance (the "Ordinance") adopted by the City Council. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates will constitute direct and general obligations of the Issuer payable from ad valorem taxes levied against all taxable property therein, within the limits prescribed by law, and further secured by a lien on and pledge of the Pledged Revenues (derived from Issuer's municipal solid waste system (the "System") not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding). In the Ordinance, the Issuer has reserved the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Interest on the Certificates will accrue from the dated date as shown above and will be payable February 1 and August 1 of each year, commencing February 1, 2003, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida, to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.) Proceeds from the sale of the Certificates will be used for the purpose or purposes of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes including: (1) constructing street improvements (including utilities repair, replacement, and relocation) and drainage incidental thereto; (2) constructing drainage improvements; (3) constructing renovations and improvements to the existing City Hall; (4) constructing renovations and improvements to the existing police department; (5) constructing a new fire station; (6) constructing a new police facility; (7) the purchase of materials, supplies, equipment, machinery, land, rights-of-way for authorized needs and purposes relating to the new fire station and for police purposes, and (8) the payment of professional services related to the construction and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

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

STATED MATURITY SCHEDULE
(Due February 1)

Stated Maturity	Principal Amount	Rate (%)	Yield (%)	Stated Maturity	Principal Amount	Rate (%)	Yield (%)
2003	$ 70,000	3.50	1.50	2010	$ 95,000	4.00	3.55
2004	70,000	3.50	1.70	2011	100,000	4.00	3.70
2005	75,000	3.50	2.15	2012	110,000	4.00	3.80
2006	80,000	3.75	2.50	2013	115,000	4.00	3.90
2007	85,000	3.75	2.80	2014	120,000	4.00	4.00
2008	90,000	3.75	3.10	2015	125,000	4.20	4.25
2009	95,000	4.00	3.35	2016	130,000	4.25	4.35
				2017	140,000	4.35	4.45

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2013, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2012, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provision of the Certificates" herein.)

The Certificates are offered for delivery, when, as and if issued and received by the initial purchasers (the "Purchasers") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Fulbright & Jaworski L.L.P., Bond Counsel, San Antonio, Texas. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions And No-Litigation Certificate" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about September 5, 2002.

CITY OF HELOTES, TEXAS
P.O. Box 507
Helotes, Texas 78023-0507
(210) 695-8877

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)	Occupation
Steven F. Hodges Mayor	9	2003	Real Estate Manager, City of San Antonio
Garrie Gillaspie Mayor Pro Tem	4 ½	2003	Teacher
Jim Caruso Councilmember	¼	2004	Police Officer, Hill Country Village
Barbara Jane Galland Councilmember	4 ½	2004	Housewife, retired
Charles James Councilmember	¼	2004	IT Consultant and Developer
David Matthew Umbel Councilmember	1 ½	2003	Residential Construction

ADMINISTRATION

Name	Position	Length of Service With the City (Years)
Marie Gelles	City Administrator	1
Judy Tokar	City Secretary	6 months

CONSULTANTS AND ADVISORS

Bond Counsel ..... Fulbright & Jaworski L.L.P.
San Antonio, Texas

Certified Public Accountants ..... Crawford, Iverson & Co., P.C.
San Antonio, Texas

Financial Advisor ..... SWS Securities
San Antonio, Texas

For Additional Information Please Contact:

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City Administrator
City of Helotes
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Helotes, Texas 78023-0507
(210) 695-8877 – Phone
(210) 695-2123 – Fax

Mark M. McLiney
SWS Securities
711 Navarro, Suite 490
San Antonio, Texas 78205
(210) 226-8677 – Phone
(210) 226-8299 - Fax

USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those 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 Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

The Financial Advisors have provided the following sentence for inclusion in this Official Statement. The Financial Advisors have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisors do not guarantee the accuracy or completeness of such information.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

Neither the City nor the Financial Advisors makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System.

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Specimen Insurance Policy issued by Financial Security Assurance Inc. ..... Appendix F

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

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Helotes, Texas (the "Issuer" or "City") is located directly adjacent to San Antonio approximately 20 miles northwest of downtown San Antonio, Texas off State Highway 16, approximately 2 miles outside of Loop 1604. The City's 2000 population was 4,285, an increase of 179.15% since 1990 and currently stands at 4,700. (See Appendix B - "General Information of the Issuer and Bexar County, Texas" herein.)
The Certificates	The Certificates are being issued pursuant to the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through Section 271.063, Section 363.135, as amended, Texas Health and Safety Code, and an ordinance (the "Ordinance") adopted by the City Council.
Paying Agent/Registrar	The initial Paying Agent/Registrar is The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida.
Security	The Certificates will constitute direct and general obligations of the Issuer payable from ad valorem taxes levied against all taxable property therein, within the limits prescribed by law, and further secured by a lien on and pledge of the Pledged Revenues (derived from Issuer's municipal solid waste system (the "System") not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding). In the Ordinance, the Issuer has reserved the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)
Redemption Provision of the Certificates	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2013 on February 1, 2012, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof plus accrued interest to the date fixed for redemption. (See "THE CERTIFICATES - Redemption Provision of the Certificates" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing law, subject to matters discussed herein under "TAX MATTERS". (See "TAX MATTERS" and Appendix C - "Form of Opinion of Bond Counsel" herein.)
Qualified Tax-Exempt Obligations	The Issuer will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
Tax Exemption	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing law subject to matters discussed herein under "Tax Exemption". (See "TAX EXEMPTION" and APPENDIX C - "Form of Bond Counsel's Opinion" herein.)
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used for the purpose or purposes of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes including: (1) constructing street improvements (including utilities repair, replacement, and relocation) and drainage incidental thereto; (2) constructing drainage improvements; (3) constructing renovations and improvements to the existing City Hall; (4) constructing renovations and improvements to the existing police department; (5) constructing a new fire station; (6) constructing a new police facility; (7) the purchase of materials, supplies, equipment, machinery, land, rights-of-way for authorized needs and purposes relating to the new fire station and for police purposes, and (8) the payment of professional services related to the construction and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Bond Insurance	The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by FINANCIAL SECURITY ASSURANCE INC. (See "BOND INSURANCE" herein.)
Ratings	Standard & Poor's Ratings Services, A Division of The McGraw-Hill Companies, Inc. ("S&P") has rated the Certificates "AAA" based upon a municipal bond insurance policy issued by FINANCIAL SECURITY ASSURANCE INC. (See "BOND INSURANCE" and "OTHER PERTINENT INFORMATION - Ratings" herein.)
Payment Record	The City has never defaulted on the payment of its general obligation or revenue indebtedness.
Future Bond Issues	The Issuer does not anticipate the issuance of any additional debt in 2002.
Delivery	When issued, anticipated on or about September 5, 2002.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Fulbright & Jaworski L.L.P., San Antonio, Texas, Bond Counsel

THE CERTIFICATES

General Description of the Certificates

The Certificates will be dated August 1, 2002, will mature on the dates and in the principal amounts and will bear interest at the rates set forth on the cover page of this Official Statement. The Certificates will be registered and will be in denominations of $5,000 or any integral multiple thereof. The Certificates will bear interest from August 1, 2002, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2003. Principal and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida, as the initial Paying Agent/Registrar, as of the fifteenth (15th) day of the month next preceding such interest payment date, by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The $1,500,000 City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2002 (the "Certificates") are being issued pursuant to the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through 271.063, as amended, Section 363.135, as amended, Texas Health and Safety Code, and an ordinance (the "Ordinance") adopted by the City Council.

Security for the Certificates

The Certificates will constitute direct and general obligations of the Issuer payable from ad valorem taxes levied against all taxable property therein, within the limits prescribed by law, and further secured by a lien on and pledge of the Pledged Revenues (derived from Issuer's municipal solid waste systems (the "System") not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding). In the Ordinance, the Issuer has reserved the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "TAX RATE LIMITATIONS" herein.)

