

**NORTHHAMPTON MUNICIPAL UTILITY DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

Total Fund Balances - Governmental Funds	\$ 11,782,657
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Bond insurance premiums paid at closing are amortized over the term of the bonds.	112,267
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	34,480,004
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The difference between the net carrying amount of the refunded bonds and the reacquisition price is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.	309,883
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Deferred inflows of resources related to tax revenues and penalty and interest receivable on delinquent taxes for the 2016 and prior tax levies became part of recognized revenues in the governmental activities of the District.	81,583
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Certain 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:

Due to Developers	\$ (6,741,184)	
Accrued Interest Payable	(405,390)	
Bonds Payable Within One Year	(1,440,000)	
Bonds Payable After One Year	(36,282,035)	
		(44,868,609)

Total Net Position - Governmental Activities	\$ 1,897,785
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The accompanying notes to financial  
statements are an integral part of this report.

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**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	General Fund	Special Revenue Fund
<b>REVENUES</b>		
Property Taxes	\$ 1,472,206	\$
Water Service	1,086,063	
Wastewater Service	1,267,422	647,041
Penalty and Interest	35,902	
Tap Connection and Inspection Fees	145,278	
Facility Use Fees	116,464	
Regional Water Authority Fees	1,068,119	
Investment Revenues	23,637	
Miscellaneous Revenues	39,407	
<b>TOTAL REVENUES</b>	<b>\$ 5,254,498</b>	<b>\$ 647,041</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 325,363	\$ 21,636
Contracted Services	542,887	67,908
Purchased Wastewater Service	432,760	
Utilities	104,398	112,567
Repairs and Maintenance	369,999	221,150
Regional Water Authority Assessments	1,054,157	
Parks and Recreation	1,366,938	
Depreciation		
Other	283,229	223,780
Capital Outlay		
Parks and Recreation	276,277	
Other Facilities		
Debt Service:		
Bond Principal		
Bond Interest		
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 4,756,008</b>	<b>\$ 647,041</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 498,490</b>	<b>\$ -0-</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In (Out)	\$ 226,208	\$ -0-
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 724,698</b>	<b>\$ -0-</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - JANUARY 1, 2017</b>	<b>2,528,552</b>	
<b>FUND BALANCES/NET POSITION - DECEMBER 31, 2017</b>	<b>\$ 3,253,250</b>	<b>\$ -0-</b>

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 2,397,312	\$	\$ 3,869,518	\$ 13,622	\$ 3,883,140
		1,086,063		1,086,063
		1,914,463	(432,760)	1,481,703
40,020		75,922	2,580	78,502
		145,278		145,278
		116,464		116,464
		1,068,119		1,068,119
16,821	47,346	87,804		87,804
50	24,000	63,457		63,457
<u>\$ 2,454,203</u>	<u>\$ 71,346</u>	<u>\$ 8,427,088</u>	<u>\$ (416,558)</u>	<u>\$ 8,010,530</u>
\$ 12,799	\$	\$ 359,798	\$	\$ 359,798
73,841		684,636		684,636
		432,760	(432,760)	
		216,965		216,965
		591,149		591,149
		1,054,157		1,054,157
		1,366,938		1,366,938
			1,469,798	1,469,798
6,956	244	514,209		514,209
		276,277	(275,643)	634
	290,272	290,272	(215,717)	74,555
1,035,000		1,035,000	(1,035,000)	
1,103,963		1,103,963	143,378	1,247,341
<u>\$ 2,232,559</u>	<u>\$ 290,516</u>	<u>\$ 7,926,124</u>	<u>\$ (345,944)</u>	<u>\$ 7,580,180</u>
\$ 221,644	\$ (219,170)	\$ 500,964	\$ (500,964)	\$ -0-
\$ -0-	\$ (226,208)	\$ -0-	\$ -0-	\$ -0-
\$ 221,644	\$ (445,378)	\$ 500,964	\$ (500,964)	\$
			430,350	430,350
<u>2,187,950</u>	<u>6,565,191</u>	<u>11,281,693</u>	<u>(9,814,258)</u>	<u>1,467,435</u>
<u>\$ 2,409,594</u>	<u>\$ 6,119,813</u>	<u>\$ 11,782,657</u>	<u>\$ (9,884,872)</u>	<u>\$ 1,897,785</u>

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net Change in Fund Balances - Governmental Funds	\$	500,964
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.		13,622
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Governmental funds report penalty and interest on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed.		2,580
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Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(1,469,798)
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Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital assets purchases are expensed in the Statement of Activities.		491,360
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Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.		1,035,000
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Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the long-term debt through fiscal year-end and the current amortization of bond discounts and bond premiums is added to interest expense.		(143,378)
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Change in Net Position - Governmental Activities	\$	<u>430,350</u>
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The accompanying notes to financial  
statements are an integral part of this report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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 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 ("GASB"). 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 District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

The District has entered into an 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 9.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- \* Net Investment in Capital Assets – This component of net position 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 Net Position – This component of net position consists of external constraints placed on the use of 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 Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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 Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position 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.

The Statement of Net Position 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 Position.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

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 financial statements. The fund financial statements include a Governmental Funds Balance Sheet and a Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has four 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 restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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 revenues reported in governmental funds to be available if they are collectable within 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.



**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include the 2016 tax levy collections during the period October 1, 2016, to December 31, 2017, and taxes collected from January 1, 2017, to December 31, 2017, for all prior tax levies. The 2017 tax levy has been fully deferred to meet the District's planned expenditures in the 2018 fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one 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 Position. 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. 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 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:

	<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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 11 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 Position 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 position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

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 Governmental Funds 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 in governmental funds are classified using the following hierarchy:

*Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

*Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

*Unassigned:* all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

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. LONG-TERM DEBT**

	Series 2010	Refunding Series 2010	Series 2012
Amount Outstanding - December 31, 2017	\$175,000	\$2,895,000	\$2,175,000
Interest Rates	3.75% - 4.375%	4.00%	2.75% - 3.50%
Maturity Dates – Beginning/Ending	March 1, 2018, 2021	March 1, 2018/2027	March 1, 2028/2034, 2036
Interest Payment Dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable Dates	March 1, 2018*	March 1, 2018*	March 1, 2020*

- \* 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, at the option of the District, in such manner as the District may determine. The Series 2010 term bonds maturing on March 1, 2021, are subject to mandatory redemption by lot or other customary random selection method beginning March 1, 2019. The Series 2012 term bonds maturing on March 1, 2036 are subject to mandatory redemption by lot or other customary random selection methods beginning March 1, 2035.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 3. LONG-TERM DEBT (Continued)**

	Refunding Series 2014	Series 2015	Defined Area Series 2016
Amount Outstanding - December 31, 2017	\$4,210,000	\$4,345,000	\$6,315,000
Interest Rates	2.7281%	2.00% - 3.75%	2.00% - 3.45%
Maturity Dates – Beginning/Ending	March 1, 2018/2030	March 1, 2018/2026, 2029, 2031, 2032/2035, 2037, 2040	September 1, 2018/2026, 2028, 2030, 2032, 2034, 2037, 2041
Interest Payment Dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable Dates	March 1, 2023*	March 1, 2023*	September 1, 2024*
	Defined Area Series 2016 Road	Refunding Series 2016	Series 2016
Amount Outstanding - December 31, 2017	\$2,700,00	\$4,800,000	\$10,300,000
Interest Rates	1.25% - 3.50%	2.00% - 4.00%	2.00% - 4.00%
Maturity Dates – Beginning/Ending	September 1, 2018/2025, 2027,2029,2031,2035, 2037,2041	March 1, 2018/2034	March 1, 2018/2033, 2035, 2037, 2041
Interest Payment Dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable Dates	September 1, 2024*	March 1, 2024*	March 1, 2025*

- \* 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, at the option of the District, in such manner as the District may determine. The Series 2015 term bonds maturing on March 1, 2029, 2031, 2037, and 2040 are subject to mandatory redemption by lot or other customary random selection methods beginning March 1, 2027, 2030, 2036, and 2038, respectively. The Defined Area Series 2016 term bonds maturing on September 1, 2028, 2030, 2032, 2034, 2037 and 2041 are subject to mandatory redemption by lot or other customary random selection methods beginning September 1, 2027, 2029, 2031, 2033, 2035, and 2038, respectively. The Defined Area Series 2016 Road term bonds maturing on March 1, 2027, 2029, 2031, 2035, 2037 and 2041 are subject to mandatory redemption by lot or other customary random selection methods beginning March 1, 2026, 2028, 2030, 2032, 2036, and 2038, respectively. The Series 2016 term bonds maturing on September 1, 2035, 2037, and 2041 are subject to mandatory redemption by lot or other customary random selection methods beginning September 1, 2034, 2036, and 2038, respectively.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 3. LONG-TERM DEBT (Continued)**

The following is a summary of transactions regarding the changes in the long-term liabilities for the year ended December 31, 2017:

	January 1, 2017	Additions	Retirements	December 31, 2017
Bonds Payable	\$ 38,950,000	\$	\$ 1,035,000	\$ 37,915,000
Unamortized Discounts	(722,309)		(36,427)	(685,882)
Unamortized Premiums	533,042		40,125	492,917
Bonds Payable, Net	<u>\$ 38,760,733</u>	<u>\$ -0-</u>	<u>\$ 1,038,698</u>	<u>\$ 37,722,035</u>
			Amount Due Within One Year	\$ 1,440,000
			Amount Due After One Year	<u>36,282,035</u>
			Bonds Payable, Net	<u>\$ 37,722,035</u>

As of December 31, 2017, the District had authorized but unissued bonds in the amount of \$24,040,000 for utility facilities and refundings; \$34,510,000 for utility facilities and refundings in the defined area; and \$14,300,000 for roads in the defined area.

As of December 31, 2017, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 1,440,000	\$ 1,198,223	\$ 2,638,223
2019	1,360,000	1,159,860	2,519,860
2020	1,405,000	1,122,415	2,527,415
2021	1,455,000	1,082,420	2,537,420
2022	1,515,000	1,041,924	2,556,924
2023-2027	8,050,000	4,541,769	12,591,769
2028-2032	8,300,000	3,308,011	11,608,011
2033-2037	9,200,000	1,772,996	10,972,996
2038-2041	5,190,000	417,246	5,607,246
	<u>\$ 37,915,000</u>	<u>\$ 15,644,864</u>	<u>\$ 53,559,864</u>

The bonds are payable solely 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.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 3. LONG-TERM DEBT (Continued)**

During the year ended December 31, 2017, the District levied a District-wide ad valorem debt service tax at the rate of \$0.33 per \$100 of assessed valuation, which resulted in a tax levy of \$2,023,048 on the adjusted taxable valuation of \$613,044,675 for the 2017 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.

Defined Area

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities or services that primarily benefit that area. On August 20, 2012, the District approved the creation of a defined area encompassing approximately 439.69 acres (the "Defined Area").

At an election within the District on November 6, 2012 the voters authorized \$41,000,000 principal amount of bonds to finance water, wastewater and drainage improvements within the Defined Area and \$17,000,000 principal amount of bonds to finance road improvements within the Defined Area. Any bonds issued for the Defined Area shall be payable solely from a tax levied within the boundaries of the Defined Area and not on any other part of the District.

During the year ended December 31, 2017, the District levied an ad valorem debt service and road tax at the rate of \$0.34 and \$0.30, respectively, per \$100 of assessed valuation within the defined area, which resulted in a total tax levy of \$586,622 on the adjusted taxable valuation of \$91,659,783 for the 2017 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. |

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 4.      SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

- A. 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.
- B. The bond orders state that the District is required by the Securities and Exchange Commission to provide annual continuing disclosure of certain general financial information and operating data to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year.
- C. 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 each 5th year anniversary of each issue.

In compliance with this covenant, the 5th year arbitrage rebate reports were completed for the Series 2010 Bonds and the Series 2010 Refunding Bonds; and the final arbitrage rebate reports were completed for the Series 2006 Bonds and the Series 2006 Park Bonds. The reports reflect that the District did not have a rebate obligation to the federal government on these issues.

- D. In accordance with the Series 2015, Defined Area Series 2016 and Series 2016 bond orders, a portion of the bond proceeds were deposited into the Debt Service Fund and reserved for the payment of bond interest during the construction period. This bond interest reserved is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Bond Interest Reserve – January 1, 2017	\$	475,371
Less: Series 2015 Interest		21,295
Less: Defined Area Series 2016 Road Capitalized Interest		73,273
Less: Series 2016 Capitalized Interest		<u>240,008</u>
Bond Interest Reserve – December 31, 2017	\$	<u>140,795</u>

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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.

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 \$5,320,169 and the bank balance was \$5,292,950. Of the bank balance, \$2,228,920 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 Position at December 31, 2017, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 1,329,150	\$ 490,000	\$ 1,819,150
SPECIAL REVENUE FUND	107,055		107,055
DEBT SERVICE FUND	1,088,673	1,968,338	3,057,011
CAPITAL PROJECTS FUND	336,953		336,953
TOTAL DEPOSITS	<u>\$ 2,861,831</u>	<u>\$ 2,458,338</u>	<u>\$ 5,320,169</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,



**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

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.

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. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

All investments are recorded at cost, which the District considers to be fair value. As of December 31, 2017, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years		
		Less Than 1	1-5	6-10
<u>GENERAL FUND</u>				
Certificates of Deposit	\$ 490,000	\$ 490,000	\$	\$
TexPool	2,016,910	2,016,910		
<u>DEBT SERVICE FUND</u>				
Certificates of Deposit	1,968,338	1,968,338		
<u>CAPITAL PROJECTS FUND</u>				
TexPool	5,442,854	5,442,854		
TOTAL INVESTMENTS	\$ 9,918,102	\$9,918,102	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2017, the District’s investments in TexPool were rated “AAAm” by Standard and Poor’s. The District also manages credit risk by investing in certificates of deposit insured by the FDIC.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District. The District also manages interest rate risk by investing in certificates of deposit with maturities of approximately one year or less.

