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PUBLIC UTILITY COMMISSION OF TEXAS

Northampton Municipal Utility District

SOAH Docket No. 473-24-09299.WS

PUC Docket No. 54966

2022 Data

Water Revenue Requirement-Cost of Service detail

Attachment JJJ-1

Line Item Name	FY 2022 Actual Expenses Water System	Adjustments	Northampton MUD Water Revenue Requirement
OPERATIONS & MAINTENANCE COSTS			
Laboratory Fees	\$ 6,384	\$ 2,116	\$ 8,500
Permit Fees	6,253	(203)	6,050
Engineering Water Well / Water Plant	17,344	2,656	20,000
Operator Fees	129,147	4,853	134,000
Maintenance & Repair	244,761	5,239	250,000
Chemicals	56,232	3,768	60,000
Utilities	124,850	(4,850)	120,000
Insurance	39,537	(537)	39,000
Tap Connection Expense	28,115	(9,115)	19,000
Meter Hosting - Badger	28,963	(163)	28,800
Lead & Copper Rule Implementation	-	20,000	20,000
Administrative Costs (1)	106,392	3,495	109,887
SUBTOTAL - OPERATIONS & MAINTENANCE COSTS	\$ 787,978	\$ 27,259	\$ 815,237
Debt Service (2)	772,477	5,022	777,499
Cash Funded Capital Outlay	-	-	-
GROSS REVENUE REQUIREMENTS	\$ 1,560,455	\$ 32,281	\$ 1,592,736
Less: Miscellaneous Revenues (3)	(192,829)	68,079	(124,750)
NET REVENUE REQUIREMENTS	\$ 1,367,627	\$ 100,360	\$ 1,467,986

Source documentation may be found in the work papers filed with this testimony.

Notes:

- (1) See Attachment JJJ-2
- (2) See Attachment JJJ-3
- (3) See Attachment JJJ-4

SEE EXCEL FILES

OFFICIAL STATEMENT DATED MARCH 15, 2010

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM THE GROSS INCOME OF THE OWNERS OF THE BONDS FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER EXISTING STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS, AND IS NOT INCLUDABLE IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF THE OWNERS THEREOF. SEE "LEGAL MATTERS" AND "TAX EXEMPTION" HEREIN FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

The District will designate the Bonds as "qualified tax-exempt obligations for financial institutions." See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE – BOOK-ENTRY-ONLY

Standard & Poor's Ratings Services....."BBB+"
(see "MUNICIPAL BOND RATING")

\$4,000,000**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**

(A Political Subdivision of the State of Texas, located within Harris County, Texas)

UNLIMITED TAX BONDS, SERIES 2010

Dated: April 1, 2010

Due: March 1, as shown below

The \$4,000,000 Northampton Municipal Utility District Unlimited Tax Bonds, Series 2010 (the "Bonds") are obligations of Northampton Municipal Utility District (the "District") and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, Texas, or the City of Houston, Texas, is pledged to the payment of the principal of or interest on the Bonds.

Interest on the Bonds accrues from April 1, 2010, and is payable on September 1, 2010 (a five-month interest period), and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds maturing on and after March 1, 2019 are subject to redemption and payment at the option of the District, in whole or from time to time in part, on March 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS - Optional Redemption" herein.

The Bonds will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will be responsible for distributing the principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the owners of beneficial interest in the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. Unless otherwise agreed between the Paying Agent, Wells Fargo Bank, N.A., in Houston, Texas and a Bondholder, interest on the Bonds is payable by check or draft of the Paying Agent, dated as of the interest payment date and mailed by the Paying Agent to each Bondholder, as shown on the records of the Registrar on the close of business on the 15th day of the calendar month next preceding each interest payment date (the "Record Date"). The Bonds will be issued only in fully registered form in denominations of \$5,000 of principal amount, or any integral multiple thereof.

The Bonds will mature in the amounts and on the dates and will bear interest at the rates and be reoffered as set forth below.

AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS**\$2,995,000 Serial Bonds**

Maturity (March 1)	Principal Amount	Interest Rate	Initial Offering Yield (a)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Offering Yield (a)
2011	\$ 25,000	3.000%	1.700%	2018	\$ 25,000	3.750%	3.750%
2012	25,000	3.000%	2.000%	*****	*****	*****	*****
2013	25,000	3.000%	2.250%	2031(b)	645,000	4.875%	5.000%
2014	25,000	3.000%	2.500%	2032(b)	680,000	4.875%	5.050%
2015	25,000	3.000%	2.750%	2033(b)	715,000	4.875%	5.100%
2016	25,000	3.250%	3.250%	2034(b)	755,000	5.000%	5.150%
2017	25,000	3.500%	3.500%				

\$1,005,000 Term Bonds

\$150,000 Term Bonds Due March 1, 2021 (a)(b)(c) Interest Rate 4.375% (Price \$100.000)

\$200,000 Term Bonds Due March 1, 2025 (a)(b)(c) Interest Rate 4.625% (Price \$98.672)

\$280,000 Term Bonds Due March 1, 2028 (a)(b)(c) Interest Rate 4.625% (Price \$97.326)

\$375,000 Term Bonds Due March 1, 2030 (a)(b)(c) Interest Rate 4.875% (Price \$99.052)

- (a) The yields of the Bonds were established by and are the sole responsibility of the Underwriter (as defined herein), and may subsequently be changed. The yields indicated above represent the lower of the yields resulting when priced to maturity or the first call date.
- (b) Subject to optional redemption as described above and herein (see "THE BONDS – Redemption Provisions - *Optional Redemption*.")
- (c) Subject to mandatory redemption by lot or customary method of random selection on March 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

The Bonds are issued out of the \$16,700,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring and constructing a waterworks, wastewater and storm drainage system to serve the District. Following the issuance of the Bonds, \$3,305,000 in principal amount of unlimited tax bonds authorized by the District's voters will remain unissued, all of which may also be used for refunding purposes. See "THE BONDS - Issuance of Additional Debt." The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment."

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Bacon & Wallace, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds is expected on or about April 20, 2010.

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the District or the Underwriter to give any information or to make any representations 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 District or the Underwriter.

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making 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.

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Bacon & Wallace, L.L.P., 6363 Woodway, Suite 800, Houston, Texas 77057, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or that they will be realized. Any information and expressions 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 any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, resulting in the lowest net interest costs which was tendered by Morgan Keegan Co., Inc. (the "Underwriter") to purchase the Bonds bearing the interest rates shown under "AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page of this Official Statement at a price of 97.064856% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.999711%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. The District has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriter at the yields specified on the cover page hereof. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds and of the District to deliver the Bonds are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District from that set forth or contemplated in the Preliminary Official Statement.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

Delivery of Official Statements

The District shall furnish to the Underwriter (and to each participating underwriter of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Underwriter), within seven (7) business days after the sale date, the aggregate number of Official Statements agreed upon between the District and the Underwriter. The District also shall furnish to the Underwriter a like number of any supplements or amendments approved and authorized for distribution by the District for dissemination to potential underwriters of the Bonds, as well as such additional copies of the Official Statement or any such supplements or amendments as the Underwriter may reasonably request prior to the 90th day after the end of the underwriting period described in SEC Rule 15c2-12(f)(2). The District shall pay the expense of preparing the number of copies of the Official Statement agreed upon between the District and the Underwriter and an equal number of any supplements or amendments issued on or before the delivery date, but the Underwriter shall pay for all other copies of the Official Statement or any supplement or amendment thereto.

MUNICIPAL BOND RATING

Standard & Poor's Ratings Services ("Standard & Poor's") is a division of The McGraw Hill Companies, Inc., a New York corporation. Standard & Poor's is located at 25 Broadway, New York, New York 10004, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by Standard & Poor's reflect its analysis of the overall level of credit risk involved in financings. At present Standard & Poor's assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating).

S&P has assigned an underlying rating of "BBB+" to the District's credit.

An explanation of the significance of the foregoing ratings may only be obtained from Standard & Poor's. The foregoing ratings express only the view of Standard & Poor's at the time the ratings are given, and the District makes no representation as to the appropriateness of such ratings. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by Standard & Poor's, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned the Bonds other than the ratings of Standard & Poor's.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

The Issuer	Northampton Municipal Utility District (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT - General" and "Description."
Description of the Bonds	\$4,000,000 Northampton Municipal Utility District Unlimited Tax Bonds, Series 2010, are dated April 1, 2010. Interest accrues from April 1, 2010, at the rates set forth on the cover page hereof, and is payable September 1, 2010, and each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The Bonds maturing on March 1, 2011 through March 1, 2018, inclusive, and March 1, 2031 through March 1, 2034, inclusive, are serial bonds (the "Serial Bonds"). The Bonds maturing on March 1, 2021, March 1, 2025, March 1, 2028 and March 1, 2030 are referred to herein as the term bonds (the "Term Bonds"), which have certain mandatory redemption amounts as set forth under "THE BONDS – Redemption Provisions – <i>Mandatory Redemption</i> ." The Serial Bonds and the Term Bond are collectively referred to herein as the "Bonds." See "THE BONDS."
Optional Redemption.....	<p>The Bonds maturing on and after March 1, 2021, are subject to redemption prior to their stated maturity, in whole or in part on March 1, 2018, or on any date thereafter. If less than all of the Bonds are optionally redeemed at any time, the particular maturities and amounts of Bonds to be optionally redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity and if less than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC in accordance with its customary procedures while the Bonds are in book-entry-only form).</p> <p>Upon redemption, the Bonds will be payable at a price equal to the principal amount thereof called for redemption, plus accrued interest to the date fixed for redemption. See "THE BONDS - Description" and "- Optional Redemption."</p>
Denominations.....	The Bonds are offered in fully registered form in integral multiples of \$5,000 in principal amount. See "THE BONDS - Description."
Source of Payment.....	The Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District, and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any entity other than the District. See "THE BONDS - Source of Payment."
Use of Proceeds	Proceeds of the Bonds will be used to pay for the construction and engineering costs of wastewater line rehabilitation within the District. In addition, proceeds of the Bonds will be used to pay one year of capitalized interest on the Bonds; and to pay certain administrative and issuance costs of the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."
Outstanding Bonds	The District has previously issued \$1,400,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1968 (the "Series 1968 Bonds"); \$800,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1970 (the

"Series 1970 Bonds"); \$800,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1972 (the "Series 1972 Bonds"); \$1,530,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1985 (the "Series 1985 Bonds"); \$970,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1989 (the "Series 1989 Bonds"); \$2,135,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1991 (the "Series 1991 Bonds"); \$1,900,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1993A (the "Series 1993A Bonds"), \$1,760,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1999 (the "Series 1999 Bonds"), \$1,505,000 Waterworks and Sewer System Unlimited Tax Bonds, Series 2001 (the "Series 2001 Bonds"), \$2,990,000 Waterworks and Sewer System Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"), \$4,000,000 Waterworks and Sewer System Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds") and \$1,775,000 Unlimited Tax Park Bonds, Series 2006 (the "Series 2006 Park Bonds"). In addition, the District has issued \$3,275,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1993 (the "Series 1993 Refunding Bonds") and \$1,890,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1998 (the "Series 1998 Refunding Bonds"). As of March 1, 2010, \$13,080,000 principal amount of the bonds issued by the District remain outstanding (the "Outstanding Bonds"). See "THE BONDS - Outstanding Bonds."

Payment Record.....	The District has never defaulted in the timely payment of principal of and interest on its bonds.
Authority for Issuance	The Bonds are issued out of an aggregate of \$16,700,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of purchasing or constructing a water, wastewater and storm drainage system. The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), the order of the District authorizing the issuance of the bonds (the "Bond Order"), the Texas Constitution, Chapters 49 and 54, Texas Water Code, and the general laws of the State of Texas. See "INVESTMENT CONSIDERATIONS - Future Debt" and "THE BONDS - Authority for Issuance," and "- Issuance of Additional Debt."
Authorized But Unissued Bonds	\$3,305,000 principal amount of unlimited tax bonds remain authorized but unissued for water, sanitary sewer and drainage facilities to serve land within the District, all of which may also be used for refunding purposes. See "THE BONDS - Authority for Issuance" and "- Issuance of Additional Debt."
Municipal Bond Rating	Standard & Poor's Ratings Services..... "BBB+" See "MUNICIPAL BOND RATING."
Legal and Tax Opinion.....	Bacon & Wallace, L.L.P., Houston, Texas, Bond Counsel. See "LEGAL MATTERS."
Qualified Tax-Exempt Obligations.....	The District will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended (the "Code"). See "QUALIFIED TAX-EXEMPT OBLIGATIONS."