Redemption Provision of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature February 1, 2013 in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar) on February 1, 2012, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

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

Certificates of a denomination larger than $5,000 may be redeemed in part ($5,000 or any integral multiple thereof). Any Certificate to be partially redeemed must be surrendered in exchange for one or more new Certificates of the same stated maturity and interest rate for the unredeemed portion of the principal.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose or purposes of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes including: (1) constructing street improvements (including utilities repair, replacement, and relocation) and drainage incidental thereto; (2) constructing drainage improvements; (3) constructing renovations and improvements to the existing City Hall; (4) constructing renovations and improvements to the existing police department; (5) constructing a new fire station; (6) constructing a new police facility; (7) the purchase of materials, supplies, equipment, machinery, land, rights-of-way for authorized needs and purposes relating to the new fire station and for police purposes, and (8) the payment of professional services related to the construction and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Payment Record

The City has never defaulted on the payment of its general obligation or revenue indebtedness.

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of or any installment of interest on any Certificate is due and payable, reduce the principal amount thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (2) give any preference to any Certificate over

any other Certificate, or (3) reduce the aggregate principal amount of the Certificates required for consent to any amendment, addition, or waiver.

Defeasance

The Ordinance provides that any Certificate will be deemed paid and shall no longer be considered to be outstanding within the meaning of the Ordinance when payment of principal of and interest on such Certificate to its stated maturity has been made or provided for. Payment may be provided for by deposit of any combination of (1) money in an amount sufficient to make such payment and (2) Government Securities (as defined in the Ordinance). Any such deposit must be certified by an independent public accountant to be of such maturities and interest payment dates and bear such interest as will, without reinvestment, be sufficient to make the payment to be provided for on the Certificates.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. Provided, however, the City has reserved the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates 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 Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates 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.

Default and Remedies

The Ordinance does not establish specific events of default with respect to the Certificates. Under State law there is no right to the acceleration of maturity of the Certificates upon the failure of the Issuer to observe any covenant under the Ordinance. If the Issuer defaults in the payment of the principal of or interest on any of the Certificates when due or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Ordinance, any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the Issuer to make such payment or observance and perform such covenant, obligations, or condition. Such right is in addition to any other rights the registered owners of the Certificates may be provided by the laws of the State of Texas. The principal of and interest on the Certificates will not be accelerated upon default and there is no security interest granted in any property owned in the City. Although a registered owner of Certificates could presumably obtain a judgment against the Issuer if a default occurred in the payment of principal of or interest on any such Certificates, such judgment could not be satisfied by execution against any property of the Issuer. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the Issuer to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and/or interest on the Certificates as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The Ordinance does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the Issuer to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the Issuer is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Issuer avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida. In the Ordinance the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates affected by the change by United States mail, first-class, postage prepaid.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any interest payment date means the fifteenth (15th) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "Special Record Date for Interest Payment" herein.)

Future Registration

In the event the Certificates are not in the Book-Entry-Only System, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates.)

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of an Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last day next preceding the date of mailing of such notice.

Limitation on Transfer of Certificates

Neither the Issuer nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Certificate called for redemption, in whole or in part (1) to transfer or exchange any Certificate during a period beginning at the opening of business fifteen (15) days before the day of the first mailing of a notice of redemption of Certificates hereunder and ending at the close of business on the day of such mailing or (2) thereafter to transfer or exchange in whole or in part any Certificate so selected for redemption.

Replacement Certificates

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates. The Certificates 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 certificate will be issued for the Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500

million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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 its 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 the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as 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 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of the Certificates ("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 interest in the Certificates 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 the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 Certificates 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 the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Certificates 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 Issuer 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 Issuer, 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 Issuer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Certificates purchased or tendered, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the Certificates, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Certificates to the Paying Agent/Registrar's DTC account.

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

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 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 Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Certificates, the Issuer will have no obligation or responsibility to the DTC Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

Use of Certain Terms in Other Sections of this Official Statement

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

BOND INSURANCE

Bond Insurance Policy

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

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At March 31, 2002, Financial Security's total policyholders' surplus and contingency reserves were approximately $1,644,743,000 and its total unearned premium reserve was approximately $841,749,000 in accordance with statutory accounting principles. At March 31, 2002, Financial Security's total shareholders' equity was approximately $1,746,106,000 and its total net unearned premium reserve was approximately $693,860,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Certificates. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

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

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

INVESTMENT POLICIES

The Issuer invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the Issuer. Both state law and the Issuer's investment policies are subject to change.

Legal Investment

Under Texas law, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) certificates of deposit issued by a state or national bank, savings bank, or a state or federal credit union, which is domiciled in the State of Texas, that are guaranteed or insured by the Federal deposit Insurance Corporation, guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (5) or in any other manner and amount provided by law for Issuer deposits, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), requires the securities being purchased by the Issuer to be pledged to the Issuer, held in the Issuer's name, and deposited at the time the investment is made with the Issuer or with a third party selected and approved by the Issuer, and are placed through a primary government securities dealer or a finalcial institution doing business in the State of Texas, (8) bankers' acceptances with the remaining term of 270 days or less, which will be liquidated in full at maturity, is eligible for collateral for borrowing from a federal Reserve Bank, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1, or the equivalent by at least one nationally recognized credit rating agency, (9) commercial paper with a stated maturity of 270 days or less and is rated at least A-1 or P-1or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (10) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and provide the Issuer with a prospectus and other information required by the Securities and Exchange Act of 1934 or the Investment Act of 1940, (11) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceeding clauses; are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and conforms to the requirements for eligible investment pools, (12) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or AAA-m or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days, (13) bonds issued, assumed, or guaranteed by the State of Israel, and (14) guaranteed investment contracts secured by obligations of the United States of America or its agencies and instrumentalities, other than prohibited obligations described in the next succeeding paragraph, with a defined termination date, and pledged to the Issuer and deposited with the Issuer or a third party selected and approved by the Issuer.

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

Investment Policies

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

type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, Issuer investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the Issuer shall submit an investment report detailing: (1) the investment position of the Issuer, (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 Issuer funds without express written authority from the City Council.

Additional Provisions

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

Current Investments **TABLE 1**

Investments at July 10, 2002 totaled $1,271,622 and consisted of money market trust accounts and Texpool.

	Amount	Percentage
Money Market	$ 1,229,174	96.66%
TexPool	42,448	3.34%
	$1,271,622	100.00%

As of such date, the market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Issuer are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

AD VALOREM TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Tax Code ") provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Bexar Appraisal District (the "Appraisal District") is responsible for appraising property within the City generally as of January 1 of each year. The appraisal values set by the Appraisal District are subject to review and change by the Bexar Appraisal Review Board (the "Appraisal Review Board") which is appointed by the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the Issuer in establishing its tax roll and tax rate.

Property Subject to Taxation by the Issuer

Except for certain exemptions provided by Texas law, all real and certain tangible personal property with a tax situs in the City are subject to taxation by the Issuer. Principal categories of exempt property (including certain exemptions which are subject to local option by the City Council) include property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which the Issuer has agreed to abate ad valorem taxes, certain household goods, family supplies and personal effects; farm products owned by the producers; certain property of a non-profit corporation used in scientific research and educational activities benefiting a college or university, and designated historical sites. Other principal categories of exempt property include tangible personal property not held or used for production of income, solar and wind-powered energy devices; most individually owned automobiles; certain varying amounts of valuation attributable to residential homesteads of persons ages 65 or over and property of disabled veterans or their surviving spouses or children; and certain classes of intangible property. Owners of agricultural and open space land, under certain circumstances, may request valuation of such land on the basis of productive capacity rather than market value.

Valuation of Property for Taxation

Generally, property in the City must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal role is prepared and finally approved by the Appraisal Review Board, it is used by the Issuer in establishing its tax rolls and tax rate. Assessments under the Tax Code are to be based on one hundred percent (100%) of market value, except as described below, and no assessment ratio can be applied.

Article VIII of the Texas Constitution and the Tax Code permits land designated for agricultural use (Section 1-d), open space or timberland (Section 1-d-1) to be appraised at the lesser of its value based on the land's capacity to produce agricultural or timber products or its market value. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Tax Code to act on each claimant's right to the designation individually. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the Issuer can collect taxes based on the new value, including three (3) years for agricultural use and five (5) years for agricultural open space land and timberland prior to the loss of the designation. The same land may not be qualified under both Section 1-d and 1-d-1.