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, 2017:

	January 1, 2017	Increases	Decreases	December 31, 2017
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 1,936,448	\$	\$	\$ 1,936,448
Construction in Progress	358,438	3,950,862	3,820,745	488,555
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 2,294,886</u>	<u>\$ 3,950,862</u>	<u>\$ 3,820,745</u>	<u>\$ 2,425,003</u>
<b>Capital Assets Subject to Depreciation</b>				
Meeting and Recreation Facilities	\$ 4,303,864	\$ 331,243	\$	\$ 4,635,107
Water System	9,468,811	170,468		9,639,279
Wastewater System	23,465,578	99,183		23,564,761
Drainage	4,862,330	3,189,851		8,052,181
Equipment	99,392	30,000		129,392
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 42,199,975</u>	<u>\$ 3,820,745</u>	<u>\$ - 0 -</u>	<u>\$ 46,020,720</u>
<b>Less Accumulated Depreciation</b>				
Meeting and Recreation Facilities	\$ 2,634,705	\$ 250,246	\$	\$ 2,884,951
Water System	4,455,803	326,882		4,782,685
Wastewater System	4,780,859	705,662		5,486,521
Drainage	525,162	181,090		706,252
Equipment	99,392	5,918		105,310
<b>Total Accumulated Depreciation</b>	<u>\$ 12,495,921</u>	<u>\$ 1,469,798</u>	<u>\$ - 0 -</u>	<u>\$ 13,965,719</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 29,704,054</u>	<u>\$ 2,350,947</u>	<u>\$ - 0 -</u>	<u>\$ 32,055,001</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 31,998,940</u>	<u>\$ 6,301,809</u>	<u>\$ 3,820,745</u>	<u>\$ 34,480,004</u>

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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 fiscal year ended December 31, 2017, 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 \$1,532,612 on the adjusted taxable valuation of \$613,044,675 for the 2017 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 and recreational facilities.

Defined Area

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities or services that primarily benefit that area. On August 20, 2012, the District approved the creation of a defined area encompassing approximately 439.69 acres (the "Defined Area") (See Note 3).

The District is authorized to levy a maintenance tax of \$0.64 per \$100 of assessed valuation for property within the Defined Area, in addition to the District's debt service and maintenance tax rates applicable to the remainder of the District. During the fiscal year ended December 31, 2017, the District did not levy an ad valorem maintenance tax for the 2017 tax year.

**NOTE 8. 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 agreement was amended on August 21, 2000, and December 20, 2011. The charge for service to either district is \$1.25 per thousand gallons of water delivered plus the North Harris County Regional Water Authority pumpage fee. The agreement shall be in force until September 24, 2020.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 8. WATER SUPPLY AGREEMENTS (Continued)**

Oakmont Public Utility District

On February 17, 1992, the District entered into an emergency water supply agreement with Oakmont Public Utility District ("Oakmont") so that each district will have an alternative water supply available for emergencies commencing at the time each district has its own operational water production and distribution system. The receiving district will pay the supplying district for the water supplied, as estimated by the providing district's operator, at a rate equal to 150 percent of the supplying districts direct cost of producing water. Each district is responsible for maintaining that segment of the interconnect line that is located within its boundaries. The agreement was amended on November 13, 2008, to change the point of connection between the districts. The term of this agreement commenced in February of 2009 and continues for a term of 20 years.

Harris County Municipal Utility District No. 1

On April 9, 2013, the District entered into an agreement with Harris County Municipal Utility District No. 1 ("MUD 1") to provide emergency water supply services. All necessary costs of constructing the interconnect shall be the sole responsibility of MUD 1. The parties agree that a two-way meter will not be necessary at this time and that the interconnection will be controlled by a valve and lock box which the operators for both parties will have a key. Each district is responsible for maintaining the respective interconnect lines within their boundaries. The charge for service to either district is \$1.00 per thousand gallons of water delivered plus the North Harris County Regional Water Authority pumpage fee. This agreement shall be in force for a period of 40 years.

**NOTE 9. WASTEWATER TREATMENT CONTRACTS**

On January 20, 2014, the District entered into a utility development and service agreement with Klein Independent School District ("Klein ISD"). The District agreed to furnish wastewater treatment capacity not to exceed 70,000 gallons per day average daily flow, to be charged pursuant to the District's rate order. On March 20, 2017, this agreement was amended to include an additional 6.7-acre tract of land which requires water capacity of approximately 450 gallons per day. The term of the contract is 40 years, expiring on January 20, 2054.

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 9. WASTEWATER TREATMENT CONTRACTS (Continued)**

\$279,994. The First Amendment to the contract was entered into as of October 8, 2009, to provide for the capacity owned by each participant after the completion of the 400,000 gallon per day expansion. The plant was expanded from 750,000 gallons per day to 1,150,000 gallons per day. The Second Amendment to the contract was entered into as of February 16, 2015, to re-rate the existing 1,150,000 gallons per day to 950,000 gallons per day. The District has constructed a 450,000 gallon per day expansion thus increasing the capacity in the plant from 950,000 gallons per day to 1,400,000 gallons per day.

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 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 40 years.

	Owned Capacity in Gallons Per Day	Owned Capacity Percentage
Northampton Municipal Utility District	1,040,000	74.29
Oakmont Public Utility District	<u>360,000</u>	<u>25.71</u>
<b>TOTAL</b>	<u><u>1,400,000</u></u>	<u><u>100.00</u></u>

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.

	The District	Oakmont	Total
Due (to) from Participants at January 1, 2016	\$ 32,521	\$ 22,980	\$ 55,501
Operating Costs	432,760	214,281	647,041
Receipts and Credits	(447,531)	(214,249)	(661,780)
Change in Reserve	<u>(400)</u>	<u>(80)</u>	<u>(480)</u>
Due (to) from Participants at December 31, 2017	<u>\$ 17,350</u>	<u>\$ 22,932</u>	<u>\$ 40,282</u>
Two Month Reserve	<u>\$ 74,600</u>	<u>\$ 25,820</u>	<u>\$ 100,420</u>

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 10. 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. On June 16, 2009, the Commission approved the release of \$58,080 from escrow to partially reimburse Oakmont Public Utility District for costs associated with the existing water line interconnect. The Commission also approved a change in project scope of \$437,020 to fund the District's water well no. 2 project and the balance of the costs associated with the existing water line interconnect. On October 29, 2009, the Commission approved the release of \$1,236,950 from escrow: \$1,064,800 for wastewater treatment plant modifications and improvements and \$172,150 for the Ditch M-102 channel improvements. At December 31, 2017, \$5,000 of surplus funds is required to remain in escrow.

**NOTE 11. 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 the maximum amount allowed by the Internal Revenue Service 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, 2017, the eligible employees contributed \$16,951 to the plan and the District contributed \$10,677.

**NOTE 12. 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 75<sup>th</sup> 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 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. The fee for 2017 was \$2.90 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of \$1,054,157 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.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 13. 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. 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 years.

**NOTE 14. INTERFUND BALANCES AND TRANSFERS**

The Debt Service Fund (Tax Account) owes the General Fund \$262,679 for maintenance tax collections. The General Fund owes the Debt Service Fund (Tax Account) \$30,213 for the over transfer of defined area maintenance tax collections. The General Fund fund owes the Special Revenues Fund \$17,350 for wastewater treatment plant operations and the General Fund owes the Capital Projects Fund \$421,030 for Water Plant No. 3 construction costs pending the expenditures of these funds. The Capital Projects Fund owes the General Fund \$81,024 for the meter replacement costs and Lift Station rehabilitation.

The District transferred \$226,208 from the Capital Projects Fund to the General Fund for amounts paid in prior years for Inway Park Project and to close the park accounts.

**NOTE 15. UNREIMBURSED COSTS**

The District has entered into development financing agreements with developers within the District. The agreements call for the developers to fund costs associated with water, sewer, and drainage facilities until such time as the District can sell bonds. As of December 31, 2017, the District recorded an estimated liability of \$4,723,489 for completed projects and \$2,017,695 for advances for Wastewater Treatment Plant No. 2.

**NOTE 16. USE OF SURPLUS FUNDS**

On December 11, 2017, the District received approval from the Commission for the use of \$226,832 in surplus funds from the Series 2016 Bond issue to pay for a portion of the cost of implementation of the Smart Meter Replacement Program.

In accordance with Rule 30 T.A.C. 293.83(c)(3) of the Commission, the District approved the use of \$176,327 in surplus funds from the Series 2016 Bond issue to fund the Lift Station rehabilitation. During the current fiscal year, the District expended \$73,841 of surplus funds on this project.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 17. HURRICANE HARVEY**

The Houston area, including Harris County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District believes that it received approximately 27 inches of rain between August 26 and August 29 including approximately 15 inches of rain that was received in one 24-hour period and 2 inches of rain that fell within a one-hour period of time. According to the District's operator, the District's System did not sustain any significant damage and there was no interruption of water and sewer service during Hurricane Harvey. The District did experience flooding in approximately 147 of the 2,094 homes in the District. During the flood the District utilized efforts of the Spring Volunteer Fire Department to serve the residents of the District; there was no loss of life in the District during Hurricane Harvey. The District in conjunction with Harris County had all the storm debris removed from the District by year-end. The District has applied for reimbursement for a portion of such costs from the Federal Emergency Management Agency ("FEMA"). The District has submitted \$112,151.85 to FEMA for reimbursement. The District has also requested assistance from FEMA to perform 2 repairs to drainage channels. The cost of the repairs has not been determined at this time. Most of that flooding (approximately 90%) occurred in the subdivisions of Northampton Sections 3, 4 and 5, Northampton Estates Phase I, The Courts at Auburn Lakes, The Woods of Northampton, and The Greens of Northampton Estates, and 80% of the first floor of the Waterford Springs Apartments. The District believes that most of the flooded homes in the District were homes that were required to have flood insurance and that as of this report, it appears that most of those flooded homes are in the process of being rehabilitated.



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**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2017**

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 1,313,000	\$ 1,472,206	\$ 159,206
Water Service	1,200,000	1,086,063	(113,937)
Wastewater Service	1,260,000	1,267,422	7,422
Penalty and Interest	36,000	35,902	(98)
Tap Connection and Inspection Fees	130,525	145,278	14,753
Facility Use Fees	136,800	116,464	(20,336)
Regional Water Authority Fees	1,128,000	1,068,119	(59,881)
Investment Revenues	6,000	23,637	17,637
Miscellaneous Revenues	19,400	39,407	20,007
<b>TOTAL REVENUES</b>	<u>\$ 5,229,725</u>	<u>\$ 5,254,498</u>	<u>\$ 24,773</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 310,700	\$ 325,363	\$ (14,663)
Contracted Services	596,520	542,887	53,633
Purchased Wastewater Service	450,164	432,760	17,404
Utilities	136,800	104,398	32,402
Repairs and Maintenance	330,000	369,999	(39,999)
Regional Water Authority Assessments	1,128,000	1,054,157	73,843
Parks and Recreation	1,261,080	1,366,938	(105,858)
Other	257,115	283,229	(26,114)
Capital Outlay:			
Parks and Recreation	42,000	276,277	(234,277)
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,512,379</u>	<u>\$ 4,756,008</u>	<u>\$ (243,629)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 717,346</u>	<u>\$ 498,490</u>	<u>\$ (218,856)</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers In (Out)	\$ -0-	\$ 226,208	\$ 226,208
<b>NET CHANGE IN FUND BALANCE</b>	\$ 717,346	\$ 724,698	\$ 7,352
<b>FUND BALANCE - JANUARY 1, 2017</b>	<u>2,528,552</u>	<u>2,528,552</u>	<u></u>
<b>FUND BALANCE - DECEMBER 31, 2017</b>	<u>\$ 3,245,898</u>	<u>\$ 3,253,250</u>	<u>\$ 7,352</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, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Wastewater Service	\$ 605,944	\$ 647,041	\$ 41,097
Investment Revenues	72		(72)
<b>TOTAL REVENUES</b>	<u>\$ 606,016</u>	<u>\$ 647,041</u>	<u>\$ 41,025</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 12,000	\$ 21,636	\$ (9,636)
Contracted Services	69,000	67,908	1,092
Utilities	112,500	112,567	(67)
Repairs and Maintenance	156,000	221,150	(65,150)
Other	256,516	223,780	32,736
<b>TOTAL EXPENDITURES</b>	<u>\$ 606,016</u>	<u>\$ 647,041</u>	<u>\$ (41,025)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ -0-	\$ -0-	\$ -0-
<b>FUND BALANCE - JANUARY 1, 2017</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>FUND BALANCE - DECEMBER 31, 2017</b>	<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, 2017**



**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>1,967</u>	<u>1,948</u>	x 1.0	<u>1,948</u>
1"	<u>96</u>	<u>94</u>	x 2.5	<u>235</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>34</u>	<u>34</u>	x 8.0	<u>272</u>
3"			x 15.0	
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"	<u>3</u>	<u>3</u>	x 80.0	<u>240</u>
10"			x 115.0	
Total Water Connections	<u>2,105</u>	<u>2,084</u>		<u>2,805</u>
Total Wastewater Connections	<u>2,045</u>	<u>2,024</u>	x 1.0	<u>2,024</u>

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)**

Gallons pumped into system:	370,622,000	Water Accountability Ratio: 89.9% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	333,345,000	

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**4. STANDBY FEES** (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes ☒ No ☐

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.



**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

PROFESSIONAL FEES:	
Auditing	\$ 25,425
Engineering	165,988
Legal	<u>133,950</u>
TOTAL PROFESSIONAL FEES	<u>\$ 325,363</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Wastewater Service	<u>\$ 432,760</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 31,281
Operations and Billing	<u>102,270</u>
TOTAL CONTRACTED SERVICES	<u>\$ 133,551</u>
UTILITIES:	
Electricity	\$ 102,835
Telephone	<u>1,563</u>
TOTAL UTILITIES	<u>\$ 104,398</u>
REPAIRS AND MAINTENANCE	<u>\$ 369,999</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 23,700
Dues and Registration Fees	2,823
Insurance	52,645
Office Supplies and Postage	15,059
Travel and Meetings	7,268
Website	9,752
Other	<u>13,918</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 125,165</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

TAP CONNECTIONS	\$ 78,358
SOLID WASTE DISPOSAL	\$ 409,336
PARKS AND RECREATION	
Contract Services	\$ 6,518
Personnel (Including Benefits)	975,417
Repairs and Maintenance	303,269
Truck	3,675
Utilities	78,059
Capital Outlay	276,277
TOTAL PARKS AND RECREATION	\$ 1,643,215
OTHER EXPENDITURES:	
Chemicals	\$ 20,454
Laboratory Fees	10,836
Permit Fees	6,044
Reconnection Fees	18,365
Inspection Fees	12,350
Regional Water Authority Assessments	1,054,157
TCEQ Regulatory Assessment	11,657
TOTAL OTHER EXPENDITURES	\$ 1,133,863
TOTAL EXPENDITURES	\$ 4,756,008

Number of persons employed by the District      12      Full-Time      11      Part-Time\*

\* During the summer months, part-time employees may be as many as 49.