THE DISTRICT

Description	Northampton Municipal Utility District, a political subdivision of the State of Texas located within Harris County, contains approximately 1,429 acres located approximately 30 miles north of Houston's central business district and approximately 5 miles west of Spring, Texas. The District is bounded on the south by Root Road, on the east by the confluence of Spring and Willow Creeks, and is approximately one mile east of Kuykendahl Road. The District lies entirely within the extraterritorial jurisdiction of the City of Houston (the "City") and is located within Klein Independent School District. See "THE DISTRICT – Description."
Authority.....	The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT - General".
Development.....	Approximately 721 acres within the District have been developed as the residential subdivisions of Northampton, Sections 1, 2, 3, 4, 5 and 8 (aggregating 1,069 lots), Inway Forest (12 lots), Northampton Estates, Phases I-III (aggregating 250 lots), Northampton Forest, Sections I, II and III (aggregating 205 lots); The Terrace of Northampton Estates (11 lots); The Oaks of Northampton (27 lots); Woods of Northampton (39 lots) and Courts at Auburn Lakes (53 lots). As of March 1, 2010, there were 1,635 complete homes, 0 homes under construction, and 31 vacant developed lots. The District includes two office buildings; a Texaco gas station; three retail strip centers containing 3,000 square feet, 2,680 square feet and 9,500 square feet of which 100% and 100% and 80%, respectively, are leased; the Spring Volunteer Fire Department Station No. 2; recreational facilities which include two clubhouses, each with a swimming pool and tennis courts; and 21.5 acres of developed parks land. See "THE DISTRICT - Commercial and Other Development." The remaining acreage within the District consists of a country club and 18-hole golf course (a portion of which lies within the 100-year flood plain), approximately 344.4 undeveloped but developable acres and approximately 363.5 undevelopable acres. See "THE DISTRICT - Status of Development."
Principal Landowner.....	Houston Gosling Woodlands, L.P., a Texas limited liability partnership, whose general partner is Hunt Land Holdings, L.L.C., owns approximately 370 acres in the District. The District can make no representations regarding the pace or type of development that may occur.

INVESTMENT CONSIDERATIONS

The Bonds are subject to special investment considerations as set forth in this Official Statement. Prospective purchasers should review the entire Official Statement before making their investment decisions. See "INVESTMENT CONSIDERATIONS."

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2009 Assessed Valuation.....	\$342,845,951 (a)
(100% of estimated market value as of January 1, 2009)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt: Outstanding Bonds.....	\$ 13,080,000
The Bonds	<u>4,000,000</u>
Total	\$ 17,080,000
Estimated Overlapping Debt.....	\$ 19,049,069 (b)
Total Direct and Estimated Overlapping Debt.....	<u>\$ 36,129,069</u>
Direct Debt Ratio	
: as a percentage of 2009 Assessed Valuation.....	4.98 %
Direct and Estimated Overlapping Debt Ratio	
: as a percentage of 2009 Assessed Valuation.....	10.54 %
Debt Service Fund Balance as of February 15, 2010 (unaudited)	\$ 2,685,110 (c)
General Fund Balance as of February 15, 2010 (unaudited)	\$ 1,562,934 (c)
2009 District Tax Rate Per \$100 of Assessed Valuation	
Debt Service	\$0.36 (d)
Maintenance	<u>0.25</u>
Total	\$0.61
Average Percentage of Total Tax	
Collections (2000-2008).....	99.80 %
Average Annual Debt Service Requirements	
of the Bonds and the Outstanding Bonds (2010-2034)	\$ 1,107,155
Maximum Annual Debt Service Requirement	
of the Bonds and the Outstanding Bonds (2012).....	\$ 1,463,553
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual	
Debt Service Requirements of the Bonds and the Outstanding Bonds	
(2010-2034) at 98% Tax Collections	
Based Upon 2009 Assessed Valuation.....	\$0.33
Tax Rate per \$100 of Assessed Valuation Required to Pay	
Maximum Annual Debt Service Requirement of the Bonds and the	
Outstanding Bonds (2012) at 98% Tax Collections	
Based Upon 2009 Assessed Valuation.....	\$0.44

-
- (a) As certified by the Harris County Appraisal District (the "Appraisal District"). All property located in the District is valued on the tax rolls by the Appraisal District at 100% of estimated market value as of January 1 of each year. The District's tax roll is certified by the Appraisal Review Board.
 - (b) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."
 - (c) Neither Texas law nor the Bond Order requires that any particular amount be maintained in the Debt Service Fund or General Fund at any time. In addition, one year's of capitalized interest on the Bonds and accrued interest from the dated date of the Bonds to the date of closing will be deposited in this account.
 - (d) The TCEQ in its order authorizing the District to issue the Bonds advised the District to levy a debt service tax rate of not less than \$0.36 per \$100 of assessed valuation.

\$4,000,000
NORTHAMPTON MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX BONDS
SERIES 2010

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Northampton Municipal Utility District (the "District") of its Unlimited Tax Bonds, Series 2010 (the "Bonds").

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), the Texas Constitution, the general laws of the State of Texas, and an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

There follows in this Official Statement descriptions of the Bonds, the plan of financing, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District, c/o Bacon & Wallace, L.L.P., 6363 Woodway, Suite 800, Houston, Texas 77057, upon payment of duplication costs. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by the form of the Bonds contained in the Bond Order. A copy of the Bond Order may be obtained upon request to Bond Counsel.

The Bonds, dated April 1, 2010, will mature on March 1 of the years and in the principal amounts indicated on the cover page hereof and will accrue interest at the stated interest rates indicated on the cover page hereof. Principal of the Bonds will be payable at Wells Fargo Bank, N.A., in Houston, Texas (the "Registrar" or "Paying Agent" or "Paying Agent/Registrar"), upon surrender of the Bonds for payment. Interest on the Bonds accrues from April 1, 2010 (or the most recent interest payment date to which interest has been paid or duly provided for) and is payable on September 1, 2010 (a five-month interest period), and on each March 1 and September 1 (each an "Interest Payment Date") thereafter until maturity or prior redemption. Unless otherwise agreed between the Registrar and the registered owner(s) of the Bonds (the "Registered Owners"), interest on the Bonds is payable by check, dated as of the Interest Payment Date, and mailed by the Registrar on or before the Interest Payment Date to the Registered Owners shown on the records of the Registrar as of the close of business on the fifteenth (15th) day of the calendar month next preceding each interest payment date (the "Record Date"). The Bonds are issued only in fully registered form. The Bonds will be issued in denominations of \$5,000 principal amount, or integral multiples thereof.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee's 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 District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities 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 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. 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 and www.dtc.org.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Paying Agent/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 Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to 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 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, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Assignments, Transfers, and Exchanges

The Bonds may be transferred, registered, and assigned only on the registration books of the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of delivery, any Bond may be transferred or exchanged upon its presentment and surrender at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer, exchange, or replace the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Paying Agent/Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to issue, transfer, or exchange any Bond during a period beginning at the opening of business thirty (30) days before the day of the first mailing of a notice of redemption of Bonds hereunder and ending at the close of business on the day of such mailing, or (3) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date.

Replacement of Bonds

The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bond at the principal payment office of the Paying Agent/Registrar, currently in Houston, Texas, or receipt of satisfactory evidence by the Paying Agent/Registrar of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to keep them harmless. Registered Owners of lost, stolen or destroyed Bonds will be required to pay all costs associated with replacement of such Bonds. The District and the Paying Agent/Registrar may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Outstanding Bonds

The District has previously issued \$1,400,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1968 (the "Series 1968 Bonds"); \$800,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1970 (the "Series 1970 Bonds"); \$800,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1972 (the "Series 1972 Bonds"); \$1,530,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1985 (the "Series 1985 Bonds"); \$970,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1989 (the "Series 1989 Bonds"); \$2,135,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1991 (the "Series 1991 Bonds"); \$1,900,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1993A (the "Series 1993A Bonds"); \$1,760,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1999 (the "Series 1999 Bonds"); \$1,505,000 Waterworks and Sewer System Unlimited Tax Bonds, Series 2001 (the "Series 2001 Bonds"); and \$2,990,000 Waterworks and Sewer System Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"), \$4,000,000 Waterworks and Sewer System Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds") and \$1,775,000 Unlimited Tax Park Bonds, Series 2006 (the "Series 2006 Park Bonds"). In addition, the District has issued \$3,275,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1993 (the "Series 1993 Refunding Bonds") and \$1,890,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1998 (the "Series 1998 Refunding Bonds"). As of March 1, 2010, \$13,080,000 principal amount of the bonds issued by the District are outstanding (the "Outstanding Bonds").

Authority for Issuance

The Bonds are issued out of the \$16,700,000 principal amount of unlimited tax bonds authorized at elections held within the District for that purpose on May 1, 1993, January 20, 2001, and February 2, 2002. Following the issuance of the Bonds, \$3,305,000 of the principal amount of unlimited tax bonds for facilities will remain authorized but unissued pursuant to such elections. All of such bonds may also be issued for refunding purposes. See "- Issuance of Additional Debt" below.

The Bonds are issued pursuant to an Order of the TCEQ; the Bond Order; Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59, of the Texas Constitution, and general laws of the State of Texas.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District, and the principal thereof and the interest thereon, together with the principal and interest on the Outstanding Bonds and such additional tax bonds of the District as may hereafter be issued by the District, if any, are payable from and secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District.

The Bonds are solely obligations of the District and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision or agency other than the District.

Redemption Provisions

- Optional Redemption -

The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2021 prior to their scheduled maturities, in whole or in part, on March 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are optionally redeemed at any time, the particular Bonds to be optionally redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity and if less than all of the Bonds within a maturity are to be redeemed, the Paying Agent/Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

- Mandatory Redemption -

The Bonds maturing on March 1 of each of the years 2021, 2025, 2028, and 2030 (the “Term Bonds”) are subject to mandatory sinking fund redemption and shall be redeemed by the District prior to their scheduled maturities on March 1 in the years and in the amounts set forth below at a redemption price equal to the principal amount redeemed plus accrued interest to the mandatory redemption date (the “Mandatory Redemption Date,” or “Mandatory Redemption Dates”):

\$150,000 Term Bonds Maturing on March 1, 2021

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2019	\$50,000
March 1, 2020	50,000
March 1, 2021 (Maturity)	50,000

\$200,000 Term Bonds Maturing on March 1, 2025

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2022	\$50,000
March 1, 2023	50,000
March 1, 2024	50,000
March 1, 2025 (Maturity)	50,000

\$280,000 Term Bonds Maturing on March 1, 2028

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2026	\$50,000
March 1, 2027	50,000
March 1, 2028 (Maturity)	180,000

\$375,000 Term Bonds Maturing on March 1, 2030

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2029	\$185,000
March 1, 2030 (Maturity)	190,000

The particular Term Bonds to be mandatorily redeemed will be selected by lot or other customary random selection method. The principal amount of any Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date will be reduced by the principal amount of Terms Bonds of such maturity which, by the 30th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance

of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds 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.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those permitted under Texas law.

Amendments to Bond Order

The Bond Order contains provisions that the District may, without consent of or notice to any Registered Owner of the Bonds, amend, change or modify the Bond Order as may be required (a) by the provisions thereof, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission therein, or (c) in connection with any other change which is not to the prejudice of the Registered Owners of the Bonds. Except for such amendments, changes, or modifications, the District shall not amend, change or modify the Bond Order in any manner without the consent of the Registered Owners of the Bonds as described in the Bond Order. In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. In order to act as registrar for the Bonds, any paying agent/registrar selected by the District shall be a national or state banking corporation organized under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority.

Issuance of Additional Debt

The District has reserved the right in the Bond Order to issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created and for refunding purposes. The Bonds are issued out of the \$16,700,000 unlimited tax bonds authorized by the District voters for providing improvements and facilities. Following the issuance of the Bonds, the District will have the right to issue an additional \$3,305,000 in unlimited tax bonds for facilities as authorized by District voters, all of which may also be used for refunding purposes. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District.

Since the District has not financed all components of its System, the District anticipates issuing more bonds for such purpose as future development in the District necessitates. In the opinion of the District's Engineer, the remaining authorized but unissued bonds will be sufficient to complete water and sewer infrastructure for the existing development within the District. Additional funds will be needed to complete water and sewer infrastructure for future development, as well as a future water plant. Developing environmental regulations and conversion to

surface water could also result in the need to finance additional improvements. If necessary, the District may hold a bond election to authorize additional bonds to pay for construction of the plant expansion or other improvements. Before issuing any additional bonds for facilities, the District would have to obtain approval of the TCEQ for the issuance of such bonds and the projects to be financed thereby.

In addition, the District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (v) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from the net operating revenues without an election. The issuance of such bonds is subject to rules and regulations to be adopted by the TCEQ. In 2006, the District issued \$1,775,000 principal amount of bonds to finance parks and recreation facilities. The District has no additional authorized bonds for parks and recreation facilities.

The District has the right to issue such additional tax bonds, revenue bonds, or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes, and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such a contract, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds, in addition to the refunding bonds described above, without additional voter approval. The Bond Order places no limitation on the amount of additional bonds which may be issued by the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) approval of the master plan and bonds by the TCEQ; and (3) approval of bonds by the Attorney General of Texas. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. At this time, the District has no plans to engage in fire fighting activities.

Annexation and Consolidation

Under Texas law, the territory within the District may be annexed by a city within whose extraterritorial jurisdiction the District lies without the consent of the District or its residents, subject to compliance by such City with various requirements of Chapter 43, Texas Local Government Code, as amended. If annexation by a city does occur, the District would be abolished within 90 days after annexation. If the District is abolished, the city must assume the assets, functions and obligations of the District, including the Bonds. The District lies within the exclusive extraterritorial jurisdiction of the City of Houston, Texas (the "City"). Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, no representation is made concerning the likelihood of annexation by the City. Moreover no representation is made as to the ability of the City to make debt service payments should annexation occur.

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system), and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Strategic Partnership Agreements

Under Texas law, the District is authorized to enter into a strategic partnership agreement with the City of Houston to set forth the services that would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District, or any portion thereof, were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for limitations on the timing of annexation of the District by the City, the continuation of the District as a limited district following general purpose annexation by the City, the conversion of a limited purpose annexation to a general purpose annexation, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District.