The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. The Issuer, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the City or an estimate of any new property or improvements within the City. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the City, it cannot be used for establishing a tax rate within the City until such time as the Appraisal District chooses to formally include such values on its appraisal role.

Residential Homestead Exemptions

Under Section 1-b, Article VIII of the Texas Constitution, 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. The Issuer has not elected to grant this additional exemption.

2. An exemption of up to 20% of the market value of residence homesteads; minimum exemption $5,000. The Issuer has not elected to grant this additional exemption.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the Contract by which the debt was created. The Issuer has not granted the additional exemption.

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 maximum of $12,000.

Freeport Goods Exemption

Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and other petroleum products, which have been acquired or brought into the State for assembling, storing, manufacturing, repair, maintenance, processing or fabricating, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the State within 175 days. As a result of a State constitutional amendment passed by Texas Voters on November 7,

1989, goods in transit ("freeport goods") are exempted from taxation effective January 1, 1990. The Issuer took official action before January 1, 1990 to tax Article VIII, Section 1-j exempt property.

Tax Abatement

The Issuer may designate areas within the City as a reinvestment zone. Thereafter, the Issuer may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity with taxing authority over the property will follow in granting tax abatement to owners of property. The tax abatement agreement may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the Issuer, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. The terms of all tax abatement agreements must be substantially the same.

The Issuer has entered into an abatement agreement with Aerospace Plating and has adopted criteria therefor, which is a prerequisite to the execution of abatement agreements. The Agreement will abate 10% of real property improvements for 6 years.

Issuer and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the Issuer, may appeal the orders of the Appraisal Review Board by filing a timely petition for review in district court within 45 days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party, or through binding arbitration, if requested by the taxpayer. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code.

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

The Financial Institutions Act of 1989

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

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

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

Levy and Collection of Taxes

The Issuer is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. Before the later of September 30th or the 60th day after the date the certified appraisal roll is received by the taxing unit, the rate of taxation is set by the Issuer based upon the valuation of property within the City as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the Issuer. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. The Issuer does not allow split payments and discounts.

Issuer's Rights in the Event of Tax Delinquencies

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

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

TAX RATE LIMITATIONS

Article XI, Section 4 of the Texas Constitution, applicable to cities of 5,000 or less: $1.50 per $100 assessed valuation for all municipal purposes.

No direct funded debt limitation is imposed on the City under current Texas law. Article XI, Section 4 of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 assessed valuation for all City purposes. The Texas Attorney General has adopted an administrative policy that generally prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from $1.00 of the foregoing $1.50 maximum tax rate calculated at 90% collection. The issuance of the Certificates does not violate this constitutional provision or the Texas Attorney General's administrative policy.

Before the later of September 30th or the 60th day after the date the certified appraisal roll is received by the taxing unit, the Board adopts a tax rate per $100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

The Tax Code:

The City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The City Council may not adopt a tax rate that exceeds the lower of the rollback rate or 103% of the effective tax rate until it has held a public hearing on the proposed increase following notice to the taxpayers and otherwise complied with the Tax Code. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the City, by petition, may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (adjusted) divided by the anticipated tax collection rate.

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

The Tax Code provides certain cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. Further, the Tax Code provides certain cities the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for economic development purposes, if approved by a majority of the voters in a local option election. The Issuer has authorized the additional one-half cent sales tax.

TAX MATTERS

Tax Exemption

The delivery of the Certificates is subject to the delivery of the opinion of Fulbright & Jaworski L.L.P., San Antonio, Texas, Bond Counsel to the Issuer ("Bond Counsel"), to the effect that interest on the Certificates under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates (the "Code"), of the owners thereof for federal income tax purposes, pursuant to Section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

Interest on all tax-exempt obligations owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a financial asset securitization investment trust, a real estate investment trust, or a real estate mortgage investment conduit. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the Issuer made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Certificates and certain other funds of the Issuer. As described above, Bond Counsel will assume continuing compliance with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, if required, the periodic calculation and payment to the United States Treasury of any arbitrage "profits" from the investment of the proceeds of the Certificates and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Certificates to be includable in the gross income of the owners thereof for federal income tax purposes from the date of the issuance of the Certificates.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal tax consequences to, among others, financial institutions (see discussion under the caption "Qualified Tax-Exempt Obligations" herein), life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Certificates is commenced, under current procedures the Service is likely to treat the Issuer as the "taxpayer", and the Owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the Issuer may have different or conflicting interests from the Owners. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Tax Accounting Treatment of Discount and Premium on Certain Certificates

The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that at least 10% of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption". Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see discussion under the caption "Qualified Tax-Exempt Obligations" herein), life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Certificates (the "Premium Certificates") may be greater than the stated redemption price on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that at least 10% of the Premium Certificates of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, Section 265 of the Code completely disallows any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the Issuer, as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The Issuer intends to designate the Certificates as "qualified tax-exempt obligations" and certify its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under Section 265(b) of the Code. However, 20% of the interest expense incurred by a financial institution which is allocable to the interest on the Certificates will not be deductible pursuant to Section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Certificates qualifies for the SEC Rule 15c2-12(d)(2) exemption from SEC Rule 15c2-12(b)(5) regarding the Issuer's continuing disclosure obligations because the Issuer has not issued more than $10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Certificates. Pursuant to the exemption, the Issuer in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the Issuer 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.

Updated Information and Data

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the Issuer must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file each audit report within 120 days after the close of the Issuer's fiscal year. The Issuer's fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the Issuer's audit reports to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The Issuer will provide certain financial information and operating data, which is customarily prepared by the City and is publicly available, upon written request of any person. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type disclosed in Table 1 herein and Tables 1 through 11 in Appendix A and certain information in the annual financial statements in Appendix D. The Issuer will provide the updated information to any person upon request made to the Issuer in writing; provided that the Issuer reserves the right at any time to commence making filings of such information with the Texas State Information Depository (the "SID") (if any, and if none, to each NRMSIR, as defined below) in lieu of providing such information to persons upon request.

The Issuer 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 updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the Issuer will provide unaudited financial statements for the applicable fiscal year to each NRMSIR and any SID, with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the end of March in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify each nationally recognized municipal securities information repository ("NRMSIR") and any SID of the change.

Material Event Notices

The Issuer will also provide timely notices of certain events to certain information vendors. The Issuer will provide notice of any of the following events with respect to the Certificates, if such event is material to a decision to purchase or sell Certificates: (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 Certificates; (7) modifications to rights of holders of the Certificates; (8) Certificate calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates; and (11) rating changes. Neither the Certificates nor the Ordinance make any provision for debt service reserves or liquidity enhancement. In addition, the Issuer will provide timely notice of any failure by the Issuer to provide information, data, or financial statements in accordance with its agreement described above under "Updated Information and Data". The Issuer will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

Availability of Information from NRMSIRs and SID

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

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

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of material events only as described above. The Issuer 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 Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The Issuer 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 or beneficial owners of Certificates may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer 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 Issuer, if the agreement, as amended, would have permitted an Purchaser to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The Issuer may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Issuer also may amend the provisions of this Article in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an Purchaser from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Updated Information and Data" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

The City has not previously made a continuing disclosure agreement in accordance with SEC Rule 15c2-12.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchasers with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Bond Counsel is engaged by and only represents the Issuer. In its capacity as Bond Counsel, Fulbright & Jaworski L.L.P., San Antonio, Texas has reviewed the information under the captions "THE CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds", "Payment Record", and "Default and Remedies" as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Certificates for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. 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 Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 271.051, as amended, of the Certificate of Obligation Act provides that the Certificates are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries,

and trustees, and for the sinking funds of cities, school districts, and other political subdivisions or public agencies of the State of Texas. Texas law further provides that obligations, such as the Certificates are eligible to secure deposits 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, Chapter 2256, as amended, Texas Government Code) the Certificates 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. See "Ratings" herein.