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**INVESTMENTS**  
**DECEMBER 31, 2017**

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Certificate of Deposit	XXXX5780	0.9500%	04/19/18	\$ 245,000	\$ 441
Certificate of Deposit	XXXX0340	1.2000%	06/21/18	245,000	81
TexPool	XXXX0001	1.2803%	Daily	2,016,910	
TOTAL GENERAL FUND				<u>\$ 2,506,910</u>	<u>\$ 522</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX1910	0.9500%	02/23/18	\$ 245,000	\$ 816
Certificate of Deposit	XXXX1535	0.9500%	02/23/18	245,000	816
Certificate of Deposit	XXXX8598	0.8000%	02/23/18	245,000	688
Certificate of Deposit	XXXX7164	1.2500%	08/24/18	575,491	1,439
Certificate of Deposit	XXXX0617	1.2500%	08/24/18	347,504	869
Certificate of Deposit	XXXX0618	1.2500%	08/24/18	310,343	776
TOTAL DEBT SERVICE FUND				<u>\$ 1,968,338</u>	<u>\$ 5,404</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0002	1.2803%	Daily	<u>\$ 5,442,854</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 9,918,102</u>	<u>\$ 5,926</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>		<u>Road Taxes</u>	
TAXES RECEIVABLE -						
JANUARY 1, 2017	\$ 1,158,098		\$ 1,777,948		\$ 119,884	
Adjustments to Beginning						
Balance	<u>40,925</u>	\$ 1,199,023	<u>79,693</u>	\$ 1,857,641	<u>12,390</u>	\$ 132,274
Original 2017 Tax Levy	\$ 1,480,751		\$ 2,255,798		\$ 265,771	
Adjustment to 2017 Tax Levy	<u>51,861</u>	<u>1,532,612</u>	<u>78,893</u>	<u>2,334,691</u>	<u>9,208</u>	<u>274,979</u>
TOTAL TO BE						
ACCOUNTED FOR		\$ 2,731,635		\$ 4,192,332		\$ 407,253
TAX COLLECTIONS:						
Prior Years	\$ 1,174,531		\$ 1,822,435		\$ 131,669	
Current Year	<u>293,407</u>	<u>1,467,938</u>	<u>404,038</u>	<u>2,226,473</u>	<u>14,772</u>	<u>146,441</u>
TAXES RECEIVABLE -						
DECEMBER 31, 2017		<u>\$ 1,263,697</u>		<u>\$ 1,965,859</u>		<u>\$ 260,812</u>
TAXES RECEIVABLE BY						
YEAR:						
2017		\$ 1,239,205		\$ 1,930,653		\$ 260,207
2016		10,325		14,876		605
2015		3,849		5,473		
2014		1,986		2,860		
2013		877		1,262		
2012		1,018		1,466		
2011		1,020		1,469		
2010		1,130		1,628		
2009		1,106		1,592		
2008		1,136		1,636		
2007		807		1,162		
2006		506		728		
2005		366		527		
2004		<u>366</u>		<u>527</u>		
TOTAL		<u>\$ 1,263,697</u>		<u>\$ 1,965,859</u>		<u>\$ 260,812</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016	2015	2014
<b>DISTRICT WIDE:</b>				
Land	\$ 141,884,402	\$ 125,027,658	\$ 127,603,417	\$ 79,957,275
Improvements	546,837,538	493,448,383	433,454,831	361,292,832
Personal Property	7,117,591	6,604,109	5,658,875	4,854,864
Exemptions	<u>(82,794,856)</u>	<u>(64,455,327)</u>	<u>(62,736,244)</u>	<u>(59,616,162)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 613,044,675</u>	<u>\$ 560,624,823</u>	<u>\$ 503,980,879</u>	<u>\$ 386,488,809</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.33	\$ 0.33	\$ 0.36	\$ 0.36
Maintenance ***	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.58</u>	<u>\$ 0.58</u>	<u>\$ 0.61</u>	<u>\$ 0.61</u>
ADJUSTED TAX LEVY*	<u>\$ 3,555,660</u>	<u>\$ 3,251,624</u>	<u>\$ 3,074,284</u>	<u>\$ 2,357,582</u>
<b>DEFINED AREA :</b>				
PROPERTY VALUATIONS	<u>\$ 91,659,783</u>	<u>\$ 77,891,935</u>	<u>\$ 55,308,676</u>	<u>\$ 10,765,269</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.34	\$ 0.420	\$ 0.00	\$ 0.00
Road	0.30	0.175	0.00	0.00
Maintenance***	<u>0.045</u>	<u>0.045</u>	<u>0.64</u>	<u>0.64</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.64</u>	<u>\$ 0.640</u>	<u>\$ 0.64</u>	<u>\$ 0.64</u>
ADJUSTED TAX LEVY*	<u>\$ 586,622</u>	<u>\$ 498,508</u>	<u>\$ 353,976</u>	<u>\$ 68,898</u>
PERCENTAGE OF TOTAL TAXES COLLECTED TO TOTAL TAXES LEVIED	<u>17.19 %</u>	<u>99.22 %</u>	<u>99.70 %</u>	<u>99.79 %</u>
	**			

\* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

\*\* The District is in the process of collecting.

\*\*\* District Wide – Maximum tax rate of \$0.25 approved by voters.  
Defined Area – Maximum tax rate of \$0.64 approved by voters on November 6, 2012.

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

S E R I E S - 2 0 1 0			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2018	\$ 25,000	\$ 7,031	\$ 32,031
2019	50,000	5,469	55,469
2020	50,000	3,281	53,281
2021	50,000	1,094	51,094
2022			
2023			
2024			
2025			
2026			
2027			
2028			
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2040			
2041			
	<u>\$ 175,000</u>	<u>\$ 16,875</u>	<u>\$ 191,875</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

REFUNDING SERIES - 2010			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2018	\$ 485,000	\$ 106,100	\$ 591,100
2019	345,000	89,500	434,500
2020	365,000	75,300	440,300
2021	380,000	60,400	440,400
2022	225,000	48,300	273,300
2023	240,000	39,000	279,000
2024	250,000	29,200	279,200
2025	260,000	19,000	279,000
2026	170,000	10,400	180,400
2027	175,000	3,500	178,500
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
	<u>\$ 2,895,000</u>	<u>\$ 480,700</u>	<u>\$ 3,375,700</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

S E R I E S - 2 0 1 2			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2018	\$	\$ 73,563	\$ 73,563
2019		73,562	73,562
2020		73,563	73,563
2021		73,562	73,562
2022		73,563	73,563
2023		73,562	73,562
2024		73,563	73,563
2025		73,562	73,562
2026		73,563	73,563
2027		73,562	73,562
2028	60,000	72,738	132,738
2029	55,000	71,156	126,156
2030	60,000	69,575	129,575
2031	60,000	67,850	127,850
2032	60,000	66,050	126,050
2033	65,000	64,175	129,175
2034	65,000	62,225	127,225
2035	855,000	46,287	901,287
2036	895,000	15,663	910,663
2037			
2038			
2039			
2040			
2041			
	<u>\$ 2,175,000</u>	<u>\$ 1,271,344</u>	<u>\$ 3,446,344</u>

See accompanying independent auditor's report.



**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

REFUNDING SERIES - 2014			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2018	\$ 255,000	\$ 111,375	\$ 366,375
2019	270,000	104,213	374,213
2020	275,000	96,779	371,779
2021	290,000	89,073	379,073
2022	295,000	81,093	376,093
2023	305,000	72,908	377,908
2024	320,000	64,383	384,383
2025	335,000	55,449	390,449
2026	345,000	46,174	391,174
2027	355,000	36,625	391,625
2028	370,000	26,735	396,735
2029	390,000	16,368	406,368
2030	405,000	5,524	410,524
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
	<u>\$ 4,210,000</u>	<u>\$ 806,699</u>	<u>\$ 5,016,699</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2018	\$ 120,000	\$ 133,394	\$ 253,394
2019	125,000	130,944	255,944
2020	125,000	128,444	253,444
2021	130,000	125,731	255,731
2022	140,000	122,519	262,519
2023	145,000	118,956	263,956
2024	150,000	115,269	265,269
2025	155,000	111,262	266,262
2026	160,000	106,931	266,931
2027	170,000	102,181	272,181
2028	175,000	97,006	272,006
2029	180,000	91,681	271,681
2030	190,000	86,013	276,013
2031	200,000	79,919	279,919
2032	205,000	73,591	278,591
2033	215,000	66,894	281,894
2034	225,000	59,744	284,744
2035	230,000	52,206	282,206
2036	240,000	43,975	283,975
2037	250,000	35,094	285,094
2038	260,000	25,688	285,688
2039	270,000	15,750	285,750
2040	285,000	5,344	290,344
2041			
	<u>\$ 4,345,000</u>	<u>\$ 1,928,536</u>	<u>\$ 6,273,536</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

DEFINED AREA  
 SERIES - 2016

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$ 170,000	\$ 187,262	\$ 357,262
2019	180,000	183,862	363,862
2020	185,000	180,262	365,262
2021	190,000	176,562	366,562
2022	195,000	172,762	367,762
2023	205,000	168,570	373,570
2024	210,000	163,857	373,857
2025	220,000	158,920	378,920
2026	225,000	153,420	378,420
2027	235,000	147,458	382,458
2028	245,000	140,878	385,878
2029	250,000	134,018	384,018
2030	260,000	126,518	386,518
2031	270,000	118,718	388,718
2032	280,000	110,348	390,348
2033	290,000	101,668	391,668
2034	300,000	92,242	392,242
2035	310,000	82,492	392,492
2036	320,000	71,952	391,952
2037	330,000	61,072	391,072
2038	345,000	49,852	394,852
2039	355,000	37,950	392,950
2040	365,000	25,702	390,702
2041	380,000	13,110	393,110
	<u>\$ 6,315,000</u>	<u>\$ 2,859,455</u>	<u>\$ 9,174,455</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

DEFINED AREA  
ROAD SERIES - 2016

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$ 75,000	\$ 79,453	\$ 154,453
2019	75,000	78,515	153,515
2020	80,000	77,391	157,391
2021	80,000	75,991	155,991
2022	85,000	74,392	159,392
2023	90,000	72,606	162,606
2024	90,000	70,806	160,806
2025	95,000	68,782	163,782
2026	95,000	66,406	161,406
2027	100,000	63,794	163,794
2028	105,000	61,044	166,044
2029	110,000	57,894	167,894
2030	110,000	54,594	164,594
2031	115,000	51,294	166,294
2032	120,000	47,844	167,844
2033	125,000	43,794	168,794
2034	130,000	39,575	169,575
2035	135,000	35,188	170,188
2036	135,000	30,632	165,632
2037	140,000	26,075	166,075
2038	145,000	21,350	166,350
2039	150,000	16,275	166,275
2040	155,000	11,025	166,025
2041	160,000	5,600	165,600
	<u>\$ 2,700,000</u>	<u>\$ 1,230,320</u>	<u>\$ 3,930,320</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

REFUNDING SERIES - 2016			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2018	\$ 20,000	\$ 168,050	\$ 188,050
2019	20,000	167,650	187,650
2020	20,000	167,250	187,250
2021	20,000	166,850	186,850
2022	245,000	164,200	409,200
2023	245,000	159,300	404,300
2024	250,000	154,350	404,350
2025	260,000	146,650	406,650
2026	190,000	137,650	327,650
2027	195,000	129,950	324,950
2028	190,000	122,250	312,250
2029	190,000	114,650	304,650
2030	195,000	106,950	301,950
2031	645,000	90,150	735,150
2032	675,000	63,750	738,750
2033	705,000	36,150	741,150
2034	735,000	11,025	746,025
2035			
2036			
2037			
2038			
2039			
2040			
2041			
	<u>\$ 4,800,000</u>	<u>\$ 2,106,825</u>	<u>\$ 6,906,825</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

S E R I E S - 2 0 1 6			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2018	\$ 290,000	\$ 331,995	\$ 621,995
2019	295,000	326,145	621,145
2020	305,000	320,145	625,145
2021	315,000	313,157	628,157
2022	330,000	305,095	635,095
2023	340,000	296,720	636,720
2024	350,000	287,220	637,220
2025	360,000	276,570	636,570
2026	375,000	265,545	640,545
2027	385,000	254,145	639,145
2028	400,000	242,370	642,370
2029	410,000	230,220	640,220
2030	425,000	217,483	642,483
2031	440,000	203,745	643,745
2032	455,000	189,087	644,087
2033	470,000	173,590	643,590
2034	485,000	157,113	642,113
2035	500,000	139,875	639,875
2036	515,000	121,726	636,726
2037	535,000	102,564	637,564
2038	550,000	81,800	631,800
2039	570,000	59,400	629,400
2040	590,000	36,200	626,200
2041	610,000	12,200	622,200
	<u>\$ 10,300,000</u>	<u>\$ 4,944,110</u>	<u>\$ 15,244,110</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2018	\$ 1,440,000	\$ 1,198,223	\$ 2,638,223
2019	1,360,000	1,159,860	2,519,860
2020	1,405,000	1,122,415	2,527,415
2021	1,455,000	1,082,420	2,537,420
2022	1,515,000	1,041,924	2,556,924
2023	1,570,000	1,001,622	2,571,622
2024	1,620,000	958,648	2,578,648
2025	1,685,000	910,195	2,595,195
2026	1,560,000	860,089	2,420,089
2027	1,615,000	811,215	2,426,215
2028	1,545,000	763,021	2,308,021
2029	1,585,000	715,987	2,300,987
2030	1,645,000	666,657	2,311,657
2031	1,730,000	611,676	2,341,676
2032	1,795,000	550,670	2,345,670
2033	1,870,000	486,271	2,356,271
2034	1,940,000	421,924	2,361,924
2035	2,030,000	356,048	2,386,048
2036	2,105,000	283,948	2,388,948
2037	1,255,000	224,805	1,479,805
2038	1,300,000	178,690	1,478,690
2039	1,345,000	129,375	1,474,375
2040	1,395,000	78,271	1,473,271
2041	1,150,000	30,910	1,180,910
	<u>\$ 37,915,000</u>	<u>\$ 15,644,864</u>	<u>\$ 53,559,864</u>

See accompanying independent auditor's report.