Registered Owners' Remedies

The Bond Order provides that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to levy adequate taxes to make such payments or to observe and perform other covenants, obligations or conditions in the Bond Order. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

The Bond Order provides no additional remedies to a Registered Owner. The Bond Order does not provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property within the District or sell property of the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 municipal bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below. Certain traditional legal remedies also may not be available.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. §§ 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature. A district may not be placed into bankruptcy involuntarily.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

- (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
- (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Use and Distribution of Bond Proceeds

Proceeds of the Bonds will be used to pay for the District's expenses for the construction and engineering costs of wastewater line rehabilitation. In addition, proceeds of the Bonds will be used to pay one year of capitalized interest on the Bonds; and to pay certain administrative and issuance costs of the Bonds. The District's present estimate of the use of the proceeds of the Bonds, as approved by the TCEQ, is as follows:

	<u>District's Share</u>
<u>Construction Costs</u>	
A. Developer Contribution Items	
1. None.	
B. District Items	
1. Wastewater Line Rehabilitation	\$2,700,000
2. Contingencies	270,000
3. Engineering	<u>445,500</u>
Total District Items	\$3,415,500
TOTAL CONSTRUCTION COSTS	\$3,415,500
<u>Nonconstruction Costs</u>	
Legal Fees	\$ 100,000
Fiscal Agent Fees	75,000
Capitalized Interest (12 months)	190,619
Bond Discount (2.93514%)	117,406
Bond Issuance Expenses	30,500
Bond Application Report	35,000
Attorney General Fee	4,000
TCEQ Bond Issuance Fee (0.25%)	10,000
Contingency (a)	<u>21,975</u>
TOTAL NONCONSTRUCTION COSTS	\$ 584,500
TOTAL BOND ISSUE REQUIREMENT	<u><u>\$4,000,000</u></u>

- (a) In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

General

The District is a municipal utility district which was created as "Norchester Municipal Utility District" by the Texas Legislature pursuant to Article 16, Section 59 of the Constitution of Texas and by Chapter 344, Acts of the 60th Legislature of Texas (HB No. 536) effective June 16, 1967. The District subsequently changed its name to "Northampton Municipal Utility District." The creation of the District was confirmed at an election held within the District on December 9, 1967. The rights, powers privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, including particularly Chapters 49 and 54, Texas Water Code, Vernon's Texas Codes Annotated, as amended. The District is subject to the continuing supervision of the TCEQ.

The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of stormwater. The District also contracts for solid waste disposal and collection services and operates and maintains recreational facilities.

The District is empowered, if approved by the electorate, and the TCEQ and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

Description

As originally created, the District contained approximately 773 acres. Due to subsequent annexations, the District presently contains approximately 1,429 acres.

Under Texas law, an owner of land outside the boundaries of the District may petition to be annexed into the District, provided the annexation is found to be feasible and in the best interests of the District, and subject to review and approval by the City of Houston and the United States Justice Department. No representations can be made whether the District will annex additional tracts of land into its boundaries and, if it does, whether such annexed land will be successfully developed such that the additional bonded indebtedness of the District required to provide utility services to the land will be offset by the additional tax base produced by the development of taxable improvements.

The District is located in northwest Harris County approximately 30 miles north of downtown Houston and 5 miles west of Spring, Texas. The District lies entirely within the extraterritorial jurisdiction of the City of Houston and is located within the Klein Independent School District. The District is located approximately 4 miles west of Interstate Highway 45 and is bounded on the east by Gosling Road, on the south by Root Road, and is approximately 1 mile east of Kuykendahl Road.

Topography and Flood Hazards

Elevations within the District vary from approximately 116 feet msl to 148 feet msl. A majority of the land drains north from Root Road to Willow Creek. Approximately 409 acres of the District lie within the 100-year floodplain of Willow Creek, a substantial portion of which has been developed as a golf course. Courts at Auburn Lakes has a very small part of approximately 23 lots that back up to the golf course which are currently in the floodplain. In Northampton, Section 4 approximately 37 lots include a portion of the drainage ditch and therefore are partially located in the 100-year floodplain. No action is currently being done by the District to remove the land currently in the official floodplain.

Management of the District

The District is governed by a board of five directors which has control and management supervision over all affairs of the District. All of the present members of the Board reside within the District. Directors are elected in even-numbered years for four-year staggered terms. The present members and officers of the Board and their principal occupations are listed below:

Name	Position	Occupation	Term Expires May
E. C. Thomas	President	Petrophysicist	2010
Bill Black	1 st Vice President	Consultant	2012
W. Paul Schneider	2 nd Vice President	Pharmacist	2010
Joyce Nelsen	Secretary	Realtor/Broker	2012
John A. Braden	Treasurer/Investment Officer	CPA	2012

The District employs a general manager and several full-time and part-time employees. The District has also contracted for utility system operating, bookkeeping, tax assessing services and annual auditing of its books as follows:

Tax Assessor/Collector - The District's Tax Assessor/Collector is Mr. Greg Ordeneaux of Tax Tech, Inc. Such firm acts as tax assessor for 80 utility districts.

Bookkeeper - The District's bookkeeper is Cindy Schmidt. Ms. Schmidt acts as bookkeeper for 41 utility districts.

Utility System Operator - The District's operator is Hays Utility South Corporation. Such firm acts as operator for approximately 78 utility systems.

Auditor - The District employed McCall, Gibson & Company, PLLC, Certified Public Accountants, to audit its financial records for the fiscal year ended December 31, 2008, which have been included as "APPENDIX A". In addition, the District has retained McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants to audit its financial records for the fiscal year ending December 31, 2009.

Engineer - The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Jones & Carter, Inc. (the "Engineer").

Bond Counsel - The District employs Bacon & Wallace, L.L.P., Houston, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Bacon & Wallace, L.L.P. also acts as general counsel for the District.

Financial Advisor - The District has engaged RBC Capital Markets Corporation as financial advisor (the "Financial Advisor") to the District. The fees paid to the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds.

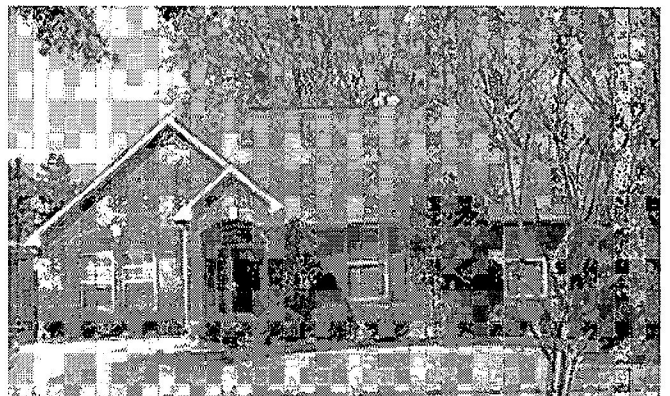
Status of Development

Approximately 721 acres within the District have been developed as the residential subdivisions of Northampton, Sections 1, 2, 3, 4, 5 and 8 (aggregating 1,069 lots), Inway Forest (12 lots), Northampton Estates, Phases I-III (aggregating 250 lots), Northampton Forest, Sections I, II and III (aggregating 205 lots); The Terrace of Northampton Estates (11 lots); The Oaks of Northampton (27 lots); Woods of Northampton (39 lots) and Courts at Auburn Lakes (53 lots). As of March 1, 2010, there were 1,635 complete homes, 0 homes under construction, and 31 vacant developed lots. The District includes two office buildings; a Texaco gas station; three retail strip centers containing 3,000 square feet, 2,680 square feet and 9,500 square feet of which 100% and 100% and 80%, respectively, are leased; the Spring Volunteer Fire Department Station No. 2; recreational facilities which include two clubhouses, each with a swimming pool and tennis courts; and 21.5 acres of developed parks land. See "THE DISTRICT - Commercial and Other Development". The remaining acreage within the District consists of a country club and 18-hole golf course (a portion of which lies within the 100-year flood plain), approximately 363.5 undeveloped but developable acres and approximately 342 undevelopable acres.

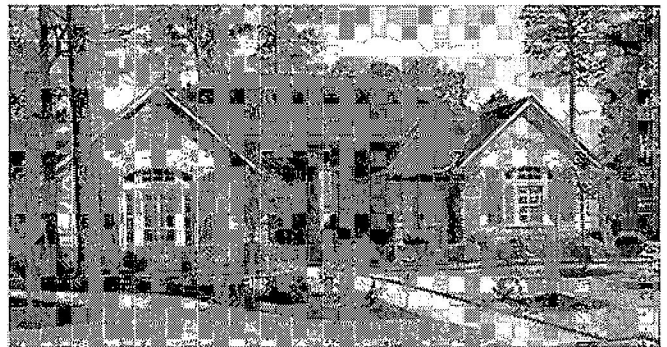
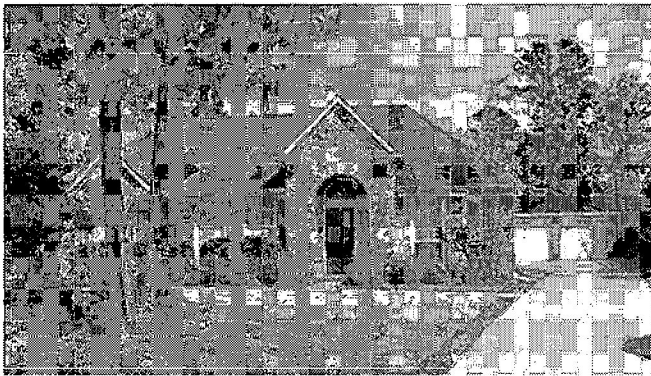
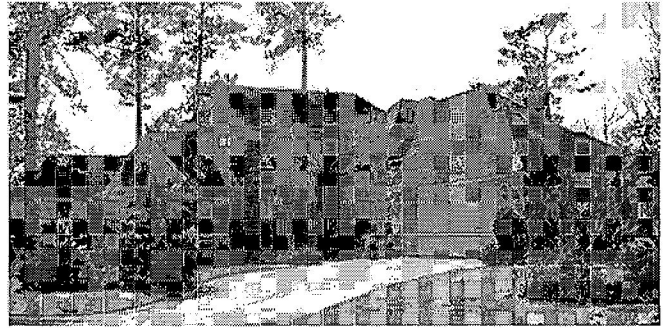
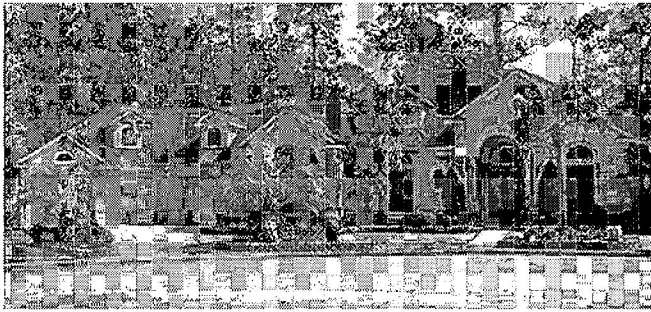
PRINCIPAL LANDOWNERS

Houston Gosling Woodlands, L.P., a Texas limited liability partnership, whose general partner is Hunt Land Holdings, L.L.C., owns approximately 370 acres in the District. The District can make no representations regarding the pace or type of development that may occur.

PHOTOGRAPHS WITHIN THE DISTRICT
(taken March, 2010)



PHOTOGRAPHS WITHIN THE DISTRICT
(taken March, 2010)



This is an aerial map of a residential area, with a white outline delineating the 'MUD Boundary'. The map is densely packed with street names. In the top left, streets like Brock Meadow Dr, Montay Bay Dr, and Stone Hill Rd are visible. The central part of the map shows a grid of streets including Northway Dr, Meadowtrace Dr, Larkmont Ct, and Inway Ct. To the right, there are streets like Kodiak St, Hobart St, and Caribou St. The bottom right corner features a legend box with the text 'MUD Boundary' next to a white line segment. Other streets labeled include Penwell Dr, Butler Oaks Ct, Kennington Way, Sussex, Dover Rd, Greenview Dr, Hickorycrest Dr, Elm Grove Dr, Darby Way Dr, Bayonne Dr, Allentown Dr, Root Rd, Klein Oak Dr, and many others. The map also shows some larger areas like 'SUSSEX' and 'DOVER'.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation at January 1 of that year. Taxes become due September 1 of such year, or when billed, and become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. The District voters have authorized the levy of such a maintenance tax in an amount not to exceed \$0.25 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds and any tax supported bonds which may be issued in the future. The District levied a maintenance tax for the 2009 tax year of \$0.25 per \$100 of assessed valuation. See "Tax Rate Distribution" below.

Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

Tax Year	Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% of Collection as of 3/10/10
2005	\$308,893,732	\$0.610000	\$1,884,252	99.86%
2006	321,154,450	0.610000	1,959,042	99.76
2007	339,740,362	0.610000	2,072,416	99.60
2008	348,534,062	0.610000	2,126,058	99.12
2009	342,845,951	0.610000	2,091,360	94.83

(a) See "- Tax Rate Distribution" below.

Tax Rate Distribution

	2009	2008	2007	2006	2005
Debt Service	\$0.36	\$0.36	\$0.36	\$0.36	\$0.35
Maintenance	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>
Total	<u>\$0.61</u>	<u>\$0.61</u>	<u>\$0.61</u>	<u>\$0.61</u>	<u>\$0.61</u>

Analysis of Tax Base

The following table illustrates the District's total assessed value in the years 2005-2009 tax years by type of property.