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 Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of law sin other states to determine whether the Certificates are legal investments for various institutions in those states.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

Ratings

Standard & Poor's Ratings Services, A Division of the McGraw-Hill Companies, Inc. ("S&P") has rated the Certificates "AAA" based upon a municipal bond insurance policy issued by FINANCIAL SECURITY ASSURANCE INC. (see "BOND INSURANCE"). The rating of the Certificates by S&P reflects only the view of said company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources that are believed to be reliable. All of the summaries of the statutes, documents and Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Winning Bidder

On August 8, 2002 the Certificates were awarded to a Purchaser or group of Purchasers managed by Raymond James & Associates, Inc. (the "Purchasers"). The initial reoffering yields were provided to the Issuer by the Purchasers. The initial reoffering yields shown on the cover page will produce compensation to the Purchasers of approximately $21,751.30. The municipal bond insurance premium of $8,500.00 is to be paid from the Purchasers' compensation.

Financial Advisor

SWS Securities is employed as a Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has drafted this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates.

The Financial Advisors have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisors do not guarantee the accuracy or completeness of such information.

Certification of the Official Statement

At the time of payment for and delivery of the Initial Certificates, the Purchasers will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Issuer contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Issuer and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the Issuer, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Issuer believes to be reliable and the Issuer has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Issuer since the date of the last financial statements of the Issuer appearing in the Official Statement. The Official Statement will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the City Council on the date of sale, and the Purchasers will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the Issuer.

Authorization of the Official Statement

The Official Statement will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the City Council on the date of sale, and the Purchasers will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the Issuer.

The Ordinance will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Issuer, and authorize its further use in the reoffering of the Certificates by the Purchasers.

This Official Statement has been approved by the City Council of the Issuer for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

CITY OF HELOTES, TEXAS

/s/ Steven F. Hodges
Mayor
City of Helotes, Texas

ATTEST:

/s/ Judy Tokar
City Secretary
City of Helotes, Texas

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APPENDIX A

Financial Information of the City of Helotes, Texas.

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION — TABLE 1

2001 Actual Market Value of Taxable Property		$259,558,054
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	$ 1,415,000	
Disabled and Deceased Veterans' Exemptions	998,000	
Productivity Loss	604,155	
Solar	10,807	
10% Per Year Cap on Residential Homesteads	1,646,733	
TOTAL EXEMPTIONS	$ 4,674,695	
2001 Net Taxable Assessed Valuation (100% of Actual)[1]		$254,883,359
2002 Preliminary Net Taxable Assessed Valuation (100% of Actual)		$273,465,897

[1] See "AD VALOREM TAXATION" in the Official Statement for a description of the Issuer's taxation procedures.

Source: The Bexar Appraisal District, the State Comptroller's Office, Property Tax Division and information supplied by the Issuer.

GENERAL OBLIGATION BONDED DEBT

[As of July 1, 2002]

General Obligation Debt Outstanding:	
General Obligation Bonds, Series 1993	$ 200,000
The Certificates	1,500,000
Total	$ 1,700,000
General Obligation Interest and Sinking Fund Balance as of September 30, 2001	$ 43,417
2001 Net Taxable Assessed Valuation[1]	$ 254,883,359
Ratio of Gross Debt to 2001 Net Taxable Assessed Valuation	0.68%
2002 Preliminary Net Taxable Assessed Valuation	$ 273,465,897
Ratio of Gross Debt to 2002 Preliminary Net Taxable Assessed Valuation	0.62%

[1] See "AD VALOREM TAXATION" in the Official Statement for a description of the Issuer's taxation procedures.

Population: 1990 – 1,535; 2000– 4,285; 2002- 4,700 (estimated)
Per Capita 2001 Net Taxable Assessed Valuation – $54,230.50
Per Capita Gross General Obligation Debt – $361.70

DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE — TABLE 2

NONE

Source: *The Issuer's Annual Financial Report for Fiscal Year Ending September 30, 2001.*

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

(As of July 1, 2002)

Fiscal Year Ending 9/30	Current Total Debt Service	The Certificates Principal	The Certificates Interest	The Certificates Principal & Interest	Gross General Obligation Debt
2003	$ 36,820	$ 70,000	$ 58,127	$ 128,127	$ 164,947
2004	35,320	70,000	55,677	125,677	160,997
2005	33,795	75,000	53,140	128,140	161,935
2006	37,083	80,000	50,328	130,328	167,411
2007	35,185	85,000	47,234	132,234	167,419
2008	33,250	90,000	43,952	133,952	167,202
2009	36,138	95,000	40,365	135,365	171,503
2010		95,000	36,565	131,565	131,565
2011		100,000	32,665	132,665	132,665
2012		110,000	28,465	138,465	138,465
2013		115,000	23,965	138,965	138,965
2014		120,000	19,265	139,265	139,265
2015		125,000	14,240	139,240	139,240
2016		130,000	8,853	138,853	138,853
2017		140,000	3,045	143,045	143,045
	$247,590	$1,500,000	$515,886	$2,015,886	$2,263,476

TAX ADEQUACY

2001 Net Taxable Assessed Valuation	$254,883,359
Estimated Maximum Annual Debt Service Requirements for Fiscal Year Ending 9/30/09	$ 171,503
Indicated Interest and Sinking Fund Tax Rate	0.0695
Indicated Interest and Sinking Fund Tax Levy at 97% Collections	$ 171,830

Note: See "Tax Data" herein

INTEREST AND SINKING FUND MANAGEMENT INDEX

Interest and Sinking Fund Balance, Audited Fiscal Year Ended September 30, 2001	$43,417
2001 Interest and Sinking Fund Tax Levy at 97% Collections Produce	49,447
Total Available for Debt Service	$92,864
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/02	33,145
Estimated Surplus at Fiscal Year Ending 9/30/02[1]	$59,719

[1] Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(As of July 1, 2002)

Fiscal Year Ending 9/30	Currently Outstanding Obligations Principal Repayment Schedule	The Certificates Repayment Schedule	Combined Principal Repayment Schedule	Obligations Remaining Outstanding End of Year	Percent of Principal Retired (%)
2003	$ 25,000	$ 70,000	$ 95,000	$ 1,605,000	
2004	25,000	70,000	95,000	1,510,000	
2005	25,000	75,000	100,000	1,410,000	
2006	30,000	80,000	110,000	1,300,000	
2007	30,000	85,000	115,000	1,185,000	30.29%
2008	30,000	90,000	120,000	1,065,000	
2009	35,000	95,000	130,000	935,000	
2010		95,000	95,000	840,000	
2011		100,000	100,000	740,000	
2012		110,000	110,000	630,000	62.94%
2013		115,000	115,000	515,000	
2014		120,000	120,000	395,000	
2015		125,000	125,000	270,000	
2016		130,000	130,000	140,000	
2017		140,000	140,000	0	100.00%
	$200,000	$1,500,000	$1,700,000		

NET TAXABLE ASSESSED VALUATION FOR TAX YEARS 1991 - 2002

TABLE 3

Year	Net Taxable Assessed Valuation	Change From Preceding Year Amount ($)	Change From Preceding Year Percent
1991-92	$82,310,722	---	---
1992-93	82,427,767	117,045	0.14%
1993-94	86,888,300	4,460,533	5.41%
1994-95	91,407,042	4,518,742	5.20%
1995-96	95,724,262	4,317,220	4.72%
1996-97	100,443,438	4,719,176	4.93%
1997-98	107,380,082	6,936,644	6.91%
1998-99	144,416,393	37,036,311	34.49%
1999-00	185,540,633	41,124,240	28.48%
2000-01	223,069,266	37,528,633	20.23%
2001-02	255,889,258	32,819,992	14.71%
2002-03	273,465,897 (1)	17,576,639	6.87%

(1) Preliminary numbers provided by Bexar Appraisal District.

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Bexar Appraisal District and information supplied by the City.