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**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2017
Northampton Municipal Utility District Waterworks and Sewer System Unlimited Tax Bonds - Series 2006	\$ 4,000,000	\$ 155,000
Northampton Municipal Utility District Unlimited Tax Park Bonds - Series 2006	1,775,000	70,000
Northampton Municipal Utility District Unlimited Tax Bonds - Series 2010	4,000,000	200,000
Northampton Municipal Utility District Unlimited Tax Refunding Bonds - Series 2010	6,965,000	3,365,000
Northampton Municipal Utility District Unlimited Tax Bonds - Series 2012	2,175,000	2,175,000
Northampton Municipal Utility District Unlimited Tax Bonds - Refunding Bonds - Series 2014	4,320,000	4,235,000
Northampton Municipal Utility District Unlimited Tax Bonds - Series 2015	4,460,000	4,460,000
Northampton Municipal Utility District Defined Area Unlimited Tax Bonds - Series 2016	6,490,000	6,490,000
Northampton Municipal Utility District Defined Area Unlimited Tax Road Bonds - Series 2016	2,700,000	2,700,000
Northampton Municipal Utility District Unlimited Tax Refunding Bonds - Series 2016	4,800,000	4,800,000
Northampton Municipal Utility District Unlimited Tax Bonds - Series 2016	10,300,000	10,300,000
<b>TOTAL</b>	<b>\$ 51,985,000</b>	<b>\$ 38,950,000</b>

For interest rates, interest payment dates and maturity dates, see Note 3.

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding December 31, 2017	Paying Agent
	Principal	Interest		
\$	\$ 155,000	\$ 3,100	\$ -0-	Wells Fargo Bank N.A. Houston, TX
	70,000	1,365	-0-	Wells Fargo Bank N.A. Houston, TX
	25,000	7,938	175,000	Wells Fargo Bank N.A. Houston, TX
	470,000	124,025	2,895,000	Wells Fargo Bank N.A. Houston, TX
		73,562	2,175,000	Regions Bank Houston, TX
	25,000	115,194	4,210,000	Regions Bank Birmingham, AL
	115,000	135,744	4,345,000	Regions Bank Houston, TX
	175,000	184,403	6,315,000	Regions Bank Houston, TX
		73,273	2,700,000	Regions Bank Houston, TX
		145,351	4,800,000	Regions Bank Houston, TX
		240,008	10,300,000	Regions Bank Houston, TX
\$ - 0 -	\$ 1,035,000	\$ 1,103,963	\$ 37,915,000	

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>District Wide:</b>	<b>Tax and Revenue Bonds</b>	<b>Tax Bonds and Refunding Bonds</b>	<b>Park Bonds</b>
Bond Authority:			
Authorized by Voters	\$ 10,600,000	\$ 54,700,000	\$ 1,775,000
Amount Issued	<u>10,600,000</u>	<u>30,660,000</u>	<u>1,775,000</u>
Remaining to be Issued	<u>\$ - 0 -</u>	<u>\$ 24,040,000</u>	<u>\$ - 0 -</u>
<b>Defined Area:</b>		<b>Tax Bonds and Refunding Bonds</b>	<b>Road Bonds</b>
Bond Authority:			
Authorized by Voters		\$ 41,000,000	\$ 17,000,000
Amount Issued		<u>6,490,000</u>	<u>2,700,000</u>
Remaining to be Issued		<u>\$ 34,510,000</u>	<u>\$ 14,300,000</u>
Debt Service Fund cash and investment balances as of December 31, 2017:			<u>\$ 3,057,011</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 2,231,661</u>

See accompanying independent auditor's report.

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**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2017	2016	2015
<b>REVENUES</b>			
Property Taxes	\$ 1,472,206	\$ 1,614,958	\$ 1,042,385
Water Service	1,086,063	1,136,965	1,001,460
Wastewater Service	1,267,422	1,219,691	1,126,294
Penalty and Interest	35,902	36,917	37,948
Tap Connection and Inspection Fees	145,278	229,147	90,906
Facility Use Fees	116,464	117,357	109,162
Regional Water Authority Fees	1,068,119	1,002,237	737,987
Investment Revenues	23,637	6,510	3,173
Miscellaneous Revenues	39,407	85,754	95,683
<b>TOTAL REVENUES</b>	<u>\$ 5,254,498</u>	<u>\$ 5,449,536</u>	<u>\$ 4,244,998</u>
<b>EXPENDITURES</b>			
Professional Fees	\$ 325,363	\$ 322,896	\$ 301,728
Contracted Services	542,887	571,679	528,368
Purchased Wastewater Service	432,760	401,395	300,073
Utilities	104,398	128,835	106,945
Repairs and Maintenance	369,999	380,222	213,767
Regional Water Authority Assessments	1,054,157	946,357	652,924
Parks and Recreation	1,366,938	1,288,636	1,104,432
Other	283,229	318,730	250,970
Capital Outlay:			
Parks and Recreation	276,277	44,545	61,614
Other Facilities			21,975
Debt Service:			
Bond Issuance Costs			32,948
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,756,008</u>	<u>\$ 4,403,295</u>	<u>\$ 3,575,744</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 498,490</u>	<u>\$ 1,046,241</u>	<u>\$ 669,254</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	<u>\$ 226,208</u>	<u>\$ (422,238)</u>	<u>\$ 26,027</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 724,698</u>	<u>\$ 624,003</u>	<u>\$ 695,281</u>
<b>BEGINNING FUND BALANCE</b>	<u>2,528,552</u>	<u>1,904,549</u>	<u>1,209,268</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 3,253,250</u>	<u>\$ 2,528,552</u>	<u>\$ 1,904,549</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 975,998	\$ 821,340	28.0 %	29.4 %	24.4 %	22.5 %	24.9 %
846,002	728,175	20.7	20.9	23.6	19.5	22.0
949,019	875,255	24.1	22.4	26.5	21.9	26.5
25,950	31,472	0.7	0.7	0.9	0.6	1.0
653,447	1,420	2.8	4.2	2.1	15.1	
94,057	101,633	2.2	2.2	2.6	2.2	3.1
690,512	666,239	20.3	18.4	17.4	15.9	20.2
1,996	1,137	0.4	0.1	0.1		
98,989	77,571	0.8	1.7	2.4	2.3	2.3
<u>\$ 4,335,970</u>	<u>\$ 3,304,242</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 263,237	\$ 289,276	6.2 %	5.9 %	7.1 %	6.1 %	8.8 %
512,900	497,542	10.3	10.5	12.4	11.8	15.1
306,971	328,594	8.2	7.4	7.1	7.1	9.9
99,271	109,439	2.0	2.4	2.5	2.3	3.3
234,968	237,242	7.0	7.0	5.0	5.4	7.2
616,980	641,190	20.1	17.4	15.4	14.2	19.4
1,030,122	1,024,236	26.0	23.6	26.0	23.8	31.0
427,836	189,231	5.4	5.8	5.9	9.9	5.7
32,589		5.3	0.8	1.5	0.8	
	87,997			0.5		2.7
26,027				0.8	0.6	
<u>\$ 3,550,901</u>	<u>\$ 3,404,747</u>	<u>90.5 %</u>	<u>80.8 %</u>	<u>84.2 %</u>	<u>82.0 %</u>	<u>103.1 %</u>
<u>\$ 785,069</u>	<u>\$ (100,505)</u>	<u>9.5 %</u>	<u>19.2 %</u>	<u>15.8 %</u>	<u>18.0 %</u>	<u>(3.1) %</u>
<u>\$ 64,007</u>	<u>\$ 157,614</u>					
\$ 849,076	\$ 57,109					
360,192	303,083					
<u>\$ 1,209,268</u>	<u>\$ 360,192</u>					

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2017	2016	2015
<b>REVENUES</b>			
Property Taxes	\$ 2,397,312	\$ 1,813,256	\$ 1,401,822
Penalty and Interest	40,020	24,483	27,695
Investment Revenues	16,821	5,615	2,904
Miscellaneous Revenues	50	50	75
<b>TOTAL REVENUES</b>	<u>\$ 2,454,203</u>	<u>\$ 1,843,404</u>	<u>\$ 1,432,496</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 87,759	\$ 79,874	\$ 66,533
Debt Service Principal	1,035,000	720,000	925,000
Debt Service Interest and Fees	1,109,800	710,205	618,205
Bond Issuance Costs		200,612	
Payment to Refunded Bond Escrow Agent		43,000	
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,232,559</u>	<u>\$ 1,753,691</u>	<u>\$ 1,609,738</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 221,644</u>	<u>\$ 89,713</u>	<u>\$ (177,242)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In (Out)	\$	\$ 501,207	\$
Long-Term Debt Issued		454,076	210,284
Refunding Bonds		4,800,000	
Payment to Refunded Bond Escrow Agent		(4,900,123)	
Bond Premium		309,948	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ - 0 -</u>	<u>\$ 1,165,108</u>	<u>\$ 210,284</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 221,644	\$ 1,254,821	\$ 33,042
<b>BEGINNING FUND BALANCE</b>	<u>2,187,950</u>	<u>933,129</u>	<u>900,087</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 2,409,594</u>	<u>\$ 2,187,950</u>	<u>\$ 933,129</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>2,084</u>	<u>1,996</u>	<u>1,882</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>2,024</u>	<u>1,940</u>	<u>1,825</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 1,318,900	\$ 1,182,729	97.7 %	98.4 %	97.9 %	98.6 %	97.7 %
14,583	22,686	1.6	1.3	1.9	1.1	1.9
4,484	4,092	0.7	0.3	0.2	0.3	0.3
25	1,605					0.1
<u>\$ 1,337,992</u>	<u>\$ 1,211,112</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 51,544	\$ 48,659	3.6 %	4.3 %	4.6 %	3.9 %	4.0 %
830,000	815,000	42.2	39.1	64.6	62.0	67.3
679,172	687,835	45.2	38.5	43.2	50.8	56.8
106,157			10.9		7.9	
			2.3			
<u>\$ 1,666,873</u>	<u>\$ 1,551,494</u>	<u>91.0 %</u>	<u>95.1 %</u>	<u>112.4 %</u>	<u>124.6 %</u>	<u>128.1 %</u>
<u>\$ (328,881)</u>	<u>\$ (340,382)</u>	<u>9.0 %</u>	<u>4.9 %</u>	<u>(12.4) %</u>	<u>(24.6) %</u>	<u>(28.1) %</u>
\$	\$					
4,320,000						
(4,213,138)						
<u>\$ 106,862</u>	<u>\$ - 0 -</u>					
\$ (222,019)	\$ (340,382)					
1,122,106	1,462,488					
<u>\$ 900,087</u>	<u>\$ 1,122,106</u>					
<u>1,818</u>	<u>1,708</u>					
<u>1,766</u>	<u>1,653</u>					

See accompanying independent auditor's report.



**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**DECEMBER 31, 2017**

District Mailing Address - Northampton Municipal Utility District  
c/o Bacon & Wallace, L.L.P.  
6363 Woodway, Suite 800  
Houston, TX 77057

District Telephone Number - (713) 739-1060

<b>Board Members</b>	<b>Term of Office (Elected or Appointed)</b>	<b>Fees of Office for the year ended December 31, 2017</b>	<b>Expense Reimbursements for the year ended December 31, 2017</b>	<b>Title</b>
E. C. Thomas	05/14 05/18 (Elected)	\$ 3,600	\$ -0-	President
W. Paul Schneider	05/14 05/18 (Elected)	\$ 4,950	\$ 1,365	1st Vice President
Ryan Bennett	07/17 05/20 (Appointed)	\$ 1,800	\$ -0-	2nd Vice President
Scott Kirkpatrick	05/16 05/20 (Elected)	\$ 5,550	\$ 1,953	Secretary
Roger A. Flood, III	05/16 05/20 (Elected)	\$ 4,350	\$ -0-	Treasurer/ Investment Officer

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054 July 28, 2017.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 21, 2003. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

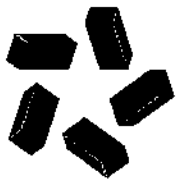
**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**DECEMBER 31, 2017**

<b>Key Personnel:</b>	<b>Date Hired</b>	<b>Fees for the year ended December 31, 2017</b>	<b>Title</b>
Jim Sheffield	09/29/03	\$ 138,366	General Manager
<b>Consultants:</b>			
Bacon & Wallace, L.L.P.	01/01/01	\$ 133,950	General Counsel
		\$ -0-	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	12/16/91	\$ 27,925	Auditor
L&S District Services, LLC	01/15/90	\$ 35,050	Bookkeeper
Perdue Brandon Fielder Collins & Mott, L.L.P.	10/21/96	\$ 9,787	Delinquent Tax Attorney
Jones & Carter, Inc.	12/04/79	\$ 315,040	Engineer
Robert W. Baird & Co. Incorporated	01/19/15	\$ -0-	Financial Advisor
Cindy Schmidt	08/18/14	\$ -0-	Investment Officer
Hays Utility South Corporation	10/14/70	\$ 948,299	Operator
Tax Tech, Inc.	06/17/91	\$ 41,825	Tax Assessor/ Collector

See accompanying independent auditor's report.

**APPENDIX B**

**Specimen Municipal Bond Insurance Policy**



# BAM

## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

**Notices (Unless Otherwise Specified by BAM)**

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

**OFFICIAL STATEMENT DATED AUGUST 16, 2021**

**IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAXATION UNDER EXISTING LAW, AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.**

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

S&P (BAM Insured)..... "AA"  
Moody's (Underlying)..... "A2"  
See "MUNICIPAL BOND INSURANCE" and "RATING."

**\$6,285,000**

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**

(A Political Subdivision of the State of Texas Located in Harris County)

**UNLIMITED TAX BONDS**

**SERIES 2021**

Interest accrues from: September 1, 2021

Due: March 1, as shown on inside cover

The \$6,285,000 Unlimited Tax Bonds, Series 2021 (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.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Regions Bank, an Alabama state banking corporation, Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from September 1, 2021, and is payable on March 1, 2022, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form in principal denominations of \$5,000 or any integral multiples thereof.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System" herein for further information.

**See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on inside cover.**

The Bonds are issued out of the \$43,500,000 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 and for the purpose of refunding bonds previously issued by the District. Following the issuance of the Bonds, \$11,483,180 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 scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



The Bonds are offered when, as, and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Bacon, Wallace & Philbin, L.L.P., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Disclosure Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about September 21, 2021.

## MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2026	\$65,000	2.000%	0.800%	663662 UP7
***	***	***	***	***
2029 (c)	210,000	1.125%	1.400%	663662 US1
2030 (c)	200,000	1.375%	1.550%	663662 UT9
2031 (c)	180,000	2.000%	1.400%	663662 UU6
***	***	***	***	***
2037 (c)	610,000	2.000%	1.950%	663662 VA9
2038 (c)	620,000	2.000%	2.040%	663662 VB7
2039 (c)	635,000	2.000%	2.080%	663662 VC5

\$265,000 Term Bonds Due March 1, 2028 (c) (d), Interest Rate: 1.000% (Price: \$98.763) (a), CUSIP No. 663662 UR3 (b)

\$545,000 Term Bonds Due March 1, 2034 (c) (d), Interest Rate: 2.000% (Price: \$101.709) (a), CUSIP No. 663662 UX0 (b)

\$305,000 Term Bonds Due March 1, 2036 (c) (d), Interest Rate: 2.000% (Price: \$100.850) (a), CUSIP No. 663662 UZ5 (b)

\$1,305,000 Term Bonds Due March 1, 2041 (c) (d), Interest Rate: 2.000% (Price: \$97.625) (a), CUSIP No. 663662 VE1 (b)

\$1,345,000 Term Bonds Due March 1, 2043 (c) (d), Interest Rate: 2.125% (Price: \$98.722) (a), CUSIP No. 663662 VG6 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest is to be added to the price.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) The Bonds that mature on March 1, 2027, and thereafter are subject to redemption and payment at the option of the District, in whole or from time to time in part, on March 1, 2026, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption – *Optional Redemption*."
- (d) Subject to mandatory redemption as provided herein under "THE BONDS – Redemption – *Mandatory Redemption*."



## USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the District or the Initial Purchaser (defined herein) 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 Initial Purchaser.

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 & Philbin, L.L.P., 6363 Woodway Drive, Suite 800, Houston, Texas 77057, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion that 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. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in "OFFICIAL STATEMENT - Updating of Official Statement."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B - Specimen Municipal Bond Insurance Policy."

## TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT.....1	Paying Agent/Registrar .....17
SALE AND DISTRIBUTION OF THE BONDS .....3	Assignments, Transfers, and Exchanges .....17
Award of the Bonds .....3	Replacement of Bonds .....17
Prices and Marketability .....3	Outstanding Bonds .....18
Securities Laws .....3	Authority for Issuance .....18
MUNICIPAL BOND INSURANCE.....3	Source of Payment.....18
Bond Insurance Policy .....3	Redemption .....19
Build America Mutual Assurance Company .....3	Defeasance .....20
RATINGS.....6	Amendments to Bond Order .....20
OFFICIAL STATEMENT SUMMARY .....7	Replacement of Paying Agent/Registrar .....21
SELECTED FINANCIAL INFORMATION.....13	Issuance of Additional Debt.....21
INTRODUCTION.....15	Annexation and Consolidation.....22
THE BONDS.....15	Strategic Partnership Agreements .....22
General.....15	Registered Owners' Remedies.....22
Book-Entry-Only System .....15	Bankruptcy Limitation to Registered
Use of Certain Terms in Other Sections of	Owners' Rights .....23
this Official Statement.....17	

Legal Investment and Eligibility to Secure Public Funds in Texas.....	23
Use and Distribution of Bond Proceeds .....	25
THE DISTRICT.....	26
General.....	26
Description.....	26
Topography and Flood Hazards .....	26
Management of the District .....	27
THE DEFINED AREA .....	28
STATUS OF DEVELOPMENT OF THE DISTRICT .....	28
DEVELOPERS .....	29
TAX DATA .....	31
District Debt Service Tax .....	31
District Maintenance Tax.....	31
Tax Collection History.....	31
Tax Rate Distribution .....	32
Analysis of Tax Base.....	32
Principal Taxpayers .....	32
Tax Rate Calculations .....	32
Estimated Overlapping Taxes.....	33
THE SYSTEM.....	33
100-Year Flood Plain.....	34
Subsidence and Conversion to Surface Water Supply.....	34
Historical Operations of the System .....	36
DISTRICT DEBT.....	37
General.....	37
Debt Service Requirements .....	39
Direct and Estimated Overlapping Debt Statement.....	40
TAXING PROCEDURES .....	40
Authority to Levy Taxes .....	40
Property Tax Code and County-Wide Appraisal District .....	41
Property Subject to Taxation by the District.....	41
General Residential Homestead Exemption.....	42
Valuation of Property for Taxation .....	42
District and Taxpayer Remedies .....	42
Rollback of Operation and Maintenance Tax Rate.....	43
Agricultural, Open Space, Timberland and Inventory Deferment.....	44
Tax Abatement .....	44
Levy and Collection of Taxes.....	44
District's Rights in the Event of Tax Delinquencies.....	45

INVESTMENT CONSIDERATIONS.....	45
General.....	45
Infectious Disease Outbreak – COVID-19 .....	45
Factors Affecting Taxable Values and Tax Payments .....	46
Potential Impact of Natural Disaster .....	47
Specific Flood Type Risks .....	47
Hurricane Harvey.....	47
Tax Collections Limitations .....	48
Registered Owners' Remedies and Bankruptcy.....	48
Marketability.....	49
Future Debt.....	49
Continuing Compliance with Certain Covenants .....	49
Future and Proposed Legislation .....	49
Environmental Regulations.....	49
Bond Insurance Risk Factors .....	52
LEGAL MATTERS.....	53
Legal Opinions.....	53
No Arbitrage.....	53
No-Litigation Certificate.....	54
No Material Adverse Change.....	54
TAX MATTERS.....	54
Federal Income Tax Accounting Treatment of Original Issue Discount .....	55
Collateral Federal Income Tax Consequences .....	55
State, Local, and Foreign Taxes .....	56
Qualified Tax-Exempt Obligations.....	56
CONTINUING DISCLOSURE OF INFORMATION.....	56
Annual Reports.....	56
Event Notices .....	57
Availability of Information.....	57
Limitations and Amendments .....	57
Compliance with Prior Undertakings.....	58
OFFICIAL STATEMENT.....	58
General.....	58
Experts .....	58
Certification as to Official Statement.....	58
Updating of Official Statement .....	58
APPENDIX A Financial Statements of the District	
APPENDIX B Specimen Municipal Bond Insurance Policy	

## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates on the inside cover page of this Official Statement, at a price of 97.913603% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.123833%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### **Prices and Marketability**

Other than as set forth in the Official Notice of Sale, the District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices 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.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### **Securities Laws**

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission 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 acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. 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 in such other jurisdictions.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as "APPENDIX B" to this Official Statement.

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

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

#### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$477.7 million, \$156.4 million and \$321.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE."

#### *BAM GreenStar Bonds*

The Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the Issuer as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principles ("GBPs") developed by the International Capital Markets Association ("ICMA"). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and as a Climate Bond Initiative approved verifier. The GreenStar Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

1. renewable energy
2. energy efficiency
3. pollution prevention and control
4. environmentally sustainable management of living natural resources and land use
5. terrestrial and aquatic biodiversity
6. clean transportation
7. climate change adaptation
8. sustainable water and wastewater management
9. green buildings

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the GreenStar Credit Profile for the Bonds:

1. clean water and sanitation
2. affordable and clean energy
3. sustainable cities and communities
4. industry innovation and infrastructure
5. responsible consumption and production
6. climate action
7. life below water
8. life on land

*The Issuer makes no representation regarding the applicability of or suitability of the GreenStar designation. The term "GreenStar" is neither defined in, nor related to, the security documents relating to the Bonds. The GreenStar designation is solely for identification purposes and is not intended to provide or imply that the owners of the Bonds are entitled to any security other than that described in this official statement. The Issuer is under no contractual or other legal obligation to ensure compliance with any legal or other principles relating to "GreenStar" designation. The Issuer has made no commitment to provide ongoing reporting or information regarding the designation or compliance with the GBPs.*

The BAM GreenStar designation is based upon an assessment by BAM at the time of the issuance of the Bonds and such designation by BAM reflects only the views of BAM. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis and is based on BAM's own investigation, studies, assumptions, and criteria using its reasonable best efforts. In issuing its GreenStar designation, BAM has assumed and relied upon the accuracy and completeness of the information made publicly available by the Issuer or that was otherwise made available to BAM. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website <https://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for such designation.

BAM's GreenStar designation does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Bonds and is not a recommendation to any person to purchase, hold, or sell the Bonds. Such labeling does not address the market price, marketability or suitability of these Bonds for a particular investor. There is no assurance that the designation will be retained for any given period of time or that the designation will not be revised, suspended, or withdrawn by BAM if, in its judgment, circumstances so warrant.

#### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [www.buildamerica.com/videos](http://www.buildamerica.com/videos). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been

prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

## RATINGS

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, 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 S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

Moody's Investors Service, Inc. ("Moody's") has assigned an underlying credit rating of "A2" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The District will pay the rating fees charged by Moody's.

The District is not aware of any rating assigned to the Bonds other than the insured rating of S&P and the underlying rating of Moody's.

*[Remainder of this page intentionally left blank.]*

## OFFICIAL STATEMENT SUMMARY

The following 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 District.....	Northampton Municipal Utility District (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."
The Bonds.....	The District's \$6,285,000 Unlimited Tax Bonds, Series 2021 (the "Bonds"), are dated September 1, 2021, and mature on March 1 in each of the years and in the principal amounts shown on the inside cover hereof. Interest on the Bonds accrues from September 1, 2021, at the rates set forth on the inside cover page hereof, and is payable on March 1, 2022, and on each September 1 and March 1 thereafter until maturity or earlier redemption. See "THE BONDS."
Redemption of the Bonds .....	The Bonds that mature on March 1, 2027, and thereafter, are subject to redemption, in whole or from time to time in part, on March 1, 2026, 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 - Redemption - <i>Optional Redemption</i> ." The Bonds that mature on March 1 of each of the years 2028, 2034, 2036, 2041, and 2043 are term bonds that are also subject to the mandatory redemption provisions as provided herein under "THE BONDS - Redemption - <i>Mandatory Redemption</i> ."
Book-Entry-Only System.....	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.
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 by the District upon all taxable property located in the District. The Bonds are not obligations of the State of Texas; Harris County, Texas; or the City of Houston, Texas. See "THE BONDS - Source of Payment."
Outstanding Bonds .....	<p>The District has previously issued twenty-three (23) series of bonds payable from the proceeds of taxes levied upon all taxable property located within the boundaries of the District. Of such series of bonds previously issued by the District, \$30,155,000 principal amount remains outstanding as of July 1, 2021 (the "Outstanding Bonds").</p> <p>The District has also previously issued five (5) series of unlimited tax bonds ("Defined Area Bonds") that are secured by the proceeds of taxes levied upon taxable property located only within the Defined Area (herein defined) in the District.</p>

The Bonds and the Outstanding Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, that is separate from the ad valorem taxes, also without legal limitation as to rate or amount, that are levied by the District for payment of debt service on the Defined Area Bonds and any additional bonds that the District may issue hereafter for the purpose of constructing facilities that serve the Defined Area. Proceeds of taxes levied by the District for payment of debt service on Defined Area Bonds may not be used for payment of debt service on the Bonds or 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 prior bonded indebtedness.
Authority for Issuance.....	The Bonds are issued out of an aggregate of \$43,500,000 principal amount of unlimited tax bonds authorized by the District's voters at elections held on February 2, 2002, and November 6, 2012, for the purpose of purchasing or constructing water, wastewater and storm drainage facilities serving the District and for the purpose of refunding of bonds issued by the District for such facilities. 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.....	After the issuance of the Bonds, \$11,483,180 principal amount of unlimited tax bonds will remain authorized but unissued for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities to serve the 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."
Use of Proceeds .....	Proceeds from the sale of the Bonds will be used to pay the construction costs associated with the projects set out herein under "THE BONDS – Use and Distribution of Bond Proceeds." In addition, proceeds from the sale of the Bonds will be used to pay costs of issuance associated with the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."
Municipal Bond Insurance and Ratings.....	See "MUNICIPAL BOND INSURANCE" and "RATINGS" above.
Qualified Tax-Exempt Obligations.....	The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
Legal and Tax Opinion.....	Bacon, Wallace & Philbin, L.L.P., Houston, Texas, Bond Counsel. See "LEGAL MATTERS."

#### **THE DISTRICT**

Description.....	The District is a political subdivision of the State of Texas located within Harris County, Texas. The District encompasses approximately 1,644.6493 total acres of land located approximately 30 miles north of the central business district of the City of Houston, Texas. The District is bounded on the south by Root Road, on the
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east by Spring Creek, and is approximately one mile east of Kuykendahl Road. The District lies entirely within the extraterritorial jurisdiction of the City of Houston, Texas, and is located within Klein Independent School District. The Defined Area is located entirely within the bounds of the 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."

Defined Area ..... Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities, or services that primarily benefit that area. On August 20, 2012, the District took action to proceed with the creation of a defined area encompassing approximately 439.69 acres within the District (the "Defined Area"), which was confirmed by the District voters at an election on November 6, 2012. See "THE DEFINED AREA."

Development of the District ..... To date, within the District, approximately 1,178.96 acres have been developed as 2,363 total single-family lots in the following residential subdivisions: Hampton Creek, Sections 1–9 (503 lots); Northampton, Sections 1–5 and 8 (1,073 lots); The Oaks of Northampton (27 lots); Northampton Forest, Sections 1–3 (205 lots); Northampton Estates, Phases I–III (250 lots); Woods of Northampton, Sections 1 and 2 (39 lots); Terrace of Northampton Estates (13 lots); Courts at Auburn Lakes (53 lots); Inway Forest of Northampton (12 lots); Inway Oaks Estates, Sections 1 and 2 (51 lots); Stratton Woods (40 lots); and Dovershire Place, Sections 1 and 2 (97 lots). As of June 1, 2021, the District included approximately 2,347 completed homes; approximately 11 homes under construction; and approximately 5 developed but vacant lots available for new home construction.

Residential development within the District also includes the following multi-family properties: a 346-unit apartment complex known as the Alexan Auburn Lakes on 14.36 acres and a 308-unit apartment complex known as Waterford Springs on approximately 21.52 acres within the Defined Area. Landmark at Auburn Lakes, a 408-unit apartment complex, has recently been completed upon 23.33 acres in the District. Cypressbrook Gosling L.P. has also recently completed construction of an apartment complex consisting of 366 units upon 15.477 acres in the District. In addition, approximately 18.59 acres within the Defined Area owned by SC Waterford Springs II, LLC have been developed with utilities to serve a future apartment complex with 300 units that has not been constructed.

The District includes approximately 245.60 acres of commercial development. Commercial development includes office buildings, a Conoco gas station, Dave's Express gas station, a Shell gas station, retail strip centers, a private tennis club, Spring Volunteer Fire Department Station No. 2, recreational facilities, Willow Creek Golf

Club (a portion of which lies within the 100-year flood plain), and developed park land. The District also includes two elementary schools on approximately 27.08 acres, approximately 74 undevelopable acres, and approximately 25.58 undeveloped but developable acres. See “STATUS OF DEVELOPMENT – The District.”

Developers in the District..... D.R. Horton-Texas, Ltd. (“DR Horton”) is a developer of single-family residential properties in the District and the sole developer and homebuilder of single-family properties in the Defined Area. DR Horton is a subsidiary of and controlled by D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange and is the largest homebuilder in the country. To date, approximately 356.34 acres within the Defined Area have been developed as approximately 503 single-family lots in the residential subdivision of Hampton Creek, Sections 1–9. Such subdivisions in the Defined Area are complete with approximately 503 completed homes.

BLD Gosling, LLC (“BLD”) developed approximately 42 single-family lots that have been platted as the subdivision of Dovershire Place, Section 1, on approximately 18.30 acres. In May 2019, DR Horton purchased all 42 lots from BLD as well as an adjacent tract of approximately 14.55 acres. DR Horton has developed the 14.55-acre tract as 55 single-family lots within the subdivision of Dovershire Place, Section 2. DR Horton has completed construction of homes on all 97 lots in Sections 1 and 2 of Dovershire Place.

MRE, LLC (“MRE”) has developed approximately 23.91 acres as 51 single-family lots in the residential subdivisions of Inway Oaks Estates, Sections 1 and 2. Infinity Classic Homes (“Infinity”) has purchased half of those lots and plans to purchase the remaining lots for home construction. As of June 1, 2021, said subdivisions included approximately 35 completed homes, approximately 11 home under construction, and approximately 5 vacant, developed lots. Infinity is a Houston-area homebuilder that has built over 500 homes in a dozen subdivisions since beginning its operations in 2008. MRE and Infinity are under the common ownership of Mike Wilkinson and John Castro.

Partners In Building, L.P., (“PIB”) a Texas limited partnership, has developed approximately 40 single-family lots on approximately 20.34 acres, known as the residential subdivision of Stratton Woods. This subdivision is fully developed with 40 completed homes.

Shops on Gosling, LLC (“Shops”) has acquired 4.93 acres along Gosling Road, and the tract has been recently annexed into the boundaries of the District. Shops plans to construct commercial retail development on this site.

The Landmark at Auburn Lakes, LLC (“Landmark”) has acquired a total of 30.721 acres west of Gosling Road, north of Dovershire Road, and south of West Rayford Road. The land was annexed into the boundaries of the District, and Landmark has completed construction of a multi-family apartment complex consisting of 408 units on 28.947 acres. An additional tract of 1.774 acres is reserved for future commercial development.

Cypressbrook Gosling, LP and Cypressbrook Gosling Retail LP (collectively, "Cypressbrook") acquired approximately 16.410 acres that were annexed into the boundaries of the District in 2020. Cypressbrook has completed construction of an apartment complex consisting of 366 units. The remaining 0.933 acres has been developed by Cypressbrook Gosling Retail LP as a commercial retail building.

DR Horton, MRE, PIB, BLD, Shops, Landmark, and Cypressbrook are referred to herein collectively as the "Developers." See "DEVELOPERS."

Other Landowners in the District ..... SC Waterford Springs LLC has developed approximately 21.52 acres in the Defined Area of the District as a multi-family residential property known as Waterford Springs, an apartment complex that includes 308 total units and that is currently open and actively leasing. SC Waterford Springs II, LLC owns approximately 18.59 acres on which a second apartment complex of approximately 300 units is planned.

Maple Multi-Family Operations, L.L.C. ("Maple") has completed development of Alexan Auburn Lakes, a 346-unit apartment complex located on 14.37 acres. Maple is owned and controlled by Trammel Crow Residential. Trammel Crow Residential is a Dallas-based multifamily real estate company.

Gosling Village, LLC, an entity controlled by Bryan Frenchak, owns approximately 25.58 acres but has not reported any development plans to the District.

Hampton on the Lakes, LLC, an entity controlled by Bryan Frenchak, owns approximately 16.00 acres in the District. Currently, the District is not aware of any plans to develop such acreage.

Hurricane Harvey ..... The Houston area, including Harris County, experienced historic levels of rainfall and widespread flooding following landfall of Hurricane Harvey on August 26, 2017. According to the Engineer (herein defined) and the General Manager of the District, there were approximately 143 single-family homes that experienced structural flooding or damage as a result of Hurricane Harvey. In addition, one multi-family residential property within the Defined Area of the District, the Waterford Springs apartment complex described above, experienced structural flooding. All affected units in the complex have since been repaired and are currently either occupied or available for tenants. Further, to the best knowledge of the Engineer and the Operator (herein defined), there was minimal impact and minor damage to the District's utility systems. Both the water and wastewater systems remained operational throughout the event however and all repairs have been completed. The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. See "INVESTMENT CONSIDERATIONS - Hurricane Harvey," "- Potential Impact of Natural Disaster," and "- Specific Flood Type Risks."

#### **INFECTIOUS DISEASE OUTLOOK (COVID-19)**

Infectious Disease Outlook (COVID-19) ..... In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory

disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) began to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except in counties with an "area with high hospitalizations" where a county judge may impose COVID-19 related mitigation strategies. Harris County is not currently an "area with high hospitalizations." The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the decrease in the number of active COVID-19 cases and the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19 or increased numbers resulting in Harris County being an "area with high hospitalizations." The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

#### **INVESTMENT CONSIDERATIONS**

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT RISKS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION ENTITLED "INVESTMENT CONSIDERATIONS," BEFORE MAKING AN INVESTMENT DECISION.

**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED)**

2020 Taxable Assessed Valuation.....	\$ 757,347,201 (a)
2021 Preliminary Valuation.....	\$ 886,853,019 (b)
Estimate of Value as of June 1, 2021.....	\$ 896,212,374 (c)
Direct Debt:	
The Outstanding Bonds.....	\$ 30,155,000
The Bonds.....	\$ <u>6,285,000</u>
Total.....	\$ 36,440,000
Estimated Overlapping Debt.....	\$ <u>55,092,004</u> (d)
Total Direct and Estimated Overlapping Debt.....	\$ 91,532,004
Direct Debt Ratios:	
As a Percentage of the 2020 Taxable Assessed Valuation.....	4.81 %
As a Percentage of the 2021 Preliminary Valuation.....	4.11 %
As a Percentage of the Estimate of Value as of June 1, 2021.....	4.07 %
Direct and Estimated Overlapping Debt Ratios:	
As a Percentage of the 2020 Taxable Assessed Valuation.....	12.09 %
As a Percentage of the 2021 Preliminary Valuation.....	10.32 %
As a Percentage of the Estimate of Value as of June 1, 2021.....	10.21 %
District Fund Balances as of July 19, 2021	
Debt Service Fund.....	\$ 1,972,748 (e)
Capital Projects Fund.....	\$ 3,886,648
General Operating Fund.....	\$ 5,886,288

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- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2020, provided by the Harris County Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Harris County Appraisal District for informational purposes only. This amount represents the preliminary determination of the assessed valuation of all taxable property within the District as of January 1, 2021. No taxes will be levied upon this value, which is subject to protest by landowners. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Provided by the Harris County Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of June 1, 2021, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2021, through June 1, 2021. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (d) Includes all \$15,555,000 principal amount of Defined Area Bonds outstanding as of July 1, 2021, as well as the District's pro rata share, based on taxable value, of the outstanding debt of the taxing jurisdictions overlapping the District. See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (e) Neither Texas law nor the Bond Order requires that any particular amount be maintained in the Debt Service Fund.

# **SELECTED FINANCIAL INFORMATION**

**(UNAUDITED)**

2020 Tax Rate per \$100 of Assessed Valuation	
Debt Service .....	\$0.310 (a)
Maintenance & Operation .....	<u>\$0.250</u>
Total.....	\$0.560
Average Annual Debt Service Requirement (2022-2043) .....	\$2,267,192 (b)
Maximum Annual Debt Service Requirement (2025).....	\$2,347,537 (b)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay	
Average Annual Debt Service Requirement (2022-2043) at 95% Collections	
Based on the 2020 Taxable Assessed Valuation .....	\$0.32
Based on the 2021 Preliminary Valuation.....	\$0.27
Based on the Estimate of Value as of June 1, 2021 .....	\$0.27
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay	
Maximum Annual Debt Service Requirement (2025) at 95% Tax Collections	
Based on the 2020 Taxable Assessed Valuation .....	\$0.33
Based on the 2021 Preliminary Valuation.....	\$0.28
Based on the Estimate of Value as of June 1, 2021 .....	\$0.28

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- (a) Represents the tax levied by the District upon taxable property located within the entire District, including the Defined Area, the proceeds of which are available for payment of debt service on the Outstanding Bonds and the Bonds. This tax is separate from the ad valorem taxes that are levied by the District upon taxable property located only within the Defined Area for payment of debt service on the Defined Area Bonds. Proceeds of taxes levied by the District for payment of debt service on the Defined Area Bonds may not be used for payment of debt service on the Bonds or the Outstanding Bonds. See "TAX DATA - Estimated Overlapping Taxes."
- (b) Represents a requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT - Debt Service Requirements."

## INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Northampton Municipal Utility District (the "District") of its \$6,285,000 Unlimited Tax Bonds, Series 2021 (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, including Chapters 49 and 54, Texas Water Code, as amended, and an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held within the District.

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 & Philbin, L.L.P., 6363 Woodway Drive, 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 are dated September 1, 2021, and will mature on March 1 of the years and in the principal amounts set forth on the inside cover page hereof and will accrue interest, on the basis of a 360-day year composed of twelve thirty-day months, at the stated interest rates indicated on the inside cover page hereof. Principal of the Bonds will be payable at Regions Bank, an Alabama banking corporation, Houston, Texas, (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment. Interest on the Bonds accrues from September 1, 2021 (or the most recent interest payment date to which interest has been paid or duly provided for) and is payable on March 1, 2022, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until maturity or prior redemption. Unless otherwise agreed between the Paying Agent/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 Paying Agent/Registrar on or before the Interest Payment Date to the Registered Owners shown on the records of the Paying Agent/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 and interest on the Bonds are to be paid to and credited by DTC (defined below) 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.*

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered

Bond certificate will be issued for each of the Bonds, each 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. DTCC is owned by the users of its regulated subsidiaries. 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 a S&P Global Ratings' rating of AA+. 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](http://www.dtcc.com).

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 purchase 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.

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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue 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).

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 the District or 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, District or Paying Agent/Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, 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 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 District or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

#### **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 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 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.

#### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is Regions Bank, an Alabama banking corporation, Houston, Texas. The Bonds are being issued in fully registered form in integral multiples of \$5,000 of principal amount. Interest on the Bonds will be payable semiannually by the Paying Agent/Registrar by check mailed on each Interest Payment Date by the Paying Agent/Registrar to the Bondholder at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date.

#### **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 twenty-three (23) series of bonds payable from the proceeds of taxes levied upon all taxable property located within the boundaries of the District. Of such series of bonds previously issued by the District, \$30,155,000 principal amount remains outstanding as of July 1, 2021 (the "Outstanding Bonds"). The Bonds and the Outstanding 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 located within the entirety of the District. See "THE BONDS – Source of Payment."

The District has also previously issued five (5) series of unlimited tax bonds ("Defined Area Bonds") that are secured by the proceeds of taxes levied upon taxable property located only within the Defined Area (herein defined) in the District. All such taxes levied by the District upon the Defined Area are in addition to the taxes levied by the District upon all taxable property within the entire District, including the Defined Area. Proceeds of taxes levied by the District for payment of debt service on Defined Area Bonds may not be used for payment of debt service on the Bonds or the Outstanding Bonds. See "THE DEFINED AREA" for a discussion of the Defined Area Bonds.

The Bonds and the Outstanding Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, that is separate from the ad valorem taxes, also without legal limitation as to rate or amount, that are levied by the District for payment of debt service on the Defined Area Bonds and any additional bonds that the District may issue hereafter for the purpose of constructing facilities that serve the Defined Area. Proceeds of taxes levied by the District for payment of debt service on Defined Area Bonds may not be used for payment of debt service on the Bonds or the Outstanding Bonds.

### **Authority for Issuance**

The Bonds are issued from an aggregate of \$43,500,000 principal amount of unlimited tax bonds authorized by the District's voters at elections held on February 2, 2002, and November 6, 2012, for the purpose of purchasing or constructing a water, wastewater and storm drainage system serving the District (the "District Utility System") and for the refunding of bonds issued by the District for the District Utility System. Following the issuance of the Bonds, \$11,483,180 principal amount of unlimited tax bonds will remain authorized but unissued for the purpose of purchasing or constructing District Utility System or for the refunding of bonds issued by the District for the District Utility System. 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, including property within the Defined Area. However, taxes separately levied for the repayment of Defined Area Bonds are not pledged to the repayment of the Outstanding Bonds or the Bonds.

The Bonds are obligations solely 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

### *Optional Redemption*

The District reserves the right, at its option, to redeem the Bonds that mature March 1, 2027, and thereafter, prior to their scheduled maturities, in whole or in part, on March 1, 2026, 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 fewer 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 fewer 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 (or by DTC while the Bonds are in Book-Entry-Only form). 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 in the years 2028, 2034, 2036, 2041, and 2043 (the "Term Bonds") are also subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on March 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below at a redemption price of par plus accrued interest to the date of redemption.

#### *\$265,000 Term Bonds Maturing on March 1, 2028*

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2027	\$65,000
March 1, 2028 (Maturity)	\$200,000

#### *\$545,000 Term Bonds Maturing on March 1, 2034*

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2032	\$185,000
March 1, 2033	\$180,000
March 1, 2034 (Maturity)	\$180,000

#### *\$305,000 Term Bonds Maturing on March 1, 2036*

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2035	\$155,000
March 1, 2036 (Maturity)	\$150,000

#### *\$1,305,000 Term Bonds Maturing on March 1, 2041*

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2040	\$645,000
March 1, 2041 (Maturity)	\$660,000

#### *\$1,345,000 Term Bonds Maturing on March 1, 2043*

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2042	\$670,000
March 1, 2043 (Maturity)	\$675,000

The particular Term Bonds to be mandatorily redeemed shall be selected by lot or other customary random selection method. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to

the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of any redemption will be given by the Registrar 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.

### **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 currently 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 in the Bond Order the right 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 aggregate \$43,500,000 principal amount of unlimited tax bonds authorized to be issued by the District for the purpose of acquiring or constructing the District Utility System and for the refunding of bonds issued by the District for the District Utility System. Following the issuance of the Bonds, the District will have the right to issue the \$11,483,180 principal amount of unlimited tax bonds that remain authorized but unissued for the District Utility System, 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.

In addition, voters of the District have authorized the District's issuance of \$17,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements serving the Defined Area (the "Defined Area Road System"), and for the refunding of such bonds, and the levy of an annual ad valorem tax, unlimited as to rate or amount, upon taxable property located within the Defined Area that is sufficient to provide for payment of bonds issued by the District for the Defined Area Road System. To date, the District has issued two series of bonds from such voted authorization, and \$11,280,000 principal amount remains authorized but unissued.

Voters of the District have also authorized the District's issuance of \$41,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage improvements within the Defined Area (the "Defined Area Utility System"), and for the refunding of such bonds, and the levy of an annual ad valorem tax, unlimited as to rate or amount, upon taxable property located within the Defined Area that is sufficient to provide for payment of bonds issued by the District for the Defined Area Utility System. To date, the District has issued three series of bonds from such voted authorization, and \$30,015,000 principal amount remains authorized but unissued. See "THE DEFINED AREA."

The District anticipates issuing more bonds for such purposes as future development in the District and the Defined Area necessitates. In the opinion of the Engineer, the amounts of remaining authorized but unissued bonds noted above will be sufficient to complete development of the District, including the Defined Area within. Developing environmental regulations and conversion to surface water could also result in the need to finance additional improvements.

Following the issuance of the Bonds, the District will owe the Developers (herein defined) approximately \$5,182,670 for funds advanced for the construction of the District Utility System. In addition, the District currently owes the Developers \$0 for funds advanced for the construction of the Defined Area Road System and approximately \$4,641,142 for funds advanced for the construction of the Defined Area Utility System.

In addition to the foregoing, the District is authorized by law 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, including that of the TCEQ, 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, and all such principal amount has been retired. 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 firefighting activities.

### **Annexation and Consolidation**

The District lies within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). Generally, under Texas law, the District may be annexed in whole, but not in part, by the City without the District's consent, in which case the City must assume the assets, functions and obligations of the District, including the Bonds. However, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

The 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 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. Although the City has negotiated and entered into such an agreement with one or more other districts in its extraterritorial jurisdictions, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

### **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.

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. The District may not be placed into bankruptcy involuntarily.

### **Legal Investment and Eligibility to Secure Public Funds in Texas**

The following is an excerpt 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.

*[Remainder of this page intentionally left blank.]*



## Use and Distribution of Bond Proceeds

Proceeds from sale of the Bonds will be used by the District to pay for the construction and non-construction costs set out below.

<b><u>Construction Costs</u></b>	<b><u>District Share</u></b>
A. Developer Contribution Items	
1. Stratton Woods – W, WW, D	\$ 713,504
2. Inwood Oaks Lift Station	379,900
3. Water and Sanitary Sewer Extension Along Gosling Road to Serve 7.965-Acre Terra-Gosling, LLC Development	234,479
4. Public Water and Sanitary Sewer Extensions to Serve Triad Real Estate and Landmark Tract	206,229
5. Northampton Regional Detention Pond	784,333
6. Dovershire Section 1 – W, WW, D	265,511
7. Dovershire Section 2 – W, WW, D	535,618
8. Engineering, Material Testing, Geotechnical, and Surveying (Item Nos. 1–5)	831,244
9. Storm Water Pollution Prevention Plan Costs (Item Nos. 1 and 5)	<u>44,530</u>
Total Developer Contribution Items	\$ 3,995,348
B. District Items	
1. 2021 Sanitary Sewer Cleaning and Televising – Phase 1	\$ 179,000
2. Water Plants No. 1 and 2 Improvements	140,000
3. Engineering and Related Costs	115,000
4. Land Acquisition Costs – Stratton Woods Detention Pond	193,181
5. Land Acquisition Costs – Northampton Regional Detention Pond (Landmark)	467,494
6. Land Acquisition Costs – Northampton Regional Detention Pond (Triad Portion)	<u>366,385</u>
Total District Items	\$ 1,461,060
Total Construction Costs	\$ 5,456,408
<b><u>Non-Construction Costs</u></b>	
A. Legal Fees (2.50%)	\$ 157,125
B. Fiscal Agent Fees (2.00%)	125,700
C. Developer Interest	248,414
D. Bond Discount	131,130
E. Bond Issuance Expenses	21,805
F. Bond Application Report Costs	65,000
G. Attorney General Fee (0.10%)	6,285
H. TCEQ Bond Issuance Fee (0.25%)	15,713
I. Contingency (a)	<u>57,420</u>
Total Non-Construction Costs	\$ 828,592

**TOTAL BOND ISSUE REQUIREMENT** **\$ 6,285,000**

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 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.

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(a) Represents the difference between estimated and actual amounts of discount on the Bonds.

## **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 18, 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 772.75 acres. Due to subsequent annexations, the District presently contains approximately 1,644.6493 acres. Effective August 20, 2012, Houston Gosling Woodlands, L.P. (“Houston Gosling”) and the District entered into a “Financing Agreement” pursuant to which Houston Gosling agreed to submit a proposed defined area plan for consideration by the Board of Directors of the District relating to an area within the District encompassing 439.686 acres. On August 20, 2012, the Board of Directors took action to proceed with the creation of the Defined Area within the boundaries of the District. The Defined Area creation was confirmed at an election within the Defined Area on November 6, 2012. The Defined Area is being developed as single-family residential and multi-family developments. See “THE DEFINED AREA.”

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 and the United States Justice Department, however, no legal mechanism exists to annex land solely into the Defined Area. 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 the central business district of the City and 5 miles west of the City of Spring, Texas. The District lies entirely within the extraterritorial jurisdiction of the City 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 Spring Creek, 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 89 to 151 feet mean sea level. A majority of the land drains north from Root Road to Willow Creek, which ultimately drains to Spring Creek. Approximately 516 acres of the District lie within the 100-year floodplain or floodway of Willow Creek and Spring 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 taken by the District to remove the land currently in the official floodplain. See “THE SYSTEM – 100-Year Flood Plain” and “INVESTMENT CONSIDERATIONS – Potential Impact of Natural Disaster,” “– Specific Flood Type Risks,” and “– Hurricane Harvey.”

## 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 are listed below:

Name	Title	Term Expires May
E.C. Thomas	President	2022
W. Paul Schneider	First Vice President	2022
Scott Kirkpatrick	Second Vice President/Assistant Secretary	2024
Ted Trimble	Secretary	2024
Roger A. Flood III	Treasurer/Investment Officer	2024

The District employs Lisa June as general manager and has several full-time and part-time employees. The District has established a SIMPLE Individual Retirement Account plan for its employees. See Note 11 to the District's financial statements attached hereto as "APPENDIX A."

The District has also contracted for certain necessary services as follows:

**Tax Assessor/Collector:** The District's Tax Assessor/Collector is Tax Tech, Inc. Such firm acts as tax assessor for more than 100 utility districts.

**Bookkeeper:** The District's bookkeeper is L&S District Services, LLC ("L&S"). L&S acts as bookkeeper for more than 80 utility districts.

**Utility System Operator:** The District's operator is Hays Utility South Corporation (the "Operator"). Such firm acts as operator for approximately 80 utility systems.

**Auditor:** The District has contracted McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, to audit its financial records for the fiscal year ended December 31, 2020, which have been included as "APPENDIX A."

**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 has engaged Bacon, Wallace & Philbin, 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 & Philbin, L.L.P. also acts as general counsel for the District.

**Disclosure Counsel:** McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District for issuance of the Bonds. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

**Financial Advisor:** Robert W. Baird & Co. Incorporated serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor is engaged by the District and has participated in the preparation of the Official Statement, however, the Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement that has been supplied or provided by third parties. See "OFFICIAL STATEMENT – Experts."

## **THE DEFINED AREA**

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities, or services that primarily benefit that area. On August 20, 2012, the District approved the creation of a defined area encompassing approximately 439.69 acres (the "Defined Area"), and such creation was confirmed at an election within the Defined Area on November 6, 2012.

At an election within the District on November 6, 2012, the voters also authorized the District's issuance of \$41,000,000 principal amount of bonds to finance the Defined Area Utility System as well as \$17,000,000 principal amount of bonds to finance the Defined Area Road System. Bonds issued for the Defined Area are payable solely from the proceeds of taxes levied within the boundaries of the Defined Area and not on any other part of the District.

From the voted authorizations referenced above, the District has previously issued two series of bonds for the purpose of acquiring or constructing the Defined Area Road System and three series of bonds for the purpose of acquiring or constructing the Defined Area Utility System. Of such five prior series of bonds, \$15,555,000 principal amount remains outstanding as of July 1, 2021, and the following principal amounts of unlimited tax bonds for financing improvements within the Defined Area will remain authorized but unissued: \$11,280,000 for the purpose of acquiring or constructing the Defined Area Road System, and for the purpose of refunding of bonds issued by the District for the Defined Area Road System, and \$30,015,000 for the purpose of acquiring or constructing the Defined Area Utility System, and for the purpose of refunding of bonds issued by the District for the Defined Area Utility System.

The voters also approved the levy of a maintenance tax, in an amount not to exceed \$0.64 per \$100 of assessed valuation, upon all taxable property located in the Defined Area. For tax years 2013–2016, the District levied such maintenance tax in the amount of \$0.64 per \$100 of assessed valuation. For tax years 2017–2020, the District did not levy this maintenance tax upon property in the Defined Area, and it is not anticipated that said maintenance tax on the Defined Area will be levied in subsequent years. All such taxes levied by the District upon the Defined Area are in addition to the taxes levied by the District upon all taxable property within the District, including the Defined Area. See "TAX DATA – Estimated Overlapping Taxes."

D.R. Horton-Texas, Ltd. ("DR Horton") is the sole developer of single-family residential properties in the Defined Area. DR Horton is a subsidiary of and controlled by D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange and is the largest homebuilder in the country. To date, approximately 356.34 acres within the Defined Area have been developed as approximately 503 single-family lots in the residential subdivision of Hampton Creek, Sections 1–9. Such subdivisions in the the Defined Area include approximately 503 completed homes; approximately 0 homes under construction; and approximately 0 developed lots available for new home construction.

SC Waterford Springs LLC has developed approximately 21.52 acres in the Defined Area as a multi-family residential property known as Waterford Springs, an apartment complex that includes 308 total units and that is currently open and actively leasing. In addition, SC Waterford Springs II, LLC has developed approximately 18.59 acres with utilities to serve a second apartment complex (approximately 300 units); however, a start date for construction of such apartment complex has not been determined.

Gosling Village, LLC, an entity controlled by Bryan Frenchak, owns approximately 25.58 acres within the Defined Area but has not reported any development plans to the District. This 25.58-acre tract is the only undeveloped but developable acreage in the Defined Area. The remainder of the lands within the Defined Area includes approximately 17.66 acres that are undevelopable.

## **STATUS OF DEVELOPMENT OF THE DISTRICT**

To date, within the District, approximately 1,178.96 acres have been developed as 2,363 total single-family lots in the following residential subdivisions: Hampton Creek, Sections 1–9 (503 lots); Northampton, Sections 1–5 and 8 (1,073 lots); The Oaks of Northampton (27 lots); Northampton Forest, Sections 1–3 (205 lots); Northampton Estates, Phases I–III (250 lots); Woods of Northampton, Sections 1 and 2 (39 lots); Terrace of Northampton Estates (13 lots); Courts at Auburn Lakes (53 lots); Inway Forest of Northampton (12 lots); Inway Oaks Estates, Sections 1 and 2 (51 lots); Stratton Woods (40 lots); and Dovershire Place, Sections 1 and 2 (97

lots). As of June 1, 2021, the District included approximately 2,347 completed homes; approximately 11 homes under construction; and approximately 5 developed but vacant lots available for new home construction.

Residential development within the District also includes the following multi-family properties: a 346-unit apartment complex known as the Alexan Auburn Lakes on 14.36 acres and a 308-unit apartment complex known as Waterford Springs on approximately 21.52 acres within the Defined Area. Landmark at Auburn Lakes, a 408-unit apartment complex, has been constructed upon 23.33 acres in the District. Cypressbrook Gosling L.P. has completed construction on 15.477 acres in the District as an apartment complex consisting of 366 units. In addition, as noted above, approximately 18.59 acres within the Defined Area owned by SC Waterford Springs II, LLC have been developed with utilities to serve a planned apartment complex with 300 units that has not been constructed.

The District includes approximately 245.60 acres of commercial development. Commercial development includes office buildings, a Conoco gas station, Dave's Express gas station, a Shell gas station, retail strip centers, a private tennis club, Spring Volunteer Fire Department Station No. 2, recreational facilities, Willow Creek Golf Club (a portion of which lies within the 100-year flood plain), and developed park land. The District also includes two elementary schools on approximately 27.08 acres, approximately 74 undevelopable acres, and approximately 25.58 undeveloped but developable acres.

### **DEVELOPERS**

D.R. Horton-Texas, Ltd. ("DR Horton") is a developer of single-family residential properties in the District and the sole developer and homebuilder of single-family properties in the Defined Area. DR Horton is a subsidiary of and controlled by D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange and is the largest homebuilder in the country. To date, approximately 356.34 acres within the Defined Area have been developed as approximately 503 single-family lots in the residential subdivision of Hampton Creek, Sections 1–9. Such subdivisions in the Defined Area are complete with approximately 503 completed homes.

BLD Gosling, LLC ("BLD") developed approximately 42 single-family lots that have been platted as the subdivision of Dovershire Place, Section 1, on approximately 18.30 acres. In May 2019, DR Horton purchased all 42 lots from BLD as well as an adjacent tract of approximately 14.55 acres. DR Horton has developed the 14.55-acre tract as 55 single-family lots within the subdivision of Dovershire Place, Section 2. DR Horton has completed construction of homes on all 97 lots in Sections 1 and 2 of Dovershire Place.

MRE, LLC ("MRE") has developed approximately 23.91 acres as 51 single-family lots in the residential subdivisions of Inway Oaks Estates, Sections 1 and 2. Infinity Classic Homes ("Infinity") has purchased half of those lots and plans to purchase the remaining lots for home construction. As of June 1, 2021, said subdivisions included approximately 35 completed homes, approximately 11 home under construction, and approximately 5 vacant, developed lots. Infinity is a Houston-area homebuilder that has built over 500 homes in a dozen subdivisions since beginning its operations in 2008. MRE and Infinity are under the common ownership of Mike Wilkinson and John Castro.

Partners In Building, L.P., ("PIB") a Texas limited partnership, has developed approximately 40 single-family lots on approximately 20.34 acres, known as the residential subdivision of Stratton Woods. This subdivision is fully developed with 40 completed homes.

Shops on Gosling, LLC ("Shops") has acquired 4.93 acres along Gosling Road, and the tract has been recently annexed into the boundaries of the District. Shops plans to construct commercial retail development on this site.

The Landmark at Auburn Lakes, LLC ("Landmark") has acquired a total of 30.721 acres west of Gosling Road, north of Dovershire Road, and south of West Rayford Road. The land was annexed into the boundaries of the District, and Landmark has completed construction of a multi-family apartment complex consisting of 408 units on 28.947 acres. An additional tract of 1.774 acres is reserved for future commercial development.

Cypressbrook Gosling, LP and Cypressbrook Gosling Retail LP (collectively, "Cypressbrook") acquired approximately 16.410 acres that were annexed into the boundaries of the District in 2020. Cypressbrook has completed construction of an apartment complex consisting of 366 units. The remaining 0.933 acres has been developed by Cypressbrook Gosling Retail LP as a commercial retail building.

DR Horton, MRE, PIB, BLD, Shops, Landmark, and Cypressbrook are referred to herein collectively as the "Developers."

*Other Landowners*

SC Waterford Springs LLC has developed approximately 21.52 acres in the Defined Area of the District as a multi-family residential property known as Waterford Springs, an apartment complex that includes 308 total units and that is currently open and actively leasing. SC Waterford Springs II, LLC owns approximately 18.59 acres on which a second apartment complex of approximately 300 units is planned.

Maple Multi-Family Operations, L.L.C. ("Maple") has completed development of Alexan Auburn Lakes, a 346-unit apartment complex located on 14.37 acres. Maple is owned and controlled by Trammel Crow Residential. Trammel Crow Residential is a Dallas-based multifamily real estate company.

Gosling Village, LLC, an entity controlled by Bryan Frenchak, owns approximately 25.58 acres located in the Defined Area but has not reported any development plans to the District.

Hampton on the Lakes, LLC, an entity controlled by Bryan Frenchak, owns approximately 16.00 acres in the District. Currently, the District is not aware of any plans to develop such acreage.

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## TAX DATA

### District Debt Service Tax

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 Bonds, the Outstanding Bonds, and any future tax-supported bonds that the District may hereafter issue for the District Utility System. 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. In 2020, the District levied a tax in the amount of \$0.31 per \$100 of assessed valuation for payment of debt service on bonds issued for the District Utility System. This debt service rate is levied against all taxable property located within the District. See "Tax Rate Distribution" below.

### District Maintenance Tax

The Board also 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 the other taxes that the District is authorized to levy as described above. In 2020, the District levied a maintenance tax in the amount of \$0.25 per \$100 of assessed valuation. This maintenance tax is levied against all taxable property in the District. 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.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 06/30/21
2010	\$338,629,951	\$0.610	\$2,065,643	100.00%	2011	99.86%
2011	337,686,401	0.610	2,059,887	100.00	2012	99.88
2012	327,971,597	0.610	2,000,627	99.99	2013	99.88
2013	346,461,797	0.610	2,113,417	99.19	2014	99.92
2014	388,419,376	0.610	2,369,358	99.17	2015	99.80
2015	504,416,774	0.610	3,076,942	99.25	2016	99.88
2016	575,529,008	0.580	3,338,068	99.24	2017	99.84
2017	621,040,444	0.580	3,602,035	98.19	2018	99.74
2018	634,338,283	0.580	3,679,162	98.68	2019	99.42
2019	701,341,726	0.560	3,927,514	98.83	2020	99.52
2020	757,347,201	0.560	4,241,144	97.40 (b)	2021	97.40

(a) Represents the District's tax rate levied upon all taxable property located within the boundaries of the District. See "Tax Rate Distribution" below.

(b) For the 2020 tax year, represents collections as of June 30, 2021.

## Tax Rate Distribution

The following sets out the components of the District's tax rate for each of tax years 2015–2020. The tax rates set forth below include only those taxes levied by the District upon all taxable property in the District. See "THE DEFINED AREA" for discussion of additional taxes levied by the District upon taxable property located only in the Defined Area.

	2020	2019	2018	2017	2016	2015
Debt Service	\$0.310	\$0.310	\$0.330	\$0.330	\$0.330	\$0.360
Maintenance	<u>\$0.250</u>	<u>\$0.250</u>	<u>\$0.250</u>	<u>\$0.250</u>	<u>\$0.250</u>	<u>\$0.250</u>
Total	\$0.560	\$0.560	\$0.580	\$0.580	\$0.580	\$0.610

## Analysis of Tax Base

The following table illustrates the types of property that make up the total taxable assessed value of the District for each of tax years 2016–2020.

	2020	2019	2018	2017	2016
Type of Property	Assessed Value	Assessed Value	Assessed Value	Assessed Value	Assessed Value
Land	\$154,411,959	\$159,399,847	\$154,383,678	\$149,511,394	\$135,814,953
Improvements	692,062,329	629,362,465	563,178,818	550,336,938	497,863,967
Personal Property	11,318,481	9,344,861	9,143,091	9,145,731	8,102,558
Exemptions	<u>(100,445,568)</u>	<u>(96,765,447)</u>	<u>(92,367,304)</u>	<u>(87,953,619)</u>	<u>(66,252,470)</u>
Total	\$757,347,201	\$701,341,726	\$634,338,283	\$621,040,444	\$575,529,008

## Principal Taxpayers

The following represents the District's principal taxpayers, type of property, and their taxable assessed values as of January 1, 2020:

Taxpayer	Types of Property	Taxable Value 2020 Tax Roll	Percent of District
Auburn Lakes Investors LLC	Land & Improvements	\$42,530,796	5.62%
SC Waterford Springs LLC (a)	Land & Improvements	34,180,668	4.51
S5 Real Estate Holdings LLC	Land & Improvements	4,845,000	0.64
The Landmark at Auburn Lakes	Land & Improvements	4,350,038	0.57
Gosling Investments LLC (a)	Land & Improvements	3,577,534	0.47
Willow Creek Golf Club Inc.	Land & Improvements	3,405,881	0.45
Terra Gosling LLC	Land & Improvements	2,280,106	0.30
6130 AL Development Group LLC	Land & Improvements	2,265,371	0.30
Centerpoint Energy	Personal	2,202,110	0.29
Ricegrass Developments LLC	Land & Improvements	<u>2,005,800</u>	<u>0.26</u>
Principal Taxpayers Total		\$101,643,304	13.42%

(a) Entity that is a developer of lands in the District. See "DEVELOPERS."

## Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation that would be required to meet debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the taxable assessed valuation as of January 1, 2020 (\$757,347,201), the District's preliminary valuation as of January 1, 2021 (\$886,853,019), or the estimate of value of the District as of June 1, 2021 (\$896,212,374). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2022–2043) .....	\$2,267,192
Debt Service Tax Rate of \$0.32 on the 2020 Taxable Assessed Valuation .....	\$2,302,335
Debt Service Tax Rate of \$0.27 on the 2021 Preliminary Valuation .....	\$2,274,778
Debt Service Tax Rate of \$0.27 on the Estimate of Value as of June 1, 2021 .....	\$2,298,785



Maximum Annual Debt Service Requirement (2025).....	\$2,347,537
Debt Service Tax Rate of \$0.33 on the 2020 Taxable Assessed Valuation.....	\$2,374,283
Debt Service Tax Rate of \$0.28 on the 2021 Preliminary Valuation .....	\$2,359,029
Debt Service Tax Rate of \$0.28 on the Estimate of Value as of June 1, 2021 .....	\$2,383,925

### **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 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 – Direct and Estimated Overlapping Debt Statement"), 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 2020 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.

<u><b>Taxing Jurisdiction</b></u>	<u><b>2020 Tax Rate</b></u>
Harris County	\$0.391160
Harris County Department of Education	0.004993
Harris County Flood Control District	0.031420
Harris County Hospital District	0.166710
Port of Houston Authority	0.009910
Harris County Emergency Services District No. 7	0.099700
Harris County Emergency Services District No. 11	0.033334
Klein Independent School District	1.337300
Lone Star College System	0.107800
The District	<u>0.560000</u>
Total Tax Rate for District Not in Defined Area	\$2.742327
 The Defined Area	 <u>0.640000</u>
Total Tax Rate for District Defined Area	\$3.382327

### **THE SYSTEM**

Proceeds of the District's prior bonds were used to finance water, sanitary sewer and drainage lines to serve approximately 1,087 acres of single-family residential development, approximately 42 acres of developed park land, approximately 24 acres of commercial development, and approximately 124 acres consisting of a golf course and club house, an elementary school, and the District's facilities. The District's water supply and wastewater facilities, including distribution and collection systems, are fully integrated and all customers are "in-district" customers.

#### **-Water Facilities-**

The District's existing water supply system consists of 3 water plants including 4 water wells, 4 ground storage tanks, one elevated storage tank, 5 hydropneumatic tanks, and booster pump facilities. The District's current water systems are sufficient to provide water supply to 5,000 equivalent single-family connections ("esfc"). Currently, the District serves 3,648 esfc, and the ultimate development land within the District is projected to include 5,190 esfc.

#### -Water Contracts with Other Districts-

On April 13, 2013, the District entered an Emergency Water Supply Agreement with Harris County Municipal Utility District 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 September 24, 1985, the District entered an Emergency Water Supply Agreement with Encanto Real Utility District ("Encanto") 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. On August 21, 2000, the District entered an Amendment to Emergency Water Supply Agreement with Encanto whereby each district agreed to pay the other for water supplied pursuant to the Agreement including well pumpage fees in effect at the time of delivery. On December 20, 2011, the District entered a Second Amendment to Emergency Water Supply Agreement with Encanto whereby both districts agreed to amend the price paid for water delivered pursuant to the Agreement during an emergency to one dollar and twenty-five cents (\$1.25). On September 28, 2020, the District entered a Third Amendment to Water Supply Contract with Encanto whereby the term shall be extended to December 31, 2040. Following the initial term, the Contract shall continue for successive one-year terms unless 60 days' written notice is provided by either party to the other party.

#### -Wastewater Treatment-

The District's wastewater treatment system consists of a 1,400,000 gallon per day ("gpd") treatment plant. Ownership of this 1,400,000 gpd plant is allocated by written agreements among the District and Oakmont Public Utility District ("Oakmont PUD"). Pursuant to such agreements, the District is allocated 1,040,000 gpd and Oakmont PUD is allocated 360,000 gpd. The District currently has sufficient capacity to serve approximately 4,160 esfc. Currently, the District serves 3,648 esfc, and the developed land within the District is projected to include 5,190 esfc.

#### -Drainage Facilities-

Storm sewer lines ranging from 24" to 84" run throughout the entire District. All of the outfalls drain into Harris County Flood Control ditches that extend from the western border, around the northern border, and down along the eastern border of the District and ultimately outfalls into Willow Creek or Spring Creek.

#### **100-Year Flood Plain**

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

According to the Engineer, approximately 516 acres of the District lie within the 100-year floodplain or floodway of Willow Creek and Spring 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 taken by the District to remove the land currently in the official floodplain.

#### **Subsidence and Conversion to Surface Water Supply**

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in

certain areas within the Subsidence District's jurisdiction, including the area within the District. In 1999, the Texas legislature created the North Harris County Regional Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Harris County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP.

The Authority, among other powers, has the power to (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, and charges necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and the amount of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period. The Authority currently charges the District a pumpage fee of \$4.60 per 1,000 gallons of groundwater pumped.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty of \$9.58 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the District Utility System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

## Historical Operations of the System

The following statement sets forth in condensed form the historical results of operation of the District Utility System. Such summary has been prepared based upon information obtained from the District's audited financial statements through the fiscal year ended December 31, 2020. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	For Fiscal Year Ended December 31				
	2020	2019	2018	2017	2016
<b><u>Revenues</u></b>					
Property Taxes	\$1,745,450	\$1,586,686	\$1,539,156	\$1,472,206	\$1,614,958
Water Service	1,134,618	1,058,410	1,054,876	1,086,063	1,136,965
Wastewater Service	1,490,126	1,427,901	1,325,693	1,267,422	1,219,691
Penalty and Interest	39,459	35,046	34,449	35,902	36,917
Tap Connection & Inspection Fees	331,589	623,617	374,340	145,278	229,147
Facility Use Fees	101,717	107,291	113,897	116,464	117,357
Regional Water Authority Fees	1,750,582	1,401,335	1,155,839	1,068,119	1,002,237
Investment Revenues	36,041	85,250	70,004	23,637	6,510
FEMA Grant Revenues	40,731	-	140,783	-	-
Miscellaneous Revenues	21,230	24,889	26,423	39,407	85,754
Total Revenues	\$6,691,543	\$6,350,425	\$5,835,460	\$5,254,498	\$5,449,536
<b><u>Expenditures</u></b>					
Professional Fees	\$432,021	\$327,336	\$361,922	\$325,363	\$322,896
Contracted Services	743,086	698,497	627,618	542,887	571,679
Purchased Wastewater Service	535,130	507,369	430,449	432,760	401,395
Utilities	120,446	92,949	94,322	104,398	128,835
Repairs and Maintenance	488,176	594,115	357,164	369,999	380,222
Regional Water Authority Assessment	1,676,480	1,357,814	1,170,734	1,054,157	946,357
Parks and Recreation	1,542,447	1,459,714	1,440,790	1,366,938	1,288,636
Other	468,090	310,420	334,220	283,229	318,730
Capital Outlay:					
Parks and Recreation	20,372	-	76,915	276,277	44,545
Other Facilities	-	469,478	988,759	-	-
Total Expenditures	\$6,026,248	\$5,817,692	\$5,882,893	\$4,756,008	\$4,403,295
Excess (Deficiency) of Revenues	\$665,295	\$532,733	(\$47,433)	\$498,490	\$1,046,241
<b><u>Other Financing Sources (Uses)</u></b>					
Transfers In (Out)	-	\$30,058	-	\$226,208	(\$422,238)
Developer Contributions	-	425,085	-	-	-
Total Other Financing Sources (Uses)	-	\$455,143	-	\$226,208	(\$422,238)
Net Change in Fund Balance	\$665,295	\$987,876	(\$47,433)	\$724,698	\$624,003
Fund Balance Beginning of Period	\$4,193,693	\$3,205,817	\$3,253,250	\$2,528,552	\$1,904,549
Fund Balance End of Period	\$4,858,988	\$4,193,693	\$3,205,817	\$3,253,250	\$2,528,552