	2009 Assessed Value	2008 Assessed Value	2007 Assessed Value	2006 Assessed Value	2005 Assessed Value
Land	\$ 57,512,860	\$ 55,286,947	\$ 54,347,757	\$ 53,429,897	\$ 52,774,909
Improvements	298,552,184	305,208,234	296,269,399	278,062,519	265,716,523
Personal Property	6,146,385	6,542,878	7,589,774	6,706,897	5,564,420
Exemptions	(19,365,478)	(18,503,997)	(18,466,568)	(17,044,863)	(15,162,120)
Total	<u>\$342,845,951</u>	<u>\$348,534,062</u>	<u>\$339,740,362</u>	<u>\$321,154,450</u>	<u>\$308,893,732</u>

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2009:

Taxpayer	Type of Property	Assessed Valuation 2009 Tax Roll
Willow Creek Golf Club Inc.	Land, Improvements & Personal Property	\$2,644,383
Aurora Loan Service, LLC	Land & Improvements	1,324,000
Centerpoint Energy Houston	Personal Property	986,310
Homeowner	Land & Improvements	347,783
Homeowner	Land & Improvements	562,677
Homeowner	Land & Improvements	524,200
Homeowner	Land & Improvements	458,013
Homeowner	Land & Improvements	477,318
Homeowner	Land & Improvements	478,638
Homeowner	Land & Improvements	497,829
		<u>\$8,301,151</u>

Percent of tax roll in said year

2.42%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2009 Assessed Valuation. The foregoing further assumes collection of 98% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirements (2010-2034)	\$1,107,155
Tax Rate of \$0.33 on the 2009 Assessed Valuation (\$342,845,951) produces.....	\$1,108,764
Maximum Debt Service Requirement (2012).....	\$1,463,553
Tax Rate of \$0.44 on the 2009 Assessed Valuation (\$342,845,951) produces.....	\$1,478,352

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT- Estimated Overlapping Debt"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2009 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdictions	2009 Tax Rate/\$100
The District	\$0.61000
Harris County	0.39224
Harris County Department of Education.....	0.00605
Harris County Flood Control District.....	0.02922
Port of Houston Authority.....	0.01636
Harris County Hospital District.....	0.19216
Harris County Emergency Service District No. 7	0.06000
Harris County Emergency Service District No. 11	0.03000
Klein Independent School District	1.36000
Lone Star College System.....	<u>0.11010</u>
Estimated Total 2009 Tax Rate.....	<u>\$2.80613</u>

THE SYSTEM

Proceeds of the Outstanding Bonds were used to finance water, sanitary sewer and drainage lines to serve 1,032.40 acres within the District.

- Water Facilities -

Proceeds of the Outstanding Bonds were used to finance construction of the District's existing water supply system which consists of 2 water plants including 3 water wells, ground storage tanks and hydropneumatic tanks and booster pump facilities. These water plants are sufficient to provide water supply to 1,800 equivalent single-family connections ("esfc") based upon 748 gallons per day ("gpd") per esfc. At full buildout, 2,491 esfc will be required to serve the District.

- Water Contracts with Other Districts -

On September 17, 2007, the District entered an Emergency Water Supply Agreement with Harris County Municipal Utility District No. 1 ("HCMUD No. 1") whereby both districts agree to supply each other with water on an emergency basis, with appropriate provisions being made for the payment of water used and the operation and maintenance of the interconnect line.

On February 17, 1992, the District entered an Emergency Water Supply Agreement with Oakmont whereby, upon termination of the Interim Water Supply Agreement, both districts agreed to supply each other with water on an emergency basis for a term of twenty years, with appropriate provisions being made for the payment of water used and the operation and maintenance of the interconnect line.

On September 24, 1985, the District entered an Emergency Water Supply Agreement with Encanto Real Utility District whereby both districts agree to supply each other with water on an emergency basis for a term of thirty-five years, with appropriate provisions being made for the payment of water used and the operation and maintenance of the interconnect line.

- Wastewater Treatment -

Proceeds from the Outstanding Bonds were used to finance construction of the District's existing wastewater treatment system which consists of a 750,000 gallon per day ("gpd") treatment plant (the "Plant"). Ownership of this 750,000 gpd plant is allocated by written agreements among the District, Oakmont and Klein Independent School District. Pursuant to such agreements, the District is allocated 540,000 gpd, Oakmont Public Utility District is allocated 135,000 gpd, and Klein Independent School District is allocated 75,000 gpd of the plant capacity. The Plant is currently being expanded to 1.15 million gpd. Once completed, the District will have the right to use 640,000 gpd. Oakmont's allocation in the Plant will increase to 435,000 gpd. The District's share of such facility is sufficient to provide wastewater treatment service to approximately 1,828 esfc based on 350 gpd per esfc. Upon completion of the expansion, the Plant will be capable of serving 3,286 esfc. At full buildout, 2,491 esfc will be required to serve the District.

- Drainage Facilities -

Storm sewer lines ranging from 24" to 84" run throughout the entire District. All of the outfalls drain into a Harris County Flood Control ditch that stretches from the western border, around the northern border, and down along the eastern border of the District.

DISTRICT DEBT

General

The following tables and calculations relate to the Bonds and the Outstanding Bonds. The District is empowered to incur debt to be paid from revenues raised by taxation against all taxable property located within the District, and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the District.

2009 Assessed Valuation.....	\$342,845,951 (a)
(100% of estimated market value as of January 1, 2009)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt: Outstanding Bonds.....	\$ 13,080,000
The Bonds	<u>4,000,000</u>
Total	<u>\$ 17,080,000</u>
Estimated Overlapping Debt.....	<u>\$ 19,049,069 (b)</u>
Total Direct and Estimated Overlapping Debt.....	<u>\$ 36,129,069</u>
Direct Debt Ratio	
: as a percentage of 2009 Assessed Valuation.....	4.98 %
Direct and Estimated Overlapping Debt Ratio	
: as a percentage of 2009 Assessed Valuation.....	10.54 %
Debt Service Fund Balance as of February 15, 2010 (unaudited)	\$ 2,685,110 (c)
General Fund Balance as of February 15, 2010 (unaudited)	\$ 1,562,934 (c)
2009 District Tax Rate Per \$100 of Assessed Valuation	
Debt Service	\$0.36 (d)
Maintenance	<u>0.25</u>
Total	<u>\$0.61</u>
Average Percentage of Total Tax Collections (2000-2008).....	99.80 %
Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2010-2034)	\$ 1,107,155
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2012).....	\$ 1,463,553
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2010-2034) at 98% Tax Collections Based Upon 2009 Assessed Valuation.....	\$0.33
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2012) at 98% Tax Collections Based Upon 2009 Assessed Valuation.....	\$0.44

(a) As certified by the Harris County Appraisal District (the "Appraisal District"). All property located in the District is valued on the tax rolls by the Appraisal District at 100% of estimated market value as of January 1 of each year. The District's tax roll is certified by the Appraisal Review Board.

(b) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."

(c) Neither Texas law nor the Bond Order requires that any particular amount be maintained in the Debt Service Fund or General Fund at any time. In addition, one year's of capitalized interest on the Bonds and accrued interest from the dated date to the date of closing will be deposited in this account.

(d) The TCEQ in its order authorizing the District to issue the Bonds advised the District to levy a debt service tax rate of not less than \$0.36 per \$100 of assessed valuation.

Debt Service Requirements

The following sets forth the actual debt service requirements for the Outstanding Bonds and the debt service requirement on the Bonds. This schedule does not reflect the fact that an amount equal to 12 months of capitalized interest will be capitalized from the proceeds of the sale of the Bonds to pay debt service on the Bonds.

Year	Outstanding Bonds	The Bonds		Total Debt Service Requirements
		Principal (Due 3-1)	Interest	
2010	\$ 1,255,633		\$ 79,424	\$ 1,335,057
2011	1,243,156	\$ 25,000	190,244	1,458,400
2012	1,249,059	25,000	189,494	1,463,553
2013	1,248,221	25,000	188,744	1,461,965
2014	1,241,123	25,000	187,994	1,454,117
2015	1,247,844	25,000	187,244	1,460,088
2016	1,052,850	25,000	186,463	1,264,313
2017	1,051,520	25,000	185,619	1,262,139
2018	1,044,690	25,000	184,713	1,254,403
2019	895,658	50,000	183,150	1,128,808
2020	898,798	50,000	180,963	1,129,760
2021	905,315	50,000	178,775	1,134,090
2022	905,360	50,000	176,525	1,131,885
2023	913,808	50,000	174,213	1,138,020
2024	920,440	50,000	171,900	1,142,340
2025	930,270	50,000	169,588	1,149,858
2026	752,856	50,000	167,275	970,131
2027	753,438	50,000	164,963	968,400
2028	420,800	180,000	159,644	760,444
2029	430,100	185,000	150,972	766,072
2030	433,500	190,000	141,831	765,331
2031		645,000	121,478	766,478
2032		680,000	89,181	769,181
2033		715,000	55,178	770,178
2034		755,000	18,875	773,875
	<u>\$19,794,439</u>	<u>\$4,000,000</u>	<u>\$3,884,447</u>	<u>\$27,678,884</u>

Average Annual Requirements: (2010-2034)	\$1,107,155
Maximum Requirement: (2012)	\$1,463,553

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined.

<u>Taxing Jurisdiction</u>	<u>Debt as of March 1, 2010</u>	<u>Estimated Overlapping</u>	
		<u>Percent</u>	<u>Amount</u>
Harris County	\$2,233,930,628	0.12%	\$ 2,671,081
Harris County Department of Education	8,160,000	0.14	11,209
Harris County Flood Control District	105,482,945	0.12	130,477
Klein Independent School District	551,470,000	2.60	14,328,896
Lone Star College System	439,290,000	0.29	1,271,873
Port of Houston Authority	514,410,000	0.12	<u>635,532</u>
Total Estimated Overlapping Debt			\$19,049,069
The District			<u>17,080,000(a)</u>
Total Direct & Estimated Overlapping Debt			<u>\$36,129,069</u>

Debt Ratios

	<u>% of 2009 Assessed Valuation</u>
Direct Debt.....	4.98%
Direct and Estimated Overlapping Debt.....	10.54%

Under Texas law, ad valorem taxes levied by each taxing authority create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy, and collect ad valorem taxes for operation and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District in an amount not to exceed \$0.25 per \$100 of assessed valuation. The District levied a 2009 maintenance tax of \$0.25 per \$100 of assessed valuation. See "TAX DATA - Maintenance Tax."

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate and amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under the caption "THE BONDS - Source of Payment." The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District's electors at an election. The District's electors have authorized the levy of such a maintenance tax in the maximum amount of \$0.25 per \$100 of assessed valuation. The District levied a maintenance tax in the amount of \$0.25 per \$100 of assessed valuation for the 2009 tax year. See "TAX DATA - Maintenance Tax."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Harris County Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Harris County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property 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 household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. For 2010, the District granted an over 65/disabled exemption of \$30,000. In addition, the District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit Exemption" may apply to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has taken action to allow taxation of goods-in-transit, and accordingly, the exemption is not available within the District. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the market value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For 2010, the District did not grant a general residential homestead exemption.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (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. Additionally, taxing units may bring suit against the appraisal district to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including such taxes for a period of three (3) years to five (5) years for agricultural use, timberland or open space land prior to the loss of the designation. As of January 1, 2010, no land within the District was designated for agricultural use, open space or timberland.

Tax Abatement

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, Klein Independent School District, and (after annexation of the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten 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 a comprehensive plan. To date, none of the area within the District has been designated as a reinvestment zone. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by other taxing jurisdictions.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. 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 for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional twenty percent (20%) penalty for collection costs of a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Further, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on 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 taxes, penalties, and interest ultimately imposed for the year upon the property. The District's tax lien is on a parity with the tax liens of the other state and local jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit at any time after taxes become delinquent to foreclose its 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 District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may also be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by the effects of market conditions on the foreclosure sales price, by the taxpayer's right to redeem the property (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings which restrain or stay the collection of a taxpayer's debts.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any entity other than the District, are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS - Source of Payment." Therefore, the ultimate security for payment of the principal of and interest on the Bonds and the Outstanding Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the construction of improvements or continued development of taxable values will be sufficient to justify continued payment of taxes by property owners. Further, the District makes no representations that over the life of the Bonds the existing property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry, both single-family and multi-family, and the commercial development industry. New residential housing construction can be significantly affected by factors such as general economic activity, interest rates, credit availability, energy costs, construction costs, the level of unemployment and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Although as described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT", (i) the development of a total of approximately 721 acres located within the District is complete, including the development of an aggregate of 1,666 single-family residential building sites, and home construction has occurred on 1,635 of such lots to date (including 0 homes under construction), and the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date.

Recent Events in Real Estate Market: In the past year, the construction loan and commercial mortgage markets in the United States have been under pressure due to many economic factors, including the tightening of credit standards, reduction of access to capital, and interest rate adjustments. Recently, the Harris County area has experienced reduced levels of residential, commercial, retail and multi-family construction. The District cannot predict what impact, if any, a continued downturn in the national and local commercial, retail and/or multi-family market may have on the Harris County area market and assessed values in the District.