CLASSIFICATION OF ASSESSED VALUATION — TABLE 4

	2001	% OF TOTAL	2000	% OF TOTAL	1999	% OF TOTAL
Real, Residential, Single-Family	$216,824,779	83.54%	$194,524,517	86.56%	$164,235,337	87.23%
Real, Residential, Multi-Family	0	0.00%	0	0.00%	112,100	0.06%
Real, Vacant Lots/Tracts	7,011,423	2.70%	5,752,103	2.56%	5,764,906	3.06%
Real, Acreage (Land Only)	2,411,167	0.93%	2,196,568	0.98%	2,598,451	1.38%
Real, Farm and Ranch Improvements	408,300	0.16%	433,240	0.19%	425,492	0.23%
Real, Commercial	13,943,600	5.37%	12,170,450	5.42%	9,450,950	5.02%
Real, Industrial	0	0.00%	0	0.00%	0	0.00%
Real & Tangible, Personal Utilities	865,680	0.33%	796,370	0.35%	754,340	0.40%
Tangible Personal, Commercial	4,314,840	1.66%	3,634,530	1.62%	3,062,720	1.63%
Tangible Personal, Industrial	279,790	0.11%	384,930	0.17%	308,490	0.16%
Tangible Personal, Mobile Homes	82,500	0.03%	81,000	0.04%	81,500	0.04%
Intangible	12,148,635	4.68%	0	0.00%	2,560	0.00%
Real Property, Inventory	1,267,340	0.49%	4,745,865	2.11%	1,481,020	0.79%
Total Appraised Value	$259,558,054	100.00%	$224,719,573	100.00%	$188,277,866	100.00%
Less:						
Local, Optional Over-65 or Disabled Exemptions	$1,415,000		$ 1,295,000		$ 1,170,000	
Disabled and Deceased Veterans' Exemptions	998,000		860,000		680,000	
Productivity Loss	604,155		619,218		603,956	
Solar	10,807		7,172		61,423	
10% Per Year Cap on Residential Homesteads	1,646,733		910,772		221,854	
Net Taxable Assessed Valuation	$254,883,359		$221,027,411		$185,540,633	

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

Source: State Comptroller's Office, Property Tax Division.

PRINCIPAL TAXPAYERS — TABLE 5

Name	Type of Property	2001 Net Taxable Assessed Valuation	% of Total 2001 Assessed Valuation
Shugard Texas Limited	Storage Center	$ 2,033,960	0.80%
Valson Limited Partnership	Shopping Center	1,940,900	0.76%
Texas American Bank	Bank	800,000	0.31%
Logan, Scott A	Medical Offices	762,400	0.30%
Aplin, Inc.	Post Office	700,800	0.27%
Ramirez, Anthony & Irene	Residential	680,900	0.27%
Nakissa, Nasser & Teresa	Residential	607,700	0.24%
Southwestern Bell	Utility	551,610	0.22%
Jolly, Jerrold P. & Elsa I.	Residential	522,600	0.21%
Yancy, TJ	Vacant	521,400	0.20%
Total		$9,122,270	3.58%

Source: State Comptroller's Office, Property Tax Division.

TAX RATE DISTRIBUTION — TABLE 6

	2001	2000	1999	1998	1997
General Fund	$0.3305	$0.3345	$0.3338	$0.3277	$0.3219
I & S Fund	0.0200	0.0160	0.0194	0.0255	0.0313
Total Tax Rate	$0.3505	$0.3505	$0.3532	$0.3532	$0.3532

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, and the State Comptroller's Office, Property Tax Division.

TAX DATA — TABLE 7

Taxes are due October 1 and become delinquent after February 1. Current collections are those taxes collected through August 31 applicable to the current year's tax levy. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 15% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections Current	% Collections Total	Year Ended
1994	$ 91,407,042	$ 0.3398	$ 310,601	N/A	N/A	9/30/95
1995	95,724,262	0.3540	338,864	N/A	100.45	9/30/96
1996	100,443,438	0.3541	355,670	N/A	99.78	9/30/97
1997	107,380,082	0.3532	379,266	97.88	101.36	9/30/98
1998	144,416,393	0.3532	510,079	93.75	95.55	9/30/99
1999	185,540,633	0.3532	650,966	93.86	95.88	9/30/00
2000	223,069,266	0.3505	774,639	95.75	99.79	9/30/01
2001	255,889,258	0.3505	893,145	89.83	92.52	[As of 7/11/02]

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the State Comptroller's Office, Property Tax Division, and information supplied by the Issuer.

MUNICIPAL SALES TAX — TABLE 8

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. The Issuer has not authorized the additional one-half cent sales tax. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	($) Equivalent of Ad Valorem Tax Rate
1993	$ 100,704	41.08%	0.12%
1994	111,668	35.95%	0.12%
1995	128,768	38.00%	0.13%
1996	139,057	39.10%	0.14%
1997	167,469	44.16%	0.16%
1998	172,528	33.82%	0.12%
1999	161,322	24.78%	0.09%
2000	208,721	26.94%	0.09%
2001	223,926	(As of June 14, 2002)	

Source: State Comptroller's Office of the State of Texas.

NET TAXABLE ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2001 Net Taxable Assessed Valuation	% of Actual	2001 Tax Rate
Alamo Community College District	$ 54,357,874,557	100.00%	0.1046
Bexar County	50,208,852,093	100.00%	0.3208
Northside ISD	14,322,658,868	100.00%	1.7375

Source: The Texas Municipal Reports published by the Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date Authorized	Purpose	Amount Authorized	Issued to Date	Unissued
Alamo CCD	None				
Bexar County	11/02/93	Detention Facility	$79,000,000	$66,999,113	$12,000,887
Northside ISD	09/26/98	Sch. Bldg.	224,000,000	184,000,000	40,000,000
	02/24/01	Sch. Bldg.	484,500,000	200,000,000	284,500,000
	Total		$ 787,500,000	$ 450,999,113	$ 336,500,887

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

OVERLAPPING DEBT DATA AND INFORMATION

(As of July 1, 2002)

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

Taxing Body	Gross Debt	% Overlapping	Amount Overlapping
Alamo Community College District	$ 38,470,565	0.51%	$ 196,200
Bexar County	146,217,332	0.51%	-0-
Northside Independent School District	523,489,963	1.72%	9,004,027
Total Gross Overlapping Debt			$ 9,200,227
Helotes, City of	1,700,000	100.00%	1,700,000
Total Direct and Overlapping Debt			$ 10,900,227
Ratio of Direct and Overlapping Debt to 2001 Assessed Valuation			4.28%
Ratio of Direct and Overlapping Debt to 2001 Actual Value			4.20%

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES AND ANALYSIS OF CHANGES IN FUND BALANCES

TABLE 9

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended			
	9/30/2001	9/30/2000	9/30/1999	9/30/1998
Fund Balance - Beginning of Year	$ 952,667	$ 721,959	$ 385,357	$ 327,294
Revenues	$1,685,455	$1,438,335	$1,369,674	$1,049,929
Expenditures	1,434,236	1,207,628	1,033,072	991,866
Excess (Deficit) of Revenues Over Expenditures	$ 251,219	$ 230,707	$ 336,602	$ 58,063
Other Financing Sources (Uses):				
Operating Transfers In	$ -0-	$ -0-	$ -0-	$ -0-
Operating Transfers Out	-0-	-0-	-0-	-0-
Total Other Financing Sources (Uses):	$ -0-	$ -0-	$ -0-	$ -0-
Fund Balance - End of Year	$ 767,679	$ 636,063	$ 541,196	$ 449,320

According to City Management, FY 2002 Fund Balance is expected to slightly increase.
Source: The Issuer's Annual Financial Reports.

Plan Description:

The Issuer provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined contribution plan in the State-wide Texas Municipal Retirement System (TMRS), one of 745 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the Issuer-financed monetary credits, with interest. At the date the plan began, the Issuer granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the Issuer can grant as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the money credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and Issuer matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Deposit Rates	5%
Matching Ratio (City to Employee)	1-1
A member is vested after	10 Years

Members can retire at certain ages, based on the years of service with the City. The service retirement eligibility for the City is 10 year/age 60, 25 years/any age.

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfounded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/00	12/31/99	12/31/98
Actuarial Value of Assets	$ 229,717	$ 207,340	$ 276,043
Actuarial Accrued Liability	224763	232,117	299,959
Percentage Funded	102.2%	89.3%	92.0%
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	$ (4,954)	$ 24,777	$ 23,916
Annual Covered Payroll	448,978	408,816	334,243
UAAL as a Percentage of Covered Payroll	-1.1%	6.1%	7.2%
Net Pension Obligation (NPO) at the Beginning of Period	$ –	$ –	$ –
Annual Pension Cost:			
Annual Required Contribution (ARC)	$ 24,497	$ 23,246	$ 15,084
Interest on NPO	–	–	–
Adjustment to the ARC	–	–	–
Contributions Made	$ 24,497	$ 23,246	$ 15,084
Increase in NPO	–	–	–
NPO at the End of Period	$ –	$ –	$ –

Source: The Issuer's Annual Financial Report for Fiscal Year Ending September 30, 2001.