Location and Access: The District is located in an outlying area of the Houston metropolitan area, approximately 30 miles from the central business district of the City of Houston. The Developers and homebuilders active within the District compete for the sale of developed lots and homes with numerous residential development projects located closer to major employment centers and closer to major freeways. In addition, many of the residential and commercial developments with which the District competes have lower overlapping taxes. As a result, particularly during times of increased competition, the Developers and homebuilders may find themselves at a competitive disadvantage to the developers and homebuilders in other residential projects located closer to major urban centers or with lower overlapping taxes. See "THE DISTRICT."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming, and expensive collection procedures, (b) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (c) the taxpayer's right to redeem the property within six months (two years for residential homesteads or agricultural property) after the sheriff's deed issued at a foreclosure sale is filed in the county deed records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Based on recent Texas court decisions, it is unclear whether, §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's public purpose property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property of the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Bankruptcy Limitation to Registered Owners' Rights." In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Marketability

The District has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Economic Factors

Development within the District is directly related to the residential housing industry. The housing industry has historically been a cyclical industry affected by both short and long term interest rates, availability of mortgage and development funds, labor conditions, energy availability, and other general economic conditions.

Future Debt

Additional bonds are expected to be issued from time to time as future development occurs. The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations, tax collections or net revenues to limit the amount of parity bonds which may be issued.

Following issuance of the Bonds, there will be \$3,305,000 in principal amount of unlimited tax bonds authorized and unissued by the District's voters for the purpose of constructing and acquiring water, sewer and drainage facilities, all of which may also be used for refunding purposes. The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds and such additional bonds as may be hereafter authorized. The District has also reserved the right to issue certain other bonds and obligations described in the Bond Order. See "THE BONDS - Issuance of Additional Debt."

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX EXEMPTION."

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District. The District also will furnish the approving legal opinion of Bacon & Wallace, L.L.P., Houston, Texas, Bond Counsel ("Bond Counsel"), to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District. Bond Counsel's opinion will also address the matters described below under "TAX MATTERS."

In capacity as Bond Counsel, Bacon & Wallace, L.L.P., has reviewed the information appearing in this Official Statement under the captions "THE BONDS," "TAXING PROCEDURES," "THE DISTRICT - Authority," and "THE DISTRICT - Management of the District - Counsel," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement nor has he conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds.

No Arbitrage

The District will certify on the date the Bonds are delivered and paid for that based upon all facts and estimates now known or reasonably expected to be in existence, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed from time to time thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District have been authorized to certify to the facts, circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District will covenant in the Bond Order that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

No-Litigation Certificate

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

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

TAX MATTERS

On the date of initial delivery of the Bonds, Bacon & Wallace, L.L.P., Houston, Texas, Bond Counsel, will render the opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), interest on the Bonds (1) will be excludable from the "gross income" of the holders thereof and (2) will not be includable in the alternative minimum taxable income of the owners thereof under section 55 of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for certain of the Bonds maturing is less than the maturity amount thereof (the "Original Issue Discount Bonds"). In such event, the difference between the amount payable at the maturity of each Original Issue Discount Bond, and the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Under existing law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

Collateral Federal Income Tax Consequences

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with accumulated earnings and profits and excess passive investment income and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

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

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 (\$30,000,000 for calendar years 2009 and 2010) of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b)

of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The Issuer expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer will covenant to take such action that would assure, or to refrain from such action that would adversely affect the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$30,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$30,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$30,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the Registered Owners and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds subject to amendment to or repeal of same as set forth below. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors so long as the agreement is in force (see "Limitations and Amendments" below). This information will be provided to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") System.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT," "TAX DATA," "APPENDIX A." The District will update and provide this information within six months after the end of each fiscal year ending in or after 2009.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c(2)-12 of the SEC (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A" or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's fiscal year end is currently December 31. Accordingly, it must provide updated information by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Material Event Notices

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

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information files with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement in the Bond Order 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 operations or business of the District, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein.

Compliance with Prior Undertakings

The District has been in compliance with the continuing disclosure agreements made by it in accordance with the Rule in that, in the last five years.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District's Operator, the Tax Assessor/Collector, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below under "Certification as to Official Statement." The summaries of the statutes, resolutions, and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Experts

The information contained in this Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Jones & Carter, Inc.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Greg Ordeneaux and the Appraisal District. Such information has been included herein in reliance upon Mr. Ordeneaux's authority as an expert in the field of tax collection and the Appraisal District's authority in the field of tax assessing.

Auditor

The District's audited financial statements for the year ended December 31, 2008 were prepared by McCall, Gibson & Company P.L.L.C., Certified Public Accountant, Houston, Texas, and have been included herein as "APPENDIX A". McCall, Gibson & Company P.L.L.C., Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the persons listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, or as otherwise required by SEC Rule.

Official Statement "Deemed Final"

For purposes of compliance with SEC Rule 15c2-12, this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an Official Statement with respect to the Bonds described herein "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of interest rates and certain other information related to the Bonds.

This Official Statement was approved by the Board of Directors of Northampton Municipal Utility District, as of the date shown on the first page hereof.

/s/ E. C. Thomas
President, Board of Directors
Northampton Municipal Utility District

ATTEST:

/s/ Joyce Nelsen
Secretary, Board of Directors
Northampton Municipal Utility District

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
December 31, 2008

NORTHAMPTON MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2008

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Board of Directors
Northampton Municipal
Utility District
Harris County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Northampton Municipal Utility District (the "District"), as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted as promulgated within the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Northampton Municipal
Utility District

The Management's Discussion and Analysis on pages 3 through 9 and the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Fund on pages 43 and 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



McCall, Gibson & Company, PLLC
Certified Public Accountants

May 4, 2009

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Our discussion and analysis of Northampton Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2008. Please read it in conjunction with the District's financial statements, which begin on page 10.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Assets and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances. This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two (2) financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of the government-wide statements is the Statement of Net Assets. This information is found in the Statement of Net Assets column on pages 10 through 15. The Statement of Net Assets is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on pages 17 and 18 reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has four (4) governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Special Revenue Fund accounts for the financial activities of the jointly-owned wastewater treatment plant. The Debt Service Fund accounts for ad valorem taxes and financial resources accumulated for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources segregated for acquisition or construction of facilities and related costs.

Governmental funds are reported in each of the financial statements. The focus in the fund statements provide a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two (2) perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets on page 16 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 19 explain the differences between the two (2) presentations and assist in understanding the differences between these two (2) perspectives.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20 through 41 in this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). Budgetary comparison schedules are included as RSI for the General Fund and the Special Revenue Fund.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$3,188,827 as of December 31, 2008.

A portion of the District's net assets reflects its investments in capital assets (e.g. an administration building, water, wastewater, drainage facilities and recreation facilities), less any debt used to acquire those assets that is still outstanding. The District uses these assets to provide water service, wastewater service, drainage and recreation services.

The following is a comparative analysis of the Statement of Net Assets as of December 31, 2008, and December 31, 2007:

<u>Summary of Changes in the Statement of Net Assets</u>			
	<u>2008</u>	<u>2007</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$10,350,570	\$10,438,218	\$ (87,648)
Capital Assets (Net of Accumulated Depreciation)	<u>9,918,847</u>	<u>9,735,056</u>	<u>183,791</u>
Total Assets	<u>\$20,269,417</u>	<u>\$20,173,274</u>	<u>\$ 96,143</u>
Long-Term Liabilities	\$13,720,000	\$14,325,000	\$ 605,000
Other Liabilities	<u>3,360,590</u>	<u>3,169,546</u>	<u>(191,044)</u>
Total Liabilities	<u>\$17,080,590</u>	<u>\$17,494,546</u>	<u>\$ 413,956</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ (181,347)	\$ (511,762)	\$ 330,415
Restricted	2,291,032	2,049,117	241,915
Unrestricted	<u>1,079,142</u>	<u>1,141,373</u>	<u>(62,231)</u>
Total Net Assets	<u>\$ 3,188,827</u>	<u>\$ 2,678,728</u>	<u>\$ 510,099</u>
		(1)	

(1) Restated – See Note 18

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the District's operations for the years ended December 31, 2008, and December 31, 2007. The District's net assets increased by \$510,099, accounting for a 19.04% growth in net assets.

Summary of Changes in the Statement of Activities			
	2008	2007	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,069,798	\$ 1,959,834	\$ 109,964
Charges for Services	2,142,909	2,019,365	123,544
Capital Contributions	150,788	98,566	52,222
Grant Revenues	33,267		33,267
Other Revenues	<u>303,570</u>	<u>392,948</u>	<u>(89,378)</u>
Total Revenues	\$ 4,700,332	\$ 4,470,713	\$ 229,619
Expenses for Services	<u>(4,190,233)</u>	<u>(3,659,188)</u>	<u>(531,045)</u>
Change in Net Assets	\$ 510,099	\$ 811,525	\$ (301,426)
Net Assets, Beginning of Year	<u>2,678,728</u>	<u>1,867,203</u>	<u>811,525</u>
Net Assets, End of Year	<u>\$ 3,188,827</u>	<u>\$ 2,678,728</u>	<u>\$ 510,099</u>
		(1)	

(1) Restated – See Note 18

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2008, were \$7,349,653, a decrease of \$72,561 from the prior year.

The General Fund fund balance decreased by \$58,222 primarily due to an increase in regional water authority assessments and expenses for parks and recreation.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS (Continued)

The Debt Service Fund fund balance increased by \$141,464, primarily due to an increase in property tax revenues and lower bond principal payments during the current fiscal year.

The Capital Projects Fund fund balance decreased by \$155,803, primarily due to the construction of projects included in prior bond issues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$231,464 more than budgeted revenues due to higher revenues from property tax collections, water service, wastewater service, and regional water authority fees. Actual expenditures were \$293,306 more than budgeted expenditures due to higher costs for utilities, repairs and maintenance, regional water authority fees, parks and recreation and capital outlay.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2008, amounts to \$9,918,847 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment as well as the water, wastewater and drainage systems and recreation facilities.

Capital asset events during the current fiscal year included the following:

Completed Projects:	
Waterline	\$ 110,010
Water Plant No. 2 Improvements	1,430
Sale of Equipment	(2,870)
Matrix Display at Administration Building	16,195
Park Land Purchase	152,109
Buffer Zone Easements	16,453
Robert Ward Tract	<u>31,834</u>
Total Completed Projects	<u>\$ 325,161</u>
Construction in Progress:	
New Park Facilities	\$ 168,661
Water Plant No. 1	1,540
Wastewater Treatment Plant Expansion	390,457
Ditch M-102 Improvements	<u>124,294</u>
Total Construction in Progress	<u>\$ 684,952</u>

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End Net of Accumulated Depreciation

	2008	2007	Net Increase (Decrease)
Capital Assets Not Subject to Depreciation:			
Land and Land Improvements	\$ 1,375,803	\$ 1,175,407	\$ 200,396
Construction in Progress	684,952	434,905	250,047
Capital Assets Subject to Depreciation:			
Meeting and Recreation Facilities	1,443,394	1,507,362	(63,968)
Water System	3,157,174	3,228,543	(71,369)
Wastewater System	2,298,866	2,399,217	(100,351)
Drainage System	945,411	969,710	(24,299)
Equipment	13,247	19,912	(6,665)
Total Net Capital Assets	<u>\$ 9,918,847</u>	<u>\$ 9,735,056</u>	<u>\$ 183,791</u>

Additional information on the District's capital assets can be found in Note 6 on pages 33 and 34 of this report.

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total debt payable of \$14,325,000.

The changes in the debt position of the District during the fiscal year ended December 31, 2008, is summarized as follows:

Bond Debt Payable, January 1, 2008	\$ 14,760,000
Less: Bond Principal Paid	<u>435,000</u>
Bond Debt Payable, December 31, 2008	<u>\$ 14,325,000</u>

The District's bonds carry an underlying rating of "Baa1". The District's Series 1993 Bonds, Series 1993-A Bonds, Series 2001 Bonds and Series 2003 Bonds all carry an insured rating from Standard & Poor's by virtue of bond insurance issued by Ambac Financial Group, Inc. ("Ambac"). Series 1998 Bonds and Series 2006 Park Bonds both carry an insured rating from Standard & Poor's by virtue of bond insurance issued by Financial Security Assurance, Inc. ("FSA"). Series 1999 Bonds and Series 2006 Bonds carry an insured rating from Standard & Poor's by virtue of bond insurance issued by Financial Guaranty Insurance Company ("FGIC") and by MBIA, Inc. ("MBIA"), respectively. Credit enhanced ratings provided through bond policies are subject to change based on the rating of the bond insurance company.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

LONG-TERM DEBT ACTIVITY

The insured rating for Ambac, MBIA and FGIC at the beginning of the current fiscal year was "Aaa" and the insured rating for FSA was "AAA". At December 31, 2008, the insured rating for Ambac and MBIA was "Baa1". The insured rating for FGIC was "B1", and the insured rating for FSA was "Aa3".

Subsequent to fiscal year end, the insured rating for Ambac, FGIC and FSA changed to "Ba3", "Baa1", and "AAA", respectively.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Northampton Municipal Utility District, c/o Bacon & Wallace, L.L.P., 6363 Woodway, Suite 800, Houston, TX 77057.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>
ASSETS		
Cash, Note 5	\$ 272,426	\$ 45,092
Investments, Note 5	1,015,000	
Receivables:		
Property Taxes	598,674	
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$15,000)	137,388	
FEMA Grant, Note 19	13,295	19,972
Accrued Interest	9,940	
Builder Damages	4,012	
Other	2,750	
Due from Other Funds, Note 17	149,682	6,761
Due from Other Governmental Units	50,502	15,553
Advanced for Wastewater Treatment Plant Operations, Note 10	47,700	
Unamortized Bond Issuance Costs		
Land, Note 6		
Construction in Progress, Note 6		
Capital Assets (Net of Accumulated Depreciation), Note 6		
TOTAL ASSETS	<u>\$ 2,301,369</u>	<u>\$ 87,378</u>

The accompanying notes to basic financial
statements are an integral part of this report.