REVENUE GENERATED BY MUNICIPAL SOLID WASTE SYSTEM — TABLE 11

[As of August2, 2001]

	Fiscal Year Ended				
	9/30/2002	9/30/2001	9/30/2000	9/30/1999	9/30/1998
Revenue	$ 13,831 [1]	$ 18,219	$ 11,496	$ 10,532	$ 6,911

Pursuant to the provisions of a franchise ordinance adopted by the City Council on March 29, 2000 as permitted by the provisions of Chapter 363, as amended, Texas Health and Safety Code, the City has entered into a contract with Texas Waste Systems Inc. ("Contractor") for the collection and disposal of the City's solid waste, pursuant to which the City receives a percentage of the revenues generated by the Contractor. The contract is for an initial term through April 30, 2003, subject to three-year extension.

[1] Revenue through June 26, 2002.

Source: The Issuer.

APPENDIX B

General Information Regarding the City of Helotes and Bexar County, Texas.

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GENERAL INFORMATION REGARDING THE CITY OF HELOTES AND BEXAR COUNTY

The City of Helotes

Helotes is on State Highway 16 some twenty miles northwest of downtown San Antonio in northwestern Bexar County, approximately two miles outside of Loop 1604. It was first settled around 1856 by Mexicans who intermarried with the Apache Indians camped in the vicinity. A man named Chaca was supposed to have been the first person to build a house and cultivate a cornfield at the site and may have been responsible for the name, which in Spanish means "green roasting ear of corn." A post office opened at Helotes in 1873, and by 1885 the community had a hotel, a school, a general store, a blacksmith, and a population of fifty. By 1914 its population had climbed to 700. Between 1930 and 1945 the number of residents fell to 100, but after the 1960's the town grew steadily. In 1982 it population was 475. During the 1980's, some San Antonio residents moved to the area. The town incorporated in the 1980's and in 1990 had 1,535 inhabitants and forty-eight businesses. The City's 2000 population was 4,285, an increase of 179.15% since 1990.

Source: "The Handbook of Texas Online"; and the Texas Municipal Report published by the Municipal Advisory Council of Texas.

Bexar County

Physical Features: On edge of Balcones Escarpment, Coastal Plain; heavy black to thin limestone soils; spring-fed streams; underground water; mesquite, other brush.

Population 1,260,287 - (Change fm '90) 6.3%

Land Area (sq. ml.) 1,246.9	Altitude (ft.) 486-1,892
Rainfall (in.) 29.1	Jan. mean min 39
July mean max 95	Growing season (days) 265
Av. Weekly Wage $435.32	Prop. Value $33,864,741,782

Retail Sales $11,865,260,086

Economy: Government center with large federal payroll, five military bases, tourism second-largest industry developing high-tech industrial park, research center; education center with 14 colleges.

History: Created 1836 from Spanish municipality named for Duke de Bexar, a colonial capital of Texas.

Recreation: Historic sites include the Alamo, other missions; River Walk; Seaworld; El Mercado (market), La Villita; Tower of the Americas; Brackenndge Park; zoo; symphony orchestra; HemisFair Plaza; Fiesta San Antonio, Institute of Texan Cultures; parks, museums; hunting, fishing.

Minerals: Cement, stone, oil, gas, sand and gravel, lime, clays.

Agriculture: Beef, dairy cattle, other livestock, wheat, peanuts, sorghums, vegetables, hay, corn, commercial nursery stock; some irrigation.

Education: Fourteen colleges including Our Lady of the Lake, St. Mary's University, Trinity University and the University of Texas at San Antonio.

SAN ANTONIO county seat, Texas' third largest city, varied manufacturing with emphasis on high-tech industries; other products include construction equipment, concrete and dairy products; industrial warehousing.

Other towns include: China Grove (1,099); Converse (9,569); Elmendorf (668); Kirby (8,987), Leon Valley (9,981); Live Oak (10,524); St. Hedwig (1,649); Schertz (approximately 15,000), Selma (629); Somerset (1,309); Universal City (14,270).

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San Antonio

Population and Location

The 2000 U.S. Census cites the population of the City to be 1,144,646. The United States Census Bureau ranks the City as the third largest in the State of Texas and the ninth largest in the United States. The City is the county seat of Bexar County which has a population of 1,372,867 according to the 2000 U. S. The City is located in south central Texas approximately 75 miles south of the State Capital in Austin, 140 miles northwest from the Gulf of Mexico, and 150 miles northeast from the Mexican border cities of Del Rio, Eagle Pass, and Laredo.

The following table provides, as of April 1 for the years shown, the population of the City of San Antonio, Bexar County, and the San Antonio Metropolitan Statistical Area (MSA), which includes Bexar, Comal, and Guadalupe Counties:

Year	City of San Antonio	Bexar County	San Antonio MSA
1920	161,399	202,096	238,639
1930	231,542	292,533	333,442
1940	253,854	338,176	376,093
1950	408,442	500,460	542,209
1960	587,718	687,151	736,066
1970	654,153	830,460	888,179
1980	786,023	988,971	1,088,881
1990	935,933	1,185,394	1,324,749
2000	1,144,646	1,372,867	1,564,949

Source: U.S. Census of Population, 1920-2000.

San Antonio Metropolitan Statistical Area (MSA)

The population of the San Antonio MSA, which includes Bexar, Comal, Guadalupe and Wilson Counties, is predicted to increase to nearly 1.75 million by 2005, a growth of some 149,700 over the next five years. This amount reflects a 1.81% annual growth rate. The number of wage and salary workers is expected to rise by approximately 87,700 between 2000 to 2005, representing a 2.12% annual growth rate.

Retail salesa will probably see 6.42% yearly growth and top $28.03 billion over the forecast horizon. From 2000 to 2005, real personal income (by place or residence) is expected to expand by about $8.6 billion. The growth represents a 4.08% per annum rate.

From 1995 to 2000, the three leading industrial sectors in the San Antonio MSA, as measured by the number of jobs added, were services, wholesale and retail trade, and construction. The industries which are expected to employ the most new workers during the 2000 to 2005 period are services, trade, and government.

These industries, number of workers, and the percentage of the San Antonio MSA's projected real gross product (RGP) in 2005 are listed below:

Sector	No. Workers	% Total Jobs	Total RGP	% of RGP
Services	281,388	31.95%	$10,782.308 mln	18.74%
Trade	199,536	22.66%	$10,266.767 mln	17.84%
Government	189,942	21.57%	$ 9,866.396 mln	17.14%

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APPENDIX C

Form of Opinion of Bond Counsel.

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FINAL

IN REGARD to the authorization and issuance of the "City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2002" (the *Certificates*), dated August 1, 2002 in the aggregate principal amount of $1,500,000, we have reviewed the legality and validity of the issuance thereof by the City of Helotes, Texas (the *City*). The Certificates are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof, and have stated maturities of February 1 in each of the years 2003 through 2017, unless redeemed prior to stated maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance authorizing the issuance of the Certificates (the *Ordinance*).

WE HAVE SERVED AS BOND COUNSEL for the City solely to pass upon the legality and validity of the issuance of the Certificates under the laws of the State of Texas and with respect to the exemption of the interest on the Certificates from federal income taxes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City or the City's solid waste management system and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. 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, and in rendering the opinions herein we rely upon, original or certified copies of the proceedings of the City Council of the City in connection with the issuance of the Certificates, including the Ordinance; certificates executed by officers of the City relating to the expected use of proceeds of the Certificates and certain other funds of the City and to certain other facts within the knowledge and control of the City; and such other material, including an examination of the Certificate executed and delivered initially by the City, which we found to be in due form and properly executed, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

Legal Opinion of Fulbright & Jaworski L.L.P. in connection with the authorization and issuance of "City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2002"

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the City enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the levy of an ad valorem tax, within the limitations prescribed by law, upon all taxable property in the City and are additionally payable from and secured by a lien on and pledge of the Pledged Revenues (as defined in the Ordinance), being a limited amount of the Net Revenues (as defined in the Ordinance) derived from the operation of the City's solid waste management system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. In the Ordinance, the City retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (each as defined in the Ordinance) without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

IT IS FURTHER OUR OPINION THAT, assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance and in reliance upon the representations and certifications of the City made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Certificates will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations.