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Assets
\$ 626,716	\$ 2,919,275	\$ 3,863,509	\$	\$ 3,863,509
1,665,944	1,517,882	4,198,826		4,198,826
861,979		1,460,653		1,460,653
5,689		5,689		5,689
		137,388		137,388
		33,267		33,267
17,444		27,384		27,384
		4,012		4,012
		2,750		2,750
		156,443	(156,443)	
	76,551	142,606		142,606
		47,700	(47,700)	
			474,486	474,486
			1,375,803	1,375,803
			684,952	684,952
			<u>7,858,092</u>	<u>7,858,092</u>
<u>\$ 3,177,772</u>	<u>\$ 4,513,708</u>	<u>\$ 10,080,227</u>	<u>\$ 10,189,190</u>	<u>\$ 20,269,417</u>

The accompanying notes to basic financial statements are an integral part of this report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>
LIABILITIES		
Accounts Payable	\$ 131,145	\$ 27,778
Due to Other Governmental Units	102,681	
Accrued Interest Payable		
Due to Developer, Note 15		
Due to Other Funds, Note 17	6,761	
Due to Taxpayers		
Advances for Wastewater Treatment Plant Operations, Note 10		59,600
Due to Voluntary Services	1,190	
Due to Others	2,321	
Security Deposits	121,190	
Deferred Revenues:		
Property Taxes	867,778	
Penalty and Interest on Delinquent Taxes		
User Fees	495	
Long-Term Liabilities:		
Bonds Payable Due Within One Year, Note 3		
Bonds Payable Due After One Year, Note 3		
TOTAL LIABILITIES	<u>\$ 1,233,561</u>	<u>\$ 87,378</u>

The accompanying notes to basic financial
statements are an integral part of this report.

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Assets
\$ 225	\$ 3,496	\$ 162,644	\$	\$ 162,644
		102,681		102,681
			220,562	220,562
			41,821	41,821
149,682		156,443	(156,443)	
1,062		1,062		1,062
		59,600	(47,700)	11,900
		1,190		1,190
		2,321		2,321
		121,190		121,190
1,249,481		2,117,259	(27,535)	2,089,724
5,689		5,689	(5,689)	
		495		495
			605,000	605,000
			13,720,000	13,720,000
<u>\$ 1,406,139</u>	<u>\$ 3,496</u>	<u>\$ 2,730,574</u>	<u>\$ 14,350,016</u>	<u>\$ 17,080,590</u>

The accompanying notes to basic financial statements are an integral part of this report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>
FUND BALANCES/NET ASSETS		
FUND BALANCES		
Reserved for Authorized Construction:		
Bond Proceeds	\$	\$
Net Investment Revenues		
Reserved for Debt Service		
Reserved for Regional Wastewater Treatment Plant		
Operations, Note 10	47,700	
Unreserved – Undesignated	<u>1,020,108</u>	
TOTAL FUND BALANCES	<u>\$ 1,067,808</u>	<u>\$ -0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,301,369</u>	<u>\$ 87,378</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Restricted for:		
Capital Projects		
Debt Service		
Unrestricted		
TOTAL NET ASSETS		

The accompanying notes to basic financial
statements are an integral part of this report.

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$	\$ 3,792,141	\$ 3,792,141	\$ (3,792,141)	\$
	718,071	718,071	(718,071)	
1,771,633		1,771,633	(1,771,633)	
		47,700	(47,700)	
		<u>1,020,108</u>	<u>(1,020,108)</u>	
<u>\$ 1,771,633</u>	<u>\$ 4,510,212</u>	<u>\$ 7,349,653</u>	<u>\$ (7,349,653)</u>	<u>\$ -0-</u>
<u>\$ 3,177,772</u>	<u>\$ 4,513,708</u>	<u>\$ 10,080,227</u>		
			\$ (181,347)	\$ (181,347)
			718,071	718,071
			1,572,961	1,572,961
			<u>1,079,142</u>	<u>1,079,142</u>
			<u>\$ 3,188,827</u>	<u>\$ 3,188,827</u>

The accompanying notes to basic financial statements are an integral part of this report.

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NORTHHAMPTON MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2008

Total Fund Balances – Governmental Funds	\$ 7,349,653
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Unamortized bond issuance costs in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	474,486
Land used in governmental activities is not a financial resource and therefore is not reported as an asset in the governmental funds.	1,375,803
Construction in progress in governmental activities is not a financial resource and therefore is not reported as an asset in the governmental funds.	684,952
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	7,858,092
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported as a liability in the governmental funds.	(220,562)
The amount Due to Developer cannot be paid without approval from the Commission and therefore is not reported as a liability in the governmental funds.	(41,821)
Deferred tax revenues for the 2007 and prior tax levies became part of recognized revenues in the governmental activities of the District.	27,535
Deferred penalty and interest revenues on delinquent property taxes for 2007 and prior tax levies became part of recognized revenues in the governmental activities of the District.	5,689
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. These liabilities at year end consist of:	
Bonds Payable Within One Year	\$ (605,000)
Bonds Payable After One Year	<u>(13,720,000)</u>
	<u>(14,325,000)</u>
Total Net Assets – Governmental Activities	<u>\$ 3,188,827</u>

The accompanying notes to basic financial statements are an integral part of this report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Special Revenue Fund
REVENUES		
Property Taxes	\$ 853,556	\$
Water Service	678,839	
Wastewater Service	855,684	345,334
Penalty and Interest	21,383	
Tap Connection and Inspection Fees	3,950	
Facility Use Fees	91,047	
Regional Water Authority Fees	394,906	
Capital Contributions, Note 10	10,082	
Investment Revenues	54,346	142
Grant Revenues, Note 19	13,295	19,972
Miscellaneous Revenues	<u>71,376</u>	<u></u>
TOTAL REVENUES	<u>\$ 3,048,464</u>	<u>\$ 365,448</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 205,089	\$ 8,948
Contracted Services	543,530	44,003
Purchased Wastewater Service, Note 10	277,613	
Utilities	179,397	132,190
Repairs and Maintenance	361,198	58,165
Regional Water Authority Assessments, Note 13	429,497	
Parks and Recreation	771,595	
Depreciation, Note 6		
Other	162,166	122,142
Capital Outlay:		
Parks and Recreation	2,109	
Other Facilities	174,492	
Debt Service:		
Bond Principal		
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 3,106,686</u>	<u>\$ 365,448</u>
NET CHANGE IN FUND BALANCES	\$ (58,222)	\$ -0-
CHANGE IN NET ASSETS		
FUND BALANCES/NET ASSETS – JANUARY 1, 2008, AS ADJUSTED, NOTE 18	<u>1,126,030</u>	<u></u>
FUND BALANCES/NET ASSETS – DECEMBER 31, 2008	<u>\$ 1,067,808</u>	<u>\$ -0-</u>

The accompanying notes to basic financial
statements are an integral part of this report.

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 1,229,121	\$	\$ 2,082,677	\$ (12,879)	\$ 2,069,798
		678,839		678,839
		1,201,018	(277,613)	923,405
36,943		58,326	(7,564)	50,762
		3,950		3,950
		91,047		91,047
		394,906		394,906
	140,706	150,788		150,788
67,377	110,106	231,971		231,971
		33,267		33,267
223		71,599		71,599
<u>\$ 1,333,664</u>	<u>\$ 250,812</u>	<u>\$ 4,998,388</u>	<u>\$ (298,056)</u>	<u>\$ 4,700,332</u>
\$ 40,224	\$ 8,008	\$ 262,269	\$	\$ 262,269
42,639		630,172		630,172
		277,613	(277,613)	
		311,587		311,587
		419,363		419,363
		429,497		429,497
		771,595		771,595
			391,417	391,417
2,486		286,794		286,794
		2,109	(2,109)	
	398,607	573,099	(573,099)	
435,000		435,000	(435,000)	
671,851		671,851	15,688	687,539
<u>\$ 1,192,200</u>	<u>\$ 406,615</u>	<u>\$ 5,070,949</u>	<u>\$ (880,716)</u>	<u>\$ 4,190,233</u>
\$ 141,464	\$ (155,803)	\$ (72,561)	\$ 72,561	\$
			510,099	510,099
<u>1,630,169</u>	<u>4,666,015</u>	<u>7,422,214</u>	<u>(4,743,486)</u>	<u>2,678,728</u>
<u>\$ 1,771,633</u>	<u>\$ 4,510,212</u>	<u>\$ 7,349,653</u>	<u>\$ (4,160,826)</u>	<u>\$ 3,188,827</u>

The accompanying notes to basic financial statements are an integral part of this report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Change in Fund Balances - Governmental Funds	\$ (72,561)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report property tax revenues when collected. However, in the Statement of Activities, revenues are recorded in the accounting period for which the taxes are levied.	(12,879)
Governmental funds report delinquent tax penalty and interest when collected. However, in the Statement of Activities, revenues are recorded when the penalty and interest are assessed.	(7,564)
Governmental funds do not account for depreciation. However, in the Statement of Activities, capital assets are depreciated and depreciation expense is recorded.	(391,417)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Assets, capital assets are increased by new purchases and the Statement of Activities is not effected.	575,208
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Assets, bond principal payments decrease long-term liabilities and the Statement of Activities is not affected.	435,000
Governmental funds report interest payments on bonds as expenditures in the year paid. However, in the Statement of Activities, interest is accrued on bonds through fiscal year end and the current portion of amortized bond issuance costs is added to bond interest expense.	<u>(15,688)</u>
Change in Net Assets - Governmental Activities	<u>\$ 510,099</u>

The accompanying notes to basic financial
statements are an integral part of this report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1. CREATION OF DISTRICT

Norchester Municipal Utility District, located in Harris County, Texas (the "District"), was created by Acts of the 60th Legislature of the State of Texas, Regular Session, 1967 under Chapter 51 of the Texas Water Code. On June 6, 1979, the District was converted to a municipal utility district and became Northampton Municipal Utility District by order of the Texas Department of Water Resources, currently the Texas Commission on Environmental Quality (the "Commission"). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling and to construct and maintain, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting in 1967, and the first bonds were sold on March 1, 1968.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The District was created as an independent municipality. The District does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the District's basic financial statements. The District has entered into a joint venture agreement with Oakmont Public Utility District for the expansion and operation of a wastewater treatment plant. The District has oversight responsibility for the wastewater treatment plant. Additional disclosure is provided in Note 10.

Financial Statement Presentation

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34-Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

GASB Statement No. 34 established standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three (3) components: Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

- Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Assets – This component of net assets consists of external constraints placed on the use of net assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets – This component of net assets consists of net assets that do not meet the definition of “Restricted” or “Invested in Capital Assets, Net of Related Debt.”

When both restricted and unrestricted resources are available for use, generally it is the District’s policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. The District’s Statement of Net Assets and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Net Assets is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Assets.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has four (4) governmental funds and considers these funds to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Special Revenue Fund - To account for the financial activities of the jointly-owned wastewater treatment plant.

Debt Service Fund - To account for ad valorem taxes and financial resources accumulated for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources segregated for acquisition or construction of facilities and related costs.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within sixty (60) days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include the 2007 tax levy collections during the period October 1, 2007, to December 31, 2008, and taxes collected from January 1, 2008, to December 31, 2008, for the 2006 and prior tax levies. The 2008 tax levy has been fully deferred.

Amounts transferred from one (1) fund to another fund are reported as another financing source or use. Loans by one (1) fund to another fund and amounts paid by one (1) fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and a useful life of at least two (2) years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

	<u>Years</u>
Buildings	40
Water System	7-45
Wastewater System	10-45
Drainage System	15-45
Recreation Facilities	10-40
All Other Equipment	3-20

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund and Special Revenue Fund. The budgets were not amended during the current fiscal year.

Pensions

Payments are made into the social security system for the employees. See Note 12 for the District's defined contribution plan.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net assets.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances are included on the Balance Sheet as follows:

Reserved:

To indicate fund equity which is legally segregated for a specific future use.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Unreserved:

Designated - To indicate fund equity for which the District has made tentative plans.

Undesignated - To indicate fund equity which is available for use in future periods.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. BONDS PAYABLE

	Refunding Series 1993	Series 1993-A
Amount Outstanding - December 31, 2008	\$ 450,000	\$ 985,000
Interest Rates	5.500% - 5.700%	4.750% - 5.200%
Maturity Dates - Serially Beginning/Ending	March 1, 2009/2014	March 1, 2009/2015
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	March 1, 2002*	March 1, 2003**

* Or any date thereafter, callable at par plus unpaid accrued interest, in whole or in part, at the option of the District.

** Or any interest payment date thereafter, callable at par plus unpaid accrued interest, in whole or in part, at the option of the District.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 3. BONDS PAYABLE (Continued)

	Refunding Series 1998	Series 1999
Amount Outstanding - December 31, 2008	\$ 1,150,000	\$ 1,470,000
Interest Rates	4.600% - 4.875%	4.250% - 4.500%
Maturity Dates - Serially Beginning/Ending	March 1, 2009/2015	March 1, 2009/2018
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	March 1, 2007*	March 1, 2007*
	Series 2001	Series 2003
Amount Outstanding - December 31, 2008	\$ 1,505,000	\$ 2,990,000
Interest Rates	5.000% - 5.100%	4.500% - 5.750%
Maturity Dates - Serially Beginning/Ending	March 1, 2015/2022, 2025	March 1, 2016/2019, 2025, 2027
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	March 1, 2009**	March 1, 2011**

* Or any interest payment date thereafter, callable at par plus unpaid accrued interest, in whole or in part, at the option of the District.

** On any day thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, in whole or in part, at the option of the District, in such manner as the District may determine. The Series 2001 term bonds maturing on March 1, 2025, are subject to mandatory redemption by lot or other customary random selection method beginning March 1, 2023. The Series 2003 term bonds maturing on March 1, 2025, and March 1, 2027, are subject to mandatory redemption beginning March 1, 2020, and March 1, 2026, respectively.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 3. BONDS PAYABLE (Continued)

	Series 2006	Park Series 2006
Amount Outstanding - December 31, 2008	\$ 4,000,000	\$ 1,775,000
Interest Rates	4.000% - 5.500%	3.900% - 6.000%
Maturity Dates – Serially Beginning/Ending	March 1, 2009/2016, 2018, 2020, 2022, 2024, 2026, 2028, 2030	March 1, 2009/2015, 2018, 2021, 2024, 2027, 2030
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	March 1, 2015*	March 1, 2015*

* On any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, in whole or in part, in such manner as the District may determine. The Series 2006 term bonds maturing on March 1, 2018, 2020, 2022, 2024, 2026, 2028 and 2030, are subject to mandatory redemption beginning March 1, 2017, 2019, 2021, 2023, 2025, 2027 and 2029, respectively. The Series 2006 Park term bonds maturing on March 1, 2018, 2021, 2024, 2027 and 2030 are subject to mandatory redemption beginning March 1, 2016, 2019, 2022, 2025 and 2028, respectively.

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2008:

Bond Debt Payable - January 1, 2008	\$ 14,760,000
Less: Bond Principal Retirement	
Series 1993 Refunding	\$ 55,000
Series 1993-A	110,000
Series 1998 Refunding	125,000
Series 1999	<u>145,000</u>
	<u>435,000</u>
Bond Debt Payable - December 31, 2008	<u>\$ 14,325,000</u>
Bond Debt Payable -	
Due Within One Year	\$ 605,000
Due After One Year	<u>13,720,000</u>
Bond Debt Payable - December 31, 2008	<u>\$ 14,325,000</u>

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 3. BONDS PAYABLE (Continued)

Original Bonds Voted	\$ 21,800,000	*
New Bonds Voted	5,500,000	**
Park Bonds Voted	<u>1,775,000</u>	***
Total Bonds Authorized	<u>\$ 29,075,000</u>	
Original Bonds Approved	<u>\$ 21,565,000</u>	
Original Bonds Issued	\$ 19,790,000	
Park Bonds Issued	1,775,000	
Refunding Bonds Issued (\$5,165,000)		
Net of Bonds Refunded (\$4,960,000)	<u>205,000</u>	
Total Bonds Issued	<u>\$ 21,770,000</u>	

* The \$3,200,000 bonds approved at the 1993 election were unlimited tax bonds. \$795,000 of such authorization remains, all of which may be used for refunding purposes. On January 20, 2001, voters of the District, in conjunction with the annexation of 95.192 acres out of Oakmont Public Utility District, approved the issuance of \$8,000,000 in unlimited tax bonds, all of which may be used for refunding purposes.

** On February 2, 2002, voters of the District approved an additional \$5,500,000 in unlimited tax bonds, all of which may be used for refunding purposes.

*** On May 7, 2005, voters of the District approved \$1,775,000 in park bonds.

As of December 31, 2008, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 605,000	\$ 646,622	\$ 1,251,622
2010	640,000	615,633	1,255,633
2011	660,000	583,156	1,243,156
2012	700,000	549,059	1,249,059
2013	735,000	513,220	1,248,220
2014-2018	3,610,000	2,028,028	5,638,028
2019-2023	3,250,000	1,268,934	4,518,934
2024-2028	3,295,000	482,804	3,777,804
2029-2030	<u>830,000</u>	<u>33,600</u>	<u>863,600</u>
	<u>\$ 14,325,000</u>	<u>\$ 6,721,056</u>	<u>\$ 21,046,056</u>

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 3. BONDS PAYABLE (Continued)

The Series 1993, 1993-A, 1998 and 1999 bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system. The Series 2001 and subsequent bonds are payable solely from ad valorem taxes.

During the year ended December 31, 2008, the District levied an ad valorem debt service tax at the rate of \$0.36 per \$100 of assessed valuation, which resulted in a tax levy of \$1,233,280 on the adjusted taxable valuation of \$342,577,756 for the 2008 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

The District's tax calendar is as follows:

Levy Date	- October 1, as soon thereafter as practicable.
Lien Date	- January 1.
Due Date	- Not later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. The Series 1998 and prior bond orders state that the District shall maintain insurance on the system of a kind and in an amount which usually would be carried by municipal corporations and political subdivisions in Texas operating facilities, but considering any governmental immunities to which the District may be entitled. The District has property coverage of \$11,096,000 and boiler and machinery coverage of \$11,096,000. In addition, the District has \$2,000,000 of directors and officers liability coverage, \$3,000,000 of general liability coverage, \$1,000,000 of automobile liability coverage, \$1,000,000 of commercial umbrella liability and \$1,000,000 of pollution liability coverage.
- B. The bond orders state that any profits realized from or interest accruing on investments shall belong to the fund from which the monies for such investments were taken; provided, however, that at the discretion of the Board of Directors the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS
(Continued)

- C. The Series 1998 and subsequent bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information repository and the state information depository. This information, along with the audited annual financial statements, is to be provided within six (6) months after the end of each fiscal year.
- D. For the \$3,275,000 Series 1993 refunding bond issue funded on April 26, 1993, and the \$1,900,000 Series 1993-A bond issue funded on September 20, 1993, the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the 5th year anniversary of each issue.

In compliance with this covenant, the 10th year arbitrage rebate report was completed for the Series 1993 refunding bond issue and the 15th year arbitrage rebate report was completed for the Series 1993-A bond issue. The reports reflect that the District did not have a rebate obligation to the federal government on these issues.

- E. In accordance with the bond order for the Series 2006 Park bonds, a portion of the bond proceeds was deposited into the Debt Service Fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as interest is paid. Transactions for the current year are summarized as follows:

Bond Interest Reserve – January 1, 2008	\$ 9,627
Less: Series 2006 Park Interest Payments	<u>9,627</u>
Bond Interest Reserve – December 31, 2008	<u>\$ -0-</u>

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's bank deposits was \$6,544,453 and the bank balance was \$6,292,798. Of the bank balance, \$1,362,076 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at December 31, 2008, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 272,426	\$ 1,015,000	\$ 1,287,426
SPECIAL REVENUE FUND	45,092		45,092
DEBT SERVICE FUND	626,716	1,665,944	2,292,660
CAPITAL PROJECTS FUND	<u>2,919,275</u>	<u> </u>	<u>2,919,275</u>
TOTAL DEPOSITS	<u>\$ 3,863,509</u>	<u>\$ 2,680,944</u>	<u>\$ 6,544,453</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's 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." No person may invest District funds without express written authority from the Board of Directors.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (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) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

All investments are recorded at cost, which the District considers to be fair value. As of December 31, 2008, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND -</u>					
Certificates of Deposit	\$ 1,015,000	\$ 1,015,000	\$	\$	\$
<u>DEBT SERVICE FUND -</u>					
Certificates of Deposit	1,665,944	1,665,944			
<u>CAPITAL PROJECTS</u>					
<u>FUND -</u>					
Money Market Mutual Fund	<u>1,517,882</u>	<u>1,517,882</u>			
TOTAL INVESTMENTS	<u>\$ 4,198,826</u>	<u>\$ 4,198,826</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2008, the District's investment in the money market mutual fund was rated "AAAm" by Standard & Poor's.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in the money market mutual fund to have a maturity of less than one (1) year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Special Revenue Fund are restricted for wastewater treatment plant operations.

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for the purchase or construction of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008:

	<u>January 1, 2008</u>	<u>Additions</u>	<u>Decreases</u>	<u>December 31, 2008</u>
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,175,407	\$ 200,396	\$	\$ 1,375,803
Construction in Progress	<u>434,905</u>	<u>374,812</u>	<u>124,765</u>	<u>684,952</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,610,312</u>	<u>\$ 575,208</u>	<u>\$ 124,765</u>	<u>\$ 2,060,755</u>
Capital Assets at Historical Cost Subject to Depreciation				
Meeting and Recreation Facilities	\$ 2,401,829	\$ 16,195	\$	\$ 2,418,024
Water System	5,567,268	111,440		5,678,708
Wastewater System	4,792,736			4,789,866
Drainage	1,090,465		2,870	1,090,465
Equipment	<u>61,273</u>	<u></u>	<u></u>	<u>61,273</u>
Total Capital Assets at Historical Cost Subject to Depreciation	<u>\$ 13,913,571</u>	<u>\$ 127,635</u>	<u>\$ 2,870</u>	<u>\$ 14,038,336</u>

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 6. CAPITAL ASSETS (Continued)

	<u>January 1, 2008</u>	<u>Additions</u>	<u>Decreases</u>	<u>December 31, 2008</u>
Less Accumulated Depreciation				
Meeting and Recreation				
Facilities	\$ 894,467	\$ 80,163	\$	\$ 974,630
Water System	2,338,725	182,809		2,521,534
Wastewater System	2,393,519	97,481		2,491,000
Drainage	120,755	24,299		145,054
Equipment	<u>41,361</u>	<u>6,665</u>		<u>48,026</u>
Total Accumulated Depreciation	<u>\$ 5,788,827</u>	<u>\$ 391,417</u>	<u>\$ -0-</u>	<u>\$ 6,180,244</u>
Total Depreciable Capital				
Assets, Net of Accumulated Depreciation	<u>\$ 8,124,744</u>	<u>\$ (263,782)</u>	<u>\$ 2,870</u>	<u>\$ 7,858,092</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 9,735,056</u>	<u>\$ 311,426</u>	<u>\$ 127,635</u>	<u>\$ 9,918,847</u>

NOTE 7. MAINTENANCE TAX

The voters of the District have approved the levy and collection of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. During the year ended December 31, 2008, the District levied an ad valorem maintenance tax at the rate of \$0.25 per \$100 of assessed valuation, which resulted in a tax levy of \$856,444 on the adjusted taxable valuation of \$342,577,756 for the 2008 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system.

NOTE 8. DEVELOPER GUARANTEES

On December 17, 2001, the District entered into an agreement with The Hamptons on the Lake, Ltd., which guarantees to the District certain annual revenues from ad valorem taxes and tap fees that equal or exceed a portion of the debt service requirements incurred to purchase certain facilities within a certain 389-acre tract located east of Gosling Road, which was outside the boundaries of the District. The tract of land was annexed into the District in 2002. On May 24, 2006, the District entered into a similar agreement with The Gates of Northampton, L.P. for development of an 11.481-acre tract, which tract was annexed on November 20, 2006. Each guarantee begins following the year in which the District acquires the facilities, and extends for a period of five (5) years from the date of the first annual guarantee calculation. No development has occurred on either property to trigger this guarantee calculation.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 9. WATER SUPPLY AGREEMENTS

Encanto Real Utility District

On September 24, 1985, the District entered into an agreement with Encanto Real Utility District ("Encanto") to provide emergency water supply services. All necessary costs of constructing the interconnect, including a two-way meter for the purpose of measuring the water provided, shall be borne by Encanto. Each district is responsible for maintaining the respective interconnect lines within their boundaries. The charge for service to either district is \$0.75 per thousand gallons of water delivered. The agreement shall be in force until September 24, 2020.

The agreement was amended on August 21, 2000, to add an amount equal to the quantity of water delivered times the North Harris County Regional Water Authority's well pumpage fee rate in effect at the time of delivery. This amendment became effective for water supplied on or after January 1, 2000. During the current fiscal year, the District provided no water to Envanto.

Oakmont Public Utility District

Effective March 17, 2003, the District entered into an Interim Water Supply Agreement with Oakmont Public Utility District ("Oakmont") whereby the District will lease interim water supply to serve up to 400 equivalent single family connections within Oakmont. Oakmont has committed under the Agreement to file a bond application containing funds sufficient to construct its own water plant when at least 325 lots are developed within Oakmont. The First Amendment to the Interim Water Supply Agreement was entered into effective June 5, 2006, whereby the District agrees to lease Oakmont additional water supply capacity sufficient to serve an additional 125 equivalent single family connections until such time as Oakmont's water plant is operational. The Second Amendment to the Interim Water Supply Agreement was entered into effective May 10, 2007, whereby deleting the requirement for Oakmont to file a bond application containing funds sufficient to construct its own water plant. Oakmont has awarded a contract for construction of its water plant and construction is in progress at this time. The District bills Oakmont on a monthly basis for water used. During the current fiscal year, the District billed Oakmont \$99,545 for water used plus \$84,957 for regional water authority fees. At December 31, 2008, \$39,794 was due from Oakmont.

Harris County Municipal Utility District No. 1

Effective September 17, 2007, the District entered into an interim water supply agreement with Harris County Municipal Utility District No. 1 ("HC MUD No. 1") whereby the District will lease interim water supply to serve up to 25 equivalent single family connections within HC MUD NO. 1 for a period of no more than six (6) months. HC MUD NO. 1 will pay the cost to construct a twelve-inch waterline and six-inch temporary water meter connecting the HC MUD No. 1 water supply system to the District's water system. HC MUD NO. 1 shall pay to the

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 9. WATER SUPPLY AGREEMENTS (Continued)

Harris County Municipal Utility District No. 1 (Continued)

District \$0.42 per 1,000 gallons of water used during the term as compensation for the capital improvements utilized to produce the water. In addition, HC MUD No. 1 shall pay \$0.63 per 1,000 gallons of water used during the term to cover operations and maintenance expenses incurred by the District. HC MUD NO. 1 shall pay any NHCRWA prevailing groundwater pumpage charge. At the end of six (6) months, this agreement shall terminate and the Emergency Supply Water Contract entered into as of September 17, 2007, by and between the District and HC MUD NO. 1 shall become effective. The price to be paid for water delivered pursuant to this contract during an Emergency shall be \$100.00 per day or payment-in-kind. The method of payment is to be determined at the time of taking of water.

NOTE 10. WASTEWATER TREATMENT CONTRACTS

On September 14, 1978, the District entered into a waste disposal contract with Klein Independent School District ("Klein ISD"). The District sold Klein ISD an undivided right to the treatment of 75,000 gallons per day ("gpd") of sewage for a price of \$168,750. Klein ISD is charged \$6.55 per month for each urinal or water closet provided with sewage treatment by the District. The term of the contract is forty (40) years, expiring on September 14, 2018.

On July 2, 1984, the District entered into an agreement, and an amended agreement, with Oakmont Public Utility District ("Oakmont") whereby the District agreed to expand the capacity in its existing permanent sewage treatment plant to provide 232,220 gallons per day capacity to Oakmont. Each district agreed to pay its share of construction costs for expanding the plant based upon its pro-rata share of reserved capacity in the total capacity in the expansion. On June 15, 1993, the districts entered into a waste disposal contract whereby Oakmont agreed to sell the District an additional 97,220 gpd capacity in the permanent wastewater treatment plant for \$279,994.

The District exercises oversight responsibility for the operations of the plant. Fixed operational costs such as electricity, property insurance, permit renewal fees and costs, capital costs and laboratory testing fees are allocated based upon each district's pro-rata share of reserved capacity. All other costs of operations are allocated based upon the volume of wastewater delivered to the plant for treatment (measured according to the total water usage by each district as calculated based upon meter readings). Billings are issued on a monthly basis.

In addition, the contract requires the establishment of an operating reserve equal to two (2) month's operation and maintenance costs; such reserve is allocated based upon the existing budget and each district's estimated pro-rata share of such budget. The term of the agreement is forty (40) years.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 10. WASTEWATER TREATMENT CONTRACTS (Continued)

On June 19, 2006, the District agreed to lease Oakmont an additional 30,555 gpd of wastewater treatment capacity to serve an additional 97 equivalent single family connections until such time as the plant was expended by Oakmont. Completion of the expansion has been delayed. On May 8, 2008, the lease agreement was amended and restated to lease 120,645 gpd of wastewater treatment capacity to Oakmont until the expansion is complete and operational. Oakmont shall pay a monthly lease payment to the District in the sum of \$2,718. In addition to the monthly lease payment, Oakmont shall pay the monthly operating charge attributable to the leased capacity. The fees commenced in May of 2008. During the current fiscal year, the District recorded revenue of \$21,130 related to this lease.

The District is currently working on the planning and design phases of the wastewater treatment plant expansion project. The plant will be expanded to 1,150,000 gallons per day. Oakmont's share (61.28%) of the current year costs was \$150,788, of which \$86,633 was receivable at December 31, 2008.

	Owned Capacity in Gallons Per Day	Owned Capacity Percentage
Northampton Municipal Utility District	540,000	72.00%
Klein Independent School District	75,000	10.00%
Oakmont Public Utility District	<u>135,000</u>	<u>18.00%</u>
TOTAL	<u>750,000</u>	<u>100.00%</u>

During the current fiscal year, the District recorded \$277,613 as its share of the operating cost of the plant.

The financial activities of the joint venture are accounted for in the Special Revenue Fund of the District. Separate financial statements are not issued on the joint venture. The following is a summary of the billing activity.

	Northampton Municipal Utility District	Oakmont Public Utility District	Total
Due (to) from Participants at January 1, 2008	\$ 35,908	\$ 4,425	\$ 40,333
Operating Costs	277,729	67,747	345,476
Receipts and Credits	(307,660)	(60,693)	(368,353)
Interest Revenue	(116)	(26)	(142)
Change in Reserve	<u>900</u>	<u>4,100</u>	<u>5,000</u>
Due (to) from Participants at December 31, 2008	<u>\$ 6,761</u>	<u>\$ 15,553</u>	<u>\$ 22,314</u>
Two (2) Month's Reserve	<u>\$ 47,700</u>	<u>\$ 11,900</u>	<u>\$ 59,600</u>

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 11. ESCROW REQUIREMENTS

In compliance with the Commission's order dated May 2, 2006, the District placed \$1,375,030 from the Series 2006 bond proceeds into an escrow account. On August 21, 2006, the Commission approved the release of \$75,000 from escrow for financial advisor fees. At December 31, 2008, \$1,300,030 is required to remain in escrow for a waterline interconnect with Oakmont, wastewater treatment plant modifications, Ditch M-102 channel improvements and \$5,000 of surplus funds.

In compliance with the Commission's order dated July 21, 2006, the District placed \$1,488,675 from the Series 2006 Park bond proceeds into an escrow account. On February 26, 2007, the Commission approved the release of \$44,375 from escrow for legal fees. On November 12, 2008, the Commission approved the release of \$150,000 from escrow for land acquisition for a general expansion of the District's Inway recreational facility which includes additional parking, greenspace, trails, etc. At December 31, 2008, \$1,294,300 is required to remain in escrow for Northwest Park improvements; West Park improvements; Inway Park improvements; Pocket Park improvements; Willow Park improvements; and land acquisition costs.

The total escrow requirement at December 31, 2008, is \$2,594,330.

NOTE 12. DEFINED CONTRIBUTION PLAN

The District has established a SIMPLE Individual Retirement Account (IRA) plan for its employees. The plan became effective April 1, 2000, and is currently managed by AIM Management. Eligible employees may contribute up to \$15,500 for any calendar year through salary reduction elections. For each calendar year, the District will contribute a matching contribution to each eligible employee's IRA account equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. All contributions to the plan are immediately vested with the employee. For the year ended December 31, 2008, the eligible employees contributed \$11,283 to the plan and the District contributed \$5,356.

NOTE 13. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 13. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. Effective October 1, 2007, the fee was \$0.99 per 1,000 gallons of water pumped from each well. Effective January 1, 2009, subsequent to year end, the fee was increased to \$1.50 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of \$429,497 for fees assessed by the Authority during the current fiscal year. The District collects fees from its customers as a part of its monthly billings to cover this regulatory assessment.

NOTE 14. AGREEMENT FOR MANAGEMENT AND OPERATION OF OAKMONT PARKS AND RECREATIONAL FACILITIES

On December 8, 2006, the District entered into an agreement with Oakmont Public Utility District ("Oakmont") to manage the Oakmont recreational facilities. Oakmont will pay the District a monthly management fee of \$5,000. This monthly fee may change upon execution of a mutually approved amendment to the agreement. Oakmont shall impose and collect the same recreation fee set by the District and shall make the recreation fee mandatory for each occupied resident in Oakmont. Oakmont will furnish all consumable supplies needed to operate the facilities. The District will furnish all equipment, tools, appliances and labor necessary for proper maintenance and repairs. The term of this agreement is for one (1) year, subject to renewal. On October 13, 2007, the agreement was amended to extend the term of the agreement for one (1) year, and to provide for automatic renewal of the agreement on the effective date for successive one year terms unless terminated earlier by written notice of either party at least sixty (60) days prior to the anniversary of the effective date. During the current fiscal year, the District recorded \$60,000 of revenue related to this agreement.

NOTE 15. UNREIMBURSED COSTS

The District has current development financing agreements with three (3) developers within the District, The Hamptons on the Lake, Ltd., The Gates of Northampton, L.P. and Peramco, Inc. Peramco, Inc. is the only developer that indicated funds had been expended on behalf of the District as of December 31, 2008, for which reimbursement will be requested from a future bond sale. Peramco, Inc. indicated that \$111,448 had been expended for engineering and related costs for West Rayford Road Commercial utilities, a lift station and detention and Northampton

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 15. UNREIMBURSED COSTS (Continued)

Section 4 back lot storm sewer. This amount has not been recorded in the District's financial because the facilities have not been completed for use by the District.

In 2005, the District reimbursed Peramco, Inc. for various projects from Series 2003 Bonds. The amount of funds approved for this reimbursement was not sufficient; therefore the District owes Peramco, Inc. an additional \$41,821 for unpaid developer interest.

NOTE 16. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The District participates in the Texas Municipal League Intergovernmental Risk Pool ("TML") to provide automobile liability, automobile physical damage coverage and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. During 2008, the District contributed a net of \$9,177 to TML for this insurance coverage. The District purchased commercial insurance for all other coverage. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three (3) years.

NOTE 17. INTERFUND PAYABLES AND RECEIVABLES

Due To	Due From			Totals
	General Fund	Debt Service Fund	Capital Projects Fund	
General Fund:				
Maintenance Tax				
Collections	\$	\$ 124,182	\$	\$ 124,182
Arbitrage Analysis		25,500		25,500
Special Revenue				
Fund:				
Operations for				
Wastewater				
Treatment Plant	6,761			6,761
	<u>\$ 6,761</u>	<u>\$ 149,682</u>	<u>\$ -0-</u>	<u>\$ 156,443</u>

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 18. PRIOR PERIOD ADJUSTMENT

In the prior fiscal year, legal costs related to the condemnation of the Robert Ward Tract were not included in the District's capital assets. The effect of adding these costs to the cost basis of the land increases the beginning net assets balance by \$158,762.

Net Assets – January 1, 2008	\$ 2,519,966
Add: Legal Costs for Condemnation	<u>158,762</u>
Net Assets – January 1, 2008, As Adjusted	<u>\$ 2,678,728</u>

NOTE 19. FEMA GRANT

Subsequent to year end, the District received \$33,267 in disaster relief funds related to Hurricane Ike. These are federal funds from FEMA, passed through the Texas Department of Public Safety's Division of Emergency Management.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2008

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 800,000	\$ 853,556	\$ 53,556
Water Service	624,000	678,839	54,839
Wastewater Service	800,000	855,684	55,684
Penalty and Interest	24,000	21,383	(2,617)
Tap Connection and Inspection Fees		3,950	3,950
Facility Use Fees	100,200	91,047	(9,153)
Regional Water Authority Fees	354,000	394,906	40,906
Capital Contributions		10,082	10,082
Investment Revenues	48,000	54,346	6,346
Grant Revenues		13,295	13,295
Miscellaneous Revenues	<u>66,800</u>	<u>71,376</u>	<u>4,576</u>
TOTAL REVENUES	<u>\$ 2,817,000</u>	<u>\$ 3,048,464</u>	<u>\$ 231,464</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 240,000	\$ 205,089	\$ 34,911
Contracted Services	554,000	543,530	10,470
Purchased Wastewater Service	280,800	277,613	3,187
Utilities	103,920	179,397	(75,477)
Repairs and Maintenance	296,000	361,198	(65,198)
Regional Water Authority Assessments	360,000	429,497	(69,497)
Parks and Recreation	742,260	771,595	(29,335)
Other	157,400	162,166	(4,766)
Capital Outlay:			
Parks and Recreation	50,000	2,109	47,891
Other Facilities	<u>29,000</u>	<u>174,492</u>	<u>(145,492)</u>
TOTAL EXPENDITURES	<u>\$ 2,813,380</u>	<u>\$ 3,106,686</u>	<u>\$ (293,306)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 3,620</u>	<u>\$ (58,222)</u>	<u>\$ (61,842)</u>
FUND BALANCE - JANUARY 1, 2008	<u>1,126,030</u>	<u>1,126,030</u>	
FUND BALANCE - DECEMBER 31, 2008	<u>\$ 1,129,650</u>	<u>\$ 1,067,808</u>	<u>\$ (61,842)</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND – WASTEWATER TREATMENT PLANT
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Wastewater Service	\$ 327,570	\$ 345,334	\$ 17,764
Investment Revenues	180	142	(38)
Grant Revenues		19,972	19,972
TOTAL REVENUES	<u>\$ 327,750</u>	<u>\$ 365,448</u>	<u>\$ 37,698</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 24,800	\$ 8,948	\$ 15,852
Contracted Services	48,580	44,003	4,577
Utilities	97,020	132,190	(35,170)
Repairs and Maintenance	48,000	58,165	(10,165)
Other	109,350	122,142	(12,792)
TOTAL EXPENDITURES	<u>\$ 327,750</u>	<u>\$ 365,448</u>	<u>\$ (37,698)</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ -0-
FUND BALANCE – JANUARY 1, 2008			
FUND BALANCE – DECEMBER 31, 2008	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2008

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2008

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	<u> X </u>	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> X </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> X </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> X </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order approved September 3, 2007.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 20.00	10,000	N	\$ 0.80	10,001 to 19,999
				\$ 0.90	20,000 to 29,999
				\$ 1.10	30,000 to 49,999
				\$ 1.25	50,000 to 74,999
				\$ 5.00	75,000 and over
WASTEWATER:	\$ 42.48 *		Y		
SURCHARGE:					
Regional Water Authority Fees				\$ 0.99	1,000 and over

District employs winter averaging for wastewater usage?

<u> </u>	<u> X </u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$20.00 Wastewater: \$42.48 Surcharge: \$9.90 Total: \$72.38

* Includes garbage fee of \$20.13 and recycling fee of \$3.00.

See accompanying independent auditor's report.