WE CALL YOUR ATTENTION TO THE FACT THAT, with respect to our opinion in clause (2) above, interest on all tax-exempt obligations, such as the Certificates, owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a mutual fund, a financial asset securitization investment trust, a real estate mortgage investment conduit, or a real estate investment trust. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Legal Opinion of Fulbright & Jaworski L.L.P. in connection with the authorization and issuance of "City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2002"

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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APPENDIX D

Excerpts (Table of Contents, Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements), from the City of Helotes, Texas Audited Financial Statements for the fiscal year ended September 30, 2001, and are not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.

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City of Helotes, Texas

Annual Financial Statements

September 30, 2001

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Independent Auditors' Report

The Honorable Mayor and Members
of the City Council
City of Helotes, Texas

We have audited the accompanying general-purpose financial statements of the City of Helotes, TX as of and for the year ended September 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of Helotes, TX management. Our responsibility is to express an opinion on these general-purpose financial statements 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 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. 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 Helotes, TX, as of September 30, 2001, and the results of its operations for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Crawford, Iverson & Co. P.C.

Crawford, Iverson & Co., P.C.

November 15, 2001

City of Helotes, TX
Combined Balance Sheet - All Fund Types and Account Groups
September 30, 2001

	Governmental Fund Type	
	General	Debt Service
Assets		
Cash	$1,087,920	$ 59,024
Texpool Investment	41,843	--
Receivables:		
Taxes	26,371	--
General	69,971	--
C.O.P.S. Receivable	--	--
Due From Debt Service	15,607	--
Restricted Assets	--	--
General Fixed Assets	--	--
Amount Available in Debt Service Fund	--	--
Amount to be Provided for Retirement of Long-term Debt	--	--
Total Assets	$1,241,712	$ 59,024
Liabilities and Fund Equity		
Liabilities		
Accounts Payable	$ 11,455	$ --
Compensated Absences Payable	--	--
Deferred Revenue	26,371	--
Due to General Fund	--	15,607
General Obligation Debt	--	--
Total Liabilities	37,826	15,607
Equity		
Investment in General Fixed Assets	--	--
Fund Balances		
Unreserved	1,194,481	--
Designated	9,405	--
Reserved for Debt Service	--	43,417
Total Fund Balances	1,203,886	43,417
Total Fund Equity	1,203,886	43,417
Total Liabilities and Fund Equity	$1,241,712	$ 59,024

See Accompanying Notes to Financial Statements.

Account Groups		Totals	
General Fixed Assets	General Long-term Debt	"Memorandum Only" 2001	2000
$ --	$ --	$ 1,146,944	$ 928,777
--	--	41,843	39,747
--	--	26,371	29,300
--	--	69,971	56,898
--	--	--	11,075
--	--	15,607	15,609
--	--	--	--
819,096	--	819,096	766,438
--	59,024	59,024	57,649
--	176,562	176,562	193,354
$ 819,096	$ 235,586	$ 2,355,418	$ 2,098,847
$ --	$ --	$ 11,455	$ 41,791
--	15,586	15,586	11,003
--	--	26,371	29,300
--	--	15,607	15,609
--	220,000	220,000	240,000
--	235,586	289,019	337,703
819,096	--	819,096	766,438
--	--	1,194,481	951,053
--	--	9,405	1,613
--	--	43,417	42,040
--	--	1,247,303	994,706
819,096	--	2,066,399	1,761,144
$ 819,096	$ 235,586	$ 2,355,418	$ 2,098,847

City of Helotes, TX
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types
For the Year Ended September 30, 2001

	Governmental Fund Type		Totals "Memorandum Only"	
	General	Debt Service	2001	2000
Revenues				
Ad Valorem Taxes	$ 743,023	$ 33,661	$ 776,684	$ 661,946
Franchise Taxes	151,518	--	151,518	127,368
Sales Taxes	239,347	--	239,347	202,902
Mixed Beverage Tax	26,672	--	26,672	11,257
Licenses and Permits	284,062	--	284,062	257,335
Bingo	2,589	--	2,589	1,054
Municipal Court	200,294	--	200,294	145,990
Interest	33,658	2,020	35,678	21,454
C.O.P.S. Grant	--	--	--	35,529
Other Revenue	4,292	--	4,292	11,824
Total Revenues	1,685,455	35,681	1,721,136	1,476,659
Expenditures				
Administration	266,410	--	266,410	197,691
Municipal Court	115,312	--	115,312	102,661
General Government Buildings	33,753	--	33,753	21,074
Police Department	574,684	--	574,684	457,793
Emergency Services	82,266	--	82,266	68,677
Fire Department	83,305	--	83,305	66,588
Public Works	215,078	--	215,078	185,584
Planning and Zoning	--	--	--	105
Inspections	38,895	--	38,895	53,330
Debt Service	--	34,305	34,305	35,625
Animal Control	3,385	--	3,385	1,382
C.O.P.S. Fast and More	2,794	--	2,794	17,118
Forestry Grant	18,354	--	18,354	--
Total Expenditures	1,434,236	34,305	1,468,541	1,207,628
Excess (Deficit) Revenues Over Expenditures	251,219	1,376	252,595	269,031
Fund Balances at October 1	952,667	42,041	994,708	725,675
Fund Balances at September 30	$1,203,886	$ 43,417	$1,247,303	$ 994,706

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City of Helotes, TX
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Revenue and Debt Service Funds
For the Year Ended September 30, 2001

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Ad Valorem Taxes	$ 766,047	$ 743,023	$ (23,024)
Franchise Taxes	110,836	151,518	40,682
Sales Taxes	165,858	239,347	73,489
Mixed Beverage Tax	8,593	26,672	18,079
Licenses and Permits	226,496	284,062	57,566
Bingo	1,541	2,589	1,048
Municipal Court	144,394	200,294	55,900
Interest	18,257	33,658	15,401
C.O.P.S. Grant	21,257	--	(21,257)
Other Revenue	16,803	4,292	(12,511)
Total Revenues	1,480,082	1,685,455	205,373
Expenditures			
Administrative	233,510	266,410	32,900
Municipal Court	120,953	115,312	(5,641)
General Government Buildings	62,195	33,753	(28,442)
Police Department	513,878	574,684	60,806
Emergency Services	60	82,266	82,206
Fire Department	83,304	83,305	1
Public Works	222,936	215,078	(7,858)
Planning and Zoning	280	--	(280)
Inspections	56,400	38,895	(17,505)
Debt Service	35,460	--	(35,460)
Animal Control	1,843	3,385	1,542
C.O.P.S. Fast and More	34,285	2,794	(31,491)
Forestry Grant	--	18,354	18,354
Total Expenditures	1,365,104	1,434,236	69,132
Excess (Deficit) Revenues Over Expenditures	114,978	251,219	136,241
Fund Balance at October 1	952,667	952,667	--
Fund Balance at September 30	$1,067,645	$1,203,886	$ 136,241

See Accompanying Notes to Financial Statements.

Debt Service Fund

Budget	Actual	Variance Favorable (Unfavorable)
$ 35,429	$ 33,661	$ (1,768)
--	--	--
--	--	--
--	--	--
--	--	--
--	--	--
--	--	--
--	--	--
--	2,020	2,020
--	--	--
--	--	--
35,429	35,681	252
--	--	--
--	--	--
--	--	--
--	--	--
--	--	--
--	--	--
35,460	34,305	(1,155)
--	--	--
--	--	--
--	--	--
35,460	34,305	(1,155)
(31)	1,376	1,407
42,041	42,041	--
$ 42,010	$ 43,417	$ 1,407

Note 1 - Summary of Accounting Policies

The City of Helotes, TX (the "City") was incorporated in 1981, under the provisions of the State of Texas. The City operates under as a General Law City.

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

The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Helotes, TX. The financial statements presented herein do not include any dependent agencies.

Basis of Presentation

The accounts of the City are organized 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 by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Governmental Fund Types

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.

Debt Service Fund

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

Note 1 - Summary of Accounting Policies-(Continued)

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurements focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. All major revenues are susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation and (2) principal and interest on general long-term debt which is recognized when due.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control devise during the year for the General Fund.

2. The City Council approves, by ordinance, the total budget appropriation.

3. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Restricted Assets

Restricted assets consist of cash restricted for police department use obtained from the sale of seized property and a donation received from the defunct Helotes Chamber of Commerce for permanent improvements to City facilities.

Deposits and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date of three months or less.

The City's investment policy authorizes investment instruments consistent with governing law (Government Code 2256) as follows:

Note 1 - Summary of Accounting Policies-(Continued)

Deposits and Investments (Continued)

Assets of Funds of the government of the City of Helotes may be invested in:

1. U.S. Treasury securities maturing in less than three (3) years;
2. Short-term obligations of U.S. government agencies;
3. Fully insured or collateralized certificates of deposits at commercial banks and savings and loan agencies;
4. Repurchase agreements collateralized by U.S. Treasury or U.S. government agency securities;
5. Local government investment pools which are rated in the highest investment category by at least one nationally recognized rating service.

Property, Plant and Equipment and Long-term Liabilities

The accounting and reporting treatment applied to property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Property, plant and equipment used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on such property, plant and equipment.

All property, plant and equipment are valued at historical cost or if donated are recorded at fair market value at the date received.

The City has adopted the accounting policy of not capitalizing "infrastructure" general fixed assets (roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the City).

Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

Note 1 - Summary of Accounting Policies-(Continued)

Property, Plant and Equipment and Long-term Liabilities (Continued)

These two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-term Debt Account Group.

Inventory

Supplies and materials used for operations and repairs are purchased as needed and accordingly, no stock of supplies is maintained.

Encumbrance Accounting

Encumbrances for goods on purchased services are documented by purchase orders or contracts. Appropriations lapse at September 30 and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget.

Accumulated Compensated Absences

It is the City's policy to permit employees to accumulate an amount of earned but unused vacation, which will be paid to employees upon separation from the City's service. This accumulation of vacation leave cannot exceed 80 hours for a 40-hour employee or 60 hours for a 30 hour employee. In governmental funds the cost of vacation and sick leave is recognized when payments are made to employees.

Property Taxes - Revenue Recognition

Taxes are levied on October 1 and are due and payable at that time. Property taxes attach as an enforceable lien on property as of January 1. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. Delinquent taxes are fully reserved.

Note 4 - General Fixed Assets Account Group

The following is a summary of Changes in the General Fixed Assets Account Group:

	Balance October 1, 2000	Additions	Deletions	Balance September 30, 2001
Police Equipment	$ 150,454	$ 23,619	$ --	$ 174,073
Office Furniture and Equipment	46,926	26,823	--	73,749
Emergency Equipment	385	--	--	385
Road Equipment	190	--	--	190
Public Works	78,686	--	--	78,686
City Hall Facilities	489,797	2,216	--	492,013
Totals	$ 766,438	$ 52,658	$ --	$ 819,096

Note 5 - Changes in General Long-term Debt Account Group

The following is a summary of the Compensated Absences and General Obligation Debt 1993 Bonds of the City for the year ended September 30, 2001:

	Balance October 1, 2000	Additions	Reductions	Balance September 30, 2001
General Obligation Bonds	$ 240,000	$ --	$ 20,000	$ 220,000
Compensated Absences	11,003	4,583	--	15,586
	$ 251,003	$ 4,583	$ 20,000	$ 235,586

The General Long-term Debt as of September 30, 2001 follows:

(1) General Obligation Bonds, Series 1993, in the original sum of $350,000 to provide funds for the construction of a Municipal Complex. General Obligation bonds are direct obligation and pledge the full faith and credit of the City.	$ 220,000
(2) Compensated Absences	15,586
Total Compensated Absences and General Obligation Bonds, Series 1993	$ 235,586

Note 5 - Changes in General Long-term Debt Account Group-(Continued)

The annual requirements to amortize the General Obligation Bonds, Series 1993 as of September 30, 2001 follows:

Summary of Debt Service Requirements to Maturity

General Obligation Bonds

Year Ending September 30,	Principal	Interest	Total
2002	$ 20,000	$ 13,145	$ 33,145
2003	25,000	11,820	36,820
2004	25,000	10,320	35,320
2005	25,000	8,795	33,795
2006	30,000	7,083	37,083
2007	30,000	5,185	35,185
2008	30,000	3,250	33,250
2009	35,000	1,137	36,137
	$ 220,000	$ 60,735	$ 280,735

Interest rates range from 7.5% to 5.5%.

Note 6 - Contingent Liabilities

The City contracts in the form of inter-local agreements with the Texas Municipal League (TML) to provide the following types of insurance coverage through an intergovernmental risk pool:

Liability/Property
Workers' Compensation

These multi-employer accounts provide for a combination of modified self-insurance and stop loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the amounts calculated by the inter-local agreements.

Note 7 - Budget Presentation

The original City budget is adopted by the City Council prior to the beginning of the fiscal year and amended, as required, during the year. Budgets are prepared for the General and Debt Service Funds, and the final amended budget for each of these funds is used in the accompanying financial statements.

Note 8 - Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 9 - Pension Plans

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 745 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Deposit Rates	5%
Matching Ratio (City to Employee)	1-1
A member is vested after	10 years

Members can retire at certain ages, based on the years of service with the City. The service retirement eligibility for the City is 10 years/age 60, 25 years/any age.

Note 9 - Pension Plans (Continued)

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Schedule of Actuarial Liabilities and Fund Progress

Actuarial Valuation Date	12-31-00	12-31-99	12-31-98
Actuarial Value of Assets	$229,717	$207,340	$276,043
Actuarial Accrued Liability	$224,763	$232,117	$299,959
Percentage Funded	102.2%	89.3%	92.0%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	$(4,954)	$ 24,777	$ 23,916
Annual Covered Payroll	$458,978	$408,816	$334,243
UAAL as Percentage of Covered Payroll	-1.1%	6.1%	7.2%
Net Pension Obligation (NPO) at the Beginning of Period	$ --	$ --	$ --
Annual Pension Cost:			
Annual Required Contribution (ARC)	$ 24,497	$ 23,246	$ 15,084
Interest on NPO	$ --	$ --	$ --
Adjustment to the ARC	$ --	$ --	$ --
Contributions Made	$ 24,497	$ 23,246	$ 15,084
Increase in NPO	$ --	$ --	$ --
NPO at the End of Period	$ --	$ --	$ --

Note 9 - Pension Plans-(Continued)

Actuarial Valuation Date	12-31-97	12-31-96	12-31-95
Actuarial Value of Assets	$228,341	$187,303	$149,818
Actuarial Accrued Liability	$249,464	$203,879	$162,465
Percentage Funded	91.5%	91.9%	92.2%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	$ 21,123	$ 16,576	$ 12,647
Annual Covered Payroll	$256,689	$262,150	$230,963
UAAL as Percentage of Covered Payroll	8.2%	6.39%	4.82%
Net Pension Obligation (NPO) at the Beginning of Period	$ --	$ --	$ --
Annual Pension Cost:			
Annual Required Contribution (ARC)	$ 10,774	$ 8,919	$ 6,902
Interest on NPO	$ --	$ --	$ --
Adjustment to the ARC	$ --	$ --	$ --
Contributions Made	$ 10,774	$ 8,919	$ 6,902
Increase in NPO	$ --	$ --	$ --
NPO at the End of Period	$ --	$ --	$ --

The City of Helotes is one of 745 municipalities having the benefit plan administered by TMRS. Each of the 745 municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2000 valuations are contained in the 2000 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

Note 10 – Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the current year presentation.

Note 11 - New Reporting Standard

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*" This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years will be affected. The City is required to implement this standard for the fiscal year ending September 30, 2004. The City has not determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

APPENDIX F

Specimen Insurance Policy Issued by FINANCIAL SECURITY ASSURANCE INC.

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FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

SPECIMEN

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners of, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

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

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

SPECIMEN

Financial Advisory Services
Provided By: