

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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>
TOTAL	<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, 2018	\$ 17,350	\$ 22,932	\$ 40,282
Operating Costs	430,449	207,208	637,657
Receipts and Credits	(407,285)	(202,775)	(610,060)
Change in Reserve	<u>5,934</u>	<u>2,051</u>	<u>7,985</u>
Due (to) from Participants			
at December 31, 2018	<u>\$ 46,448</u>	<u>\$ 29,416</u>	<u>\$ 75,864</u>
Two Month Reserve	<u>\$ 80,534</u>	<u>\$ 27,871</u>	<u>\$ 108,405</u>

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, \$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, 2018, the eligible employees contributed \$16,708 to the plan and the District contributed \$8,530.

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 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater 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 2018 was \$3.40 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of \$1,170,734 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, 2018

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

The General Fund owes the Debt Service Fund (Tax Account) \$63,007 for the over transfer of maintenance tax collections. The General Fund owes the Debt Service Fund (Tax Account) \$30,058 for the over transfer of defined area maintenance tax collections. The General Fund fund owes the Special Revenues Fund \$46,448 for wastewater treatment plant operations and the General Fund owes the Capital Projects Fund \$189,323 for Water Plant No. 3 construction costs pending the expenditures of these funds.

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, 2018, the District recorded an estimated liability of \$6,359,219 for unreimbursed costs related to completed projects and \$2,017,695 for unreimbursed advances for Wastewater Treatment Plant No. 2.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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. This amount was reimbursed to the General Fund in the current fiscal year.

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. This amount was reimbursed to the General Fund in the current fiscal year.

NOTE 17. BOND SALE

On August 23, 2018, the District issued \$3,020,000 of Series 2018 Defined Area Unlimited Tax Road Bonds. Proceeds from the bonds were used to reimburse the Developer for the construction and engineering costs related to the paving of Hampton Creek, Sections 3, 4B, 7, 8 and 9 and pay certain costs of issuing the bonds.

NOTE 18. PENDING BOND SALE

As of the date of this report, the District is expected to close on the sale of \$5,800,000 of Series 2019 Unlimited Tax Bonds on April 18, 2019. Proceeds from the bonds will be used to reimburse the Developer for the construction and engineering costs related to CST water and sanitary sewer extension; to fund the construction and engineering of Wastewater Treatment Plant improvements, Water Well No. 1 rework, Water Plant No. 3 overage, Creekview Lift Station improvements; and pay certain costs of issuing the bonds.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 1,483,000	\$ 1,518,000	\$ 1,539,156	\$ 21,156
Water Service	1,200,000	1,200,000	1,054,876	(145,124)
Wastewater Service	1,300,000	1,300,000	1,325,693	25,693
Penalty and Interest	36,000	36,000	34,449	(1,551)
Tap Connection and Inspection Fees	85,125	85,125	374,340	289,215
Facility Use Fees	116,400	116,400	113,897	(2,503)
Regional Water Authority Fees	1,300,000	1,300,000	1,155,839	(144,161)
Investment Revenues	21,000	21,000	70,004	49,004
FEMA Grant Revenue			140,783	140,783
Miscellaneous Revenues	20,900	20,900	26,423	5,523
TOTAL REVENUES	<u>\$ 5,562,425</u>	<u>\$ 5,597,425</u>	<u>\$ 5,835,460</u>	<u>\$ 238,035</u>
EXPENDITURES				
Services Operations:				
Professional Fees	\$ 350,825	\$ 350,825	\$ 361,922	\$ (11,097)
Contracted Services	597,900	597,900	627,618	(29,718)
Purchased Wastewater Service	447,600	447,600	430,449	17,151
Utilities	109,800	109,800	94,322	15,478
Repairs and Maintenance	403,000	403,000	357,164	45,836
Regional Water Authority Assessments	1,300,000	1,300,000	1,170,734	129,266
Parks and Recreation	1,356,400	1,356,400	1,440,790	(84,390)
Other	243,600	243,600	334,220	(90,620)
Capital Outlay:				
Parks and Recreation	20,000	168,840	76,915	91,925
Other	818,000	1,101,149	988,759	112,390
TOTAL EXPENDITURES	<u>\$ 5,647,125</u>	<u>\$ 6,079,114</u>	<u>\$ 5,882,893</u>	<u>\$ 196,221</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (84,700)</u>	<u>\$ (481,689)</u>	<u>\$ (47,433)</u>	<u>\$ 434,256</u>
OTHER FINANCING SOURCES(USES)				
Transfers In (Out)	<u>\$ 226,832</u>	<u>\$ 371,858</u>	<u>\$ - 0 -</u>	<u>\$ (371,858)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 142,132</u>	<u>\$ (109,831)</u>	<u>\$ (47,433)</u>	<u>\$ 62,398</u>
FUND BALANCE - JANUARY 1, 2018	<u>3,253,250</u>	<u>3,253,250</u>	<u>3,253,250</u>	
FUND BALANCE - DECEMBER 31, 2018	<u><u>\$ 3,395,382</u></u>	<u><u>\$ 3,143,419</u></u>	<u><u>\$ 3,205,817</u></u>	<u><u>\$ 62,398</u></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, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Wastewater Service	\$ 602,525	\$ 637,657	\$ 35,132
TOTAL REVENUES	<u>\$ 602,525</u>	<u>\$ 637,657</u>	<u>\$ 35,132</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 14,000	\$ 6,289	\$ 7,711
Contracted Services	69,780	67,928	1,852
Utilities	103,620	107,280	(3,660)
Repairs and Maintenance	177,000	245,079	(68,079)
Other	238,125	211,081	27,044
TOTAL EXPENDITURES	<u>\$ 602,525</u>	<u>\$ 637,657</u>	<u>\$ (35,132)</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ -0-
FUND BALANCE - JANUARY 1, 2018	_____	_____	_____
FUND BALANCE - DECEMBER 31, 2018	<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, 2018

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

2. RETAIL SERVICE PROVIDERS

Based on the rate order approved October 16, 2017.

District employs winter averaging for wastewater usage?	<u>Yes</u>	<u>X</u> No
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* Includes garbage fee of \$21.50.

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NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018

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>2,140</u>	<u>2,116</u>	x 1.0	<u>2,116</u>
1"	<u>102</u>	<u>101</u>	x 2.5	<u>253</u>
1½"	<u>3</u>	<u>3</u>	x 5.0	<u>15</u>
2"	<u>2</u>	<u>2</u>	x 8.0	<u>16</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>100</u>
8"	<u>4</u>	<u>4</u>	x 80.0	<u>240</u>
10"			x 115.0	
Total Water Connections	<u>2,254</u>	<u>2,229</u>		<u>2,790</u>
Total Wastewater Connections	<u>2,192</u>	<u>2,167</u>	x 1.0	<u>2,167</u>

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

Gallons pumped into system:	350,885,000	Water Accountability Ratio: 89.6% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	314,277,000	

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018

PROFESSIONAL FEES:	
Auditing	\$ 25,425
Engineering	207,487
Legal	<u>129,010</u>
TOTAL PROFESSIONAL FEES	<u>\$ 361,922</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Wastewater Service	<u>\$ 430,449</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 31,437
Operations and Billing	<u>109,708</u>
TOTAL CONTRACTED SERVICES	<u>\$ 141,145</u>
UTILITIES:	
Electricity	\$ 92,405
Telephone	<u>1,917</u>
TOTAL UTILITIES	<u>\$ 94,322</u>
REPAIRS AND MAINTENANCE	<u>\$ 357,164</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 19,950
Dues and Registration Fees	2,185
Election Costs	4,048
Insurance	53,088
Office Supplies and Postage	10,833
Travel and Meetings	7,231
Website	6,771
Other	<u>15,587</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 119,693</u>
CAPITAL OUTLAY:	
Capitalized Assets	\$ 988,759
Expenditures Not Capitalized	<u></u>
TOTAL CAPITAL OUTLAY	<u>\$ 988,759</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2018

TAP CONNECTIONS	\$ <u>120,968</u>
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SOLID WASTE DISPOSAL	\$ <u>486,473</u>
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PARKS AND RECREATION

Contract Services	\$ 14,235
Personnel (Including Benefits)	1,068,434
Repairs and Maintenance	273,908
Truck	5,272
Utilities	78,941
Capital Outlay	<u>76,915</u>

TOTAL PARKS AND RECREATION	\$ <u>1,517,705</u>
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OTHER EXPENDITURES:

Chemicals	\$ 22,777
Laboratory Fees	11,135
Permit Fees	6,044
Reconnection Fees	19,842
Inspection Fees	21,973
Regional Water Authority Assessments	1,170,734
TCEQ Regulatory Assessment	<u>11,788</u>

TOTAL OTHER EXPENDITURES	\$ <u>1,264,293</u>
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TOTAL EXPENDITURES	\$ <u>5,882,893</u>
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Number of persons employed by the District	<u>19</u>	Full-Time	<u>2</u>	Part-Time*
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* 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, 2018

<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	2.0000%	04/19/19	\$ 245,000	\$ 980
Certificate of Deposit	XXXX0340	2.2200%	06/21/19	249,201	152
TexPool	XXXX0001	2.5304%	Daily	<u>2,687,453</u>	
TOTAL GENERAL FUND				<u>\$ 3,181,654</u>	<u>\$ 1,132</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX1910	2.0000%	02/25/19	\$ 245,000	\$ 1,692
Certificate of Deposit	XXXX1535	2.1500%	02/25/19	245,000	1,818
Certificate of Deposit	XXXX0674	2.2200%	02/25/19	758,000	5,809
Certificate of Deposit	XXXX0617	2.2200%	02/25/19	347,000	2,723
Certificate of Deposit	XXXX0618	2.1500%	02/22/19	140,000	1,616
Certificate of Deposit	XXXX0772	2.2200%	02/22/19	<u>313,843</u>	<u>2,463</u>
TOTAL DEBT SERVICE FUND				<u>\$ 2,048,843</u>	<u>\$ 16,121</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0002	2.5304%	Daily	<u>\$ 2,853,999</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 8,084,496</u>	<u>\$ 17,253</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>		<u>Road Taxes</u>	
TAXES RECEIVABLE -						
JANUARY 1, 2018	\$ 1,263,697		\$ 1,965,859		\$ 260,812	
Adjustments to Beginning						
Balance	<u>19,533</u>	\$ 1,283,230	<u>46,460</u>	\$ 2,012,319	<u>18,308</u>	\$ 279,120
Original 2018 Tax Levy	\$ 1,449,341		\$ 2,231,599		\$ 272,314	
Adjustment to 2018 Tax Levy	<u>116,475</u>	<u>1,565,816</u>	<u>192,848</u>	<u>2,424,447</u>	<u>33,434</u>	<u>305,748</u>
TOTAL TO BE						
ACCOUNTED FOR		\$ 2,849,046		\$ 4,436,766		\$ 584,868
TAX COLLECTIONS:						
Prior Years	\$ 1,245,749		\$ 1,960,899		\$ 278,709	
Current Year	<u>208,056</u>	<u>1,453,805</u>	<u>299,855</u>	<u>2,260,754</u>	<u>21,566</u>	<u>300,275</u>
TAXES RECEIVABLE -						
DECEMBER 31, 2018		<u>\$ 1,395,241</u>		<u>\$ 2,176,012</u>		<u>\$ 284,593</u>
TAXES RECEIVABLE BY						
YEAR:						
2018		\$ 1,357,760		\$ 2,124,592		\$ 284,182
2017		19,045		25,597		405
2016		5,543		7,329		6
2015		2,504		3,535		
2014		2,069		2,979		
2013		907		1,306		
2012		975		1,405		
2011		1,020		1,469		
2010		1,131		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>\$ 1,395,241</u>		<u>\$ 2,176,012</u>		<u>\$ 284,593</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017	2016	2015
DISTRICT WIDE:				
Land	\$ 147,162,535	\$ 141,884,402	\$ 125,027,658	\$ 127,603,417
Improvements	561,507,175	546,837,538	493,448,383	433,454,831
Personal Property	7,443,766	7,117,591	6,604,109	5,658,875
Exemptions	<u>(89,786,882)</u>	<u>(82,794,856)</u>	<u>(64,455,327)</u>	<u>(62,736,244)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 626,326,594</u>	<u>\$ 613,044,675</u>	<u>\$ 560,624,823</u>	<u>\$ 503,980,879</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.33	\$ 0.33	\$ 0.33	\$ 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>\$ 0.58</u>	<u>\$ 0.61</u>
ADJUSTED TAX LEVY*	<u>\$ 3,632,693</u>	<u>\$ 3,555,660</u>	<u>\$ 3,251,624</u>	<u>\$ 3,074,284</u>
DEFINED AREA :				
PROPERTY VALUATIONS	<u>\$ 103,643,250</u>	<u>\$ 91,659,783</u>	<u>\$ 77,891,935</u>	<u>\$ 55,308,676</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.345	\$ 0.34	\$ 0.420	\$ 0.00
Road	0.295	0.30	0.175	0.00
Maintenance***	<u>0.045</u>	<u>0.045</u>	<u>0.045</u>	<u>0.64</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.640</u>	<u>\$ 0.64</u>	<u>\$ 0.640</u>	<u>\$ 0.64</u>
ADJUSTED TAX LEVY*	<u>\$ 663,318</u>	<u>\$ 586,622</u>	<u>\$ 498,508</u>	<u>\$ 353,976</u>
PERCENTAGE OF TOTAL TAXES COLLECTED TO TOTAL TAXES LEVIED	<u>12.32 %</u>	<u>98.74 %</u>	<u>99.60 %</u>	<u>99.80 %</u>
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* 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, 2018

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
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			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	<u>\$ 150,000</u>	<u>\$ 9,844</u>	<u>\$ 159,844</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

REFUNDING SERIES - 2010			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
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			
2042			
	<u>\$ 2,410,000</u>	<u>\$ 374,600</u>	<u>\$ 2,784,600</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

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
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			
2042			
	<u>\$ 2,175,000</u>	<u>\$ 1,197,781</u>	<u>\$ 3,372,781</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

REFUNDING SERIES - 2014			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
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			
2042			
	<u>\$ 3,955,000</u>	<u>\$ 695,324</u>	<u>\$ 4,650,324</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

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
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			
2042			
	<u>\$ 4,225,000</u>	<u>\$ 1,795,142</u>	<u>\$ 6,020,142</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

DEFINED AREA
 SERIES - 2016

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
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
2042			
	<u>\$ 6,145,000</u>	<u>\$ 2,672,193</u>	<u>\$ 8,817,193</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

DEFINED AREA
ROAD SERIES - 2016

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
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
2042			
	<u>\$ 2,625,000</u>	<u>\$ 1,150,867</u>	<u>\$ 3,775,867</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

<u>REFUNDING SERIES - 2016</u>			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
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			
2042			
	<u>\$ 4,780,000</u>	<u>\$ 1,938,775</u>	<u>\$ 6,718,775</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

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
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
2042			
	<u>\$ 10,010,000</u>	<u>\$ 4,612,115</u>	<u>\$ 14,622,115</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

DEFINED AREA
ROAD SERIES - 2018

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 65,000	\$ 123,365	\$ 188,365
2020	80,000	110,300	190,300
2021	80,000	105,900	185,900
2022	85,000	101,500	186,500
2023	90,000	96,825	186,825
2024	90,000	91,875	181,875
2025	95,000	87,375	182,375
2026	100,000	82,625	182,625
2027	105,000	79,625	184,625
2028	110,000	76,475	186,475
2029	115,000	73,175	188,175
2030	120,000	69,725	189,725
2031	125,000	66,125	191,125
2032	130,000	62,062	192,062
2033	135,000	57,838	192,838
2034	140,000	53,450	193,450
2035	145,000	48,550	193,550
2036	150,000	43,475	193,475
2037	160,000	38,225	198,225
2038	165,000	32,625	197,625
2039	175,000	26,644	201,644
2040	180,000	20,300	200,300
2041	185,000	13,775	198,775
2042	195,000	7,068	202,068
	<u>\$ 3,020,000</u>	<u>\$ 1,568,902</u>	<u>\$ 4,588,902</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 1,425,000	\$ 1,283,225	\$ 2,708,225
2020	1,485,000	1,232,715	2,717,715
2021	1,535,000	1,188,320	2,723,320
2022	1,600,000	1,143,424	2,743,424
2023	1,660,000	1,098,447	2,758,447
2024	1,710,000	1,050,523	2,760,523
2025	1,780,000	997,570	2,777,570
2026	1,660,000	942,714	2,602,714
2027	1,720,000	890,840	2,610,840
2028	1,655,000	839,496	2,494,496
2029	1,700,000	789,162	2,489,162
2030	1,765,000	736,382	2,501,382
2031	1,855,000	677,801	2,532,801
2032	1,925,000	612,732	2,537,732
2033	2,005,000	544,109	2,549,109
2034	2,080,000	475,374	2,555,374
2035	2,175,000	404,598	2,579,598
2036	2,255,000	327,423	2,582,423
2037	1,415,000	263,030	1,678,030
2038	1,465,000	211,315	1,676,315
2039	1,520,000	156,019	1,676,019
2040	1,575,000	98,571	1,673,571
2041	1,335,000	44,685	1,379,685
2042	195,000	7,068	202,068
	<u>\$ 39,495,000</u>	<u>\$ 16,015,543</u>	<u>\$ 55,510,543</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2018

Description	Original Bonds Issued	Bonds Outstanding January 1, 2018
Northampton Municipal Utility District Unlimited Tax Bonds - Series 2010	\$ 4,000,000	\$ 175,000
Northampton Municipal Utility District Unlimited Tax Refunding Bonds - Series 2010	6,965,000	2,895,000
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	4,210,000
Northampton Municipal Utility District Unlimited Tax Bonds - Series 2015	4,460,000	4,345,000
Northampton Municipal Utility District Defined Area Unlimited Tax Bonds - Series 2016	6,490,000	6,315,000
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
Northampton Municipal Utility District Defined Area Unlimited Tax Road Bonds - Series 2018	3,020,000	
TOTAL	\$ 49,230,000	\$ 37,915,000

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, 2018	Paying Agent
	Principal	Interest		
\$	\$ 25,000	\$ 7,031	\$ 150,000	Wells Fargo Bank N.A. Houston, TX
	485,000	106,100	2,410,000	Wells Fargo Bank N.A. Houston, TX
		73,563	2,175,000	Regions Bank Houston, TX
	255,000	111,375	3,955,000	Regions Bank Birmingham, AL
	120,000	133,394	4,225,000	Regions Bank Houston, TX
	170,000	187,263	6,145,000	Regions Bank Houston, TX
	75,000	79,453	2,625,000	Regions Bank Houston, TX
	20,000	168,050	4,780,000	Regions Bank Houston, TX
	290,000	331,995	10,010,000	Regions Bank Houston, TX
3,020,000			3,020,000	Regions Bank Houston, TX
\$ 3,020,000	\$ 1,440,000	\$ 1,198,224	\$ 39,495,000	

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2018

District Wide:	Tax and Revenue Bonds	Tax Bonds and Refunding Bonds	Park Bonds
Bond Authority:			
Authorized by Voters	\$ 10,600,000	\$ 54,700,000	\$ 1,775,000
Amount Issued	<u>10,600,000</u>	<u>30,969,949</u>	<u>1,775,000</u>
Remaining to be Issued	<u>\$ - 0 -</u>	<u>\$ 23,730,051</u>	<u>\$ - 0 -</u>
Defined Area:		Tax Bonds and Refunding Bonds	Road Bonds
Bond Authority:			
Authorized by Voters		\$ 41,000,000	\$ 17,000,000
Amount Issued		<u>6,490,000</u>	<u>5,720,000</u>
Remaining to be Issued		<u>\$ 34,510,000</u>	<u>\$ 11,280,000</u>
Debt Service Fund cash and investment balances as of December 31, 2018:			<u>\$ 2,631,280</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 2,312,939</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		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 1,539,156	\$ 1,472,206	\$ 1,614,958
Water Service	1,054,876	1,086,063	1,136,965
Wastewater Service	1,325,693	1,267,422	1,219,691
Penalty and Interest	34,449	35,902	36,917
Tap Connection and Inspection Fees	374,340	145,278	229,147
Facility Use Fees	113,897	116,464	117,357
Regional Water Authority Fees	1,155,839	1,068,119	1,002,237
Investment Revenues	70,004	23,637	6,510
FEMA Grant Revenues	140,783		
Miscellaneous Revenues	26,423	39,407	85,754
TOTAL REVENUES	<u>\$ 5,835,460</u>	<u>\$ 5,254,498</u>	<u>\$ 5,449,536</u>
EXPENDITURES			
Professional Fees	\$ 361,922	\$ 325,363	\$ 322,896
Contracted Services	627,618	542,887	571,679
Purchased Wastewater Service	430,449	432,760	401,395
Utilities	94,322	104,398	128,835
Repairs and Maintenance	357,164	369,999	380,222
Regional Water Authority Assessments	1,170,734	1,054,157	946,357
Parks and Recreation	1,440,790	1,366,938	1,288,636
Other	334,220	283,229	318,730
Capital Outlay:			
Parks and Recreation	76,915	276,277	44,545
Other Facilities	988,759		
Debt Service:			
Bond Issuance Costs			
TOTAL EXPENDITURES	<u>\$ 5,882,893</u>	<u>\$ 4,756,008</u>	<u>\$ 4,403,295</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (47,433)</u>	<u>\$ 498,490</u>	<u>\$ 1,046,241</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ - 0 -</u>	<u>\$ 226,208</u>	<u>\$ (422,238)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (47,433)</u>	<u>\$ 724,698</u>	<u>\$ 624,003</u>
BEGINNING FUND BALANCE	<u>3,253,250</u>	<u>2,528,552</u>	<u>1,904,549</u>
ENDING FUND BALANCE	<u>\$ 3,205,817</u>	<u>\$ 3,253,250</u>	<u>\$ 2,528,552</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 1,042,385	\$ 975,998	26.3 %	28.0 %	29.4 %	24.4 %	22.5 %
1,001,460	846,002	18.1	20.7	20.9	23.6	19.5
1,126,294	949,019	22.7	24.1	22.4	26.5	21.9
37,948	25,950	0.6	0.7	0.7	0.9	0.6
90,906	653,447	6.4	2.8	4.2	2.1	15.1
109,162	94,057	2.0	2.2	2.2	2.6	2.2
737,987	690,512	19.8	20.3	18.4	17.4	15.9
3,173	1,996	1.2	0.4	0.1	0.1	
		2.4				
95,683	98,989	0.5	0.8	1.7	2.4	2.3
<u>\$ 4,244,998</u>	<u>\$ 4,335,970</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 301,728	\$ 263,237	6.2 %	6.2 %	5.9 %	7.1 %	6.1 %
528,368	512,900	10.8	10.3	10.5	12.4	11.8
300,073	306,971	7.4	8.2	7.4	7.1	7.1
106,945	99,271	1.6	2.0	2.4	2.5	2.3
213,767	234,968	6.1	7.0	7.0	5.0	5.4
652,924	616,980	20.1	20.1	17.4	15.4	14.2
1,104,432	1,030,122	24.7	26.0	23.6	26.0	23.8
250,970	427,836	5.7	5.4	5.8	5.9	9.9
61,614	32,589	1.3	5.3	0.8	1.5	0.8
21,975		16.9			0.5	
32,948	26,027				0.8	0.6
<u>\$ 3,575,744</u>	<u>\$ 3,550,901</u>	<u>100.8 %</u>	<u>90.5 %</u>	<u>80.8 %</u>	<u>84.2 %</u>	<u>82.0 %</u>
<u>\$ 669,254</u>	<u>\$ 785,069</u>	<u>(0.8) %</u>	<u>9.5 %</u>	<u>19.2 %</u>	<u>15.8 %</u>	<u>18.0 %</u>
<u>\$ 26,027</u>	<u>\$ 64,007</u>					
\$ 695,281	\$ 849,076					
<u>1,209,268</u>	<u>360,192</u>					
<u>\$ 1,904,549</u>	<u>\$ 1,209,268</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 2,658,418	\$ 2,397,312	\$ 1,813,256
Penalty and Interest	48,200	40,020	24,483
Investment Revenues	37,987	16,821	5,615
Miscellaneous Revenues	<u>75</u>	<u>50</u>	<u>50</u>
TOTAL REVENUES	<u>\$ 2,744,680</u>	<u>\$ 2,454,203</u>	<u>\$ 1,843,404</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 99,534	\$ 87,759	\$ 79,874
Debt Service Principal	1,440,000	1,035,000	720,000
Debt Service Interest and Fees	1,204,061	1,109,800	710,205
Bond Issuance Costs			200,612
Payment to Refunded Bond Escrow Agent			<u>43,000</u>
TOTAL EXPENDITURES	<u>\$ 2,743,595</u>	<u>\$ 2,232,559</u>	<u>\$ 1,753,691</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,085</u>	<u>\$ 221,644</u>	<u>\$ 89,713</u>
OTHER FINANCING SOURCES (USES)			
Transfer In (Out)	\$	\$	\$ 501,207
Long-Term Debt Issued			454,076
Refunding Bonds			4,800,000
Payment to Refunded Bond Escrow Agent			(4,900,123)
Bond Premium			<u>309,948</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 1,165,108</u>
NET CHANGE IN FUND BALANCE	\$ 1,085	\$ 221,644	\$ 1,254,821
BEGINNING FUND BALANCE	<u>2,409,594</u>	<u>2,187,950</u>	<u>933,129</u>
ENDING FUND BALANCE	<u>\$ 2,410,679</u>	<u>\$ 2,409,594</u>	<u>\$ 2,187,950</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,229</u>	<u>2,084</u>	<u>1,996</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>2,167</u>	<u>2,024</u>	<u>1,940</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 1,401,822	\$ 1,318,900	96.8 %	97.7 %	98.4 %	97.9 %	98.6 %
27,695	14,583	1.8	1.6	1.3	1.9	1.1
2,904	4,484	1.4	0.7	0.3	0.2	0.3
75	25					
<u>\$ 1,432,496</u>	<u>\$ 1,337,992</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 66,533	\$ 51,544	3.6 %	3.6 %	4.3 %	4.6 %	3.9 %
925,000	830,000	52.5	42.2	39.1	64.6	62.0
618,205	679,172	43.9	45.2	38.5	43.2	50.8
	106,157			10.9		7.9
				2.3		
<u>\$ 1,609,738</u>	<u>\$ 1,666,873</u>	<u>100.0 %</u>	<u>91.0 %</u>	<u>95.1 %</u>	<u>112.4 %</u>	<u>124.6 %</u>
<u>\$ (177,242)</u>	<u>\$ (328,881)</u>	<u>0.0 %</u>	<u>9.0 %</u>	<u>4.9 %</u>	<u>(12.4) %</u>	<u>(24.6) %</u>
\$ 210,284	\$ 4,320,000					
	(4,213,138)					
<u>\$ 210,284</u>	<u>\$ 106,862</u>					
\$ 33,042	\$ (222,019)					
900,087	1,122,106					
<u>\$ 933,129</u>	<u>\$ 900,087</u>					
<u>1,882</u>	<u>1,818</u>					
<u>1,825</u>	<u>1,766</u>					

See accompanying independent auditor's report.

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

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NORTHAMPTON MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2018

Key Personnel:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2018</u>	<u>Title</u>
Jim Sheffield	09/29/03	\$ 146,482	General Manager
Consultants:			
Bacon & Wallace, L.L.P.	01/01/01	\$ 133,058	General Counsel
		\$ 77,335	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	12/16/91	\$ 27,925	Auditor
		\$ 7,900	Bond Related
L&S District Services, LLC	01/15/90	\$ 36,125	Bookkeeper
Perdue Brandon Fielder Collins & Mott, L.L.P.	10/21/96	\$ 16,237	Delinquent Tax Attorney
Jones & Carter, Inc.	12/04/79	\$ 600,839	Engineer
Robert W. Baird & Co. Incorporated	01/19/15	\$ 62,901	Financial Advisor
Cindy Schmidt	08/18/14	\$ -0-	Investment Officer
Hays Utility South Corporation	10/14/70	\$ 1,287,260	Operator
Tax Tech, Inc.	06/17/91	\$ 49,377	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

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

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

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

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

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

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

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

OFFICIAL STATEMENT DATED NOVEMBER 14, 2016

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

The Bonds have NOT been designated as "qualified tax-exempt obligations for financial institutions." See "TAXING MATTERS - Not Qualified Tax-Exempt Obligations."

NEW ISSUE - Book-Entry-Only

RATING: S&P Global Ratings (AGM Insured)....."AA" (stable outlook)
Moody's Investors Service (AGM Insured)....."A2" (stable outlook)
Moody's Investors Service (Underlying)....."A2"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein

\$10,300,000

NORTHAMPTON MUNICIPAL UTILITY DISTRICT

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

UNLIMITED TAX BONDS, SERIES 2016

Interest accrues from: December 1, 2016

Due: March 1, as shown below

The \$10,300,000 Northampton Municipal Utility District Unlimited Tax Bonds, Series 2016 (the "Bonds") are obligations of Northampton Municipal Utility District (the "District") and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, Texas, or the City of Houston, Texas, is pledged to the payment of the principal of or interest on the Bonds.

Interest on the Bonds accrues from December 1, 2016, and is payable on March 1, 2017, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$5,945,000 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 663662 (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 663662 (b)
2018	\$290,000	2.000%	1.500%	PS7	2026(c)	\$375,000	3.000%	2.750%	QA5
2019	295,000	2.000%	1.650%	PT5	2027(c)	385,000	3.000%	2.850%	QB3
2020	305,000	2.000%	1.750%	PU2	2028(c)	400,000	3.000%	3.000%	QC1
2021	315,000	2.500%	1.850%	PV0	2029(c)	410,000	3.000%	3.150%	QD9
2022	330,000	2.500%	2.000%	PW8	2030(c)	425,000	3.100%	3.250%	QE7
2023	340,000	2.500%	2.200%	PX6	2031(c)	440,000	3.250%	3.350%	QF4
2024	350,000	3.000%	2.400%	PY4	2032(c)	455,000	3.300%	3.450%	QG2
2025	360,000	3.000%	2.600%	PZ1	2033(c)	470,000	3.400%	3.550%	QH0

\$4,355,000 Term Bonds

\$985,000 Term Bonds due March 1, 2035 (c)(d) Interest Rate 3.500% (Price: \$97.362) (a) CUSIP No. 663662 QK3 (b)

\$1,050,000 Term Bonds due March 1, 2037 (c)(d) Interest Rate 3.650% (Price: \$97.892) (a) CUSIP No. 663662 QM9 (b)

\$2,320,000 Term Bonds due March 1, 2041 (c)(d) Interest Rate 4.000% (Price: \$100.000) (a) CUSIP No. 663662 QR8 (b)

- (a) The yields of the Bonds were established by and are the sole responsibility of the Underwriter (as defined herein), and may subsequently be changed. The yields indicated above represent the lower of the yields resulting when priced to maturity or the first call date.
- (b) 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) Bonds maturing on March 1, 2026, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on March 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.
- (d) Subject to mandatory redemption by lot or other customary method of random selection on March 1 in the years and in the amounts set forth herein under the caption "THE BONDS - Redemption of the Bonds - Mandatory Redemption."

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. Following the issuance of the Bonds, \$24,040,000 in principal amount of unlimited tax bonds authorized by the District's voters will remain unissued, all of which may also be used for refunding purposes. See "THE BONDS - Issuance of Additional Debt." The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment."

The Bonds are offered subject to prior sale, when, as, and if issued by the District, 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, 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, Disclosure Counsel. Delivery of the Bonds is expected on or about December 13, 2016.

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information, or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter.

All of the summaries of the statutes, resolutions, orders, 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 Bond Counsel, for further information.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not 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.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood 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. 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 such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Underwriter and thereafter only as specified in "OFFICIAL STATEMENT – Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and "Appendix B – Specimen Municipal Bond Insurance Policy."

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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 lowest bid, which was tendered by Bernardi Securities, Inc. (referred to herein as the "Initial Purchaser" or "Underwriter"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates on the cover page of this Official Statement, at a price of 97.3713% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.711953%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

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.

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.

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, Assured Guaranty Municipal Corp. ("AGM") 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 an appendix 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.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 27, 2016, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 8, 2016, Moody's published a credit opinion maintaining its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

On December 10, 2015, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Capitalization of AGM

At September 30, 2016, AGM's policyholders' surplus and contingency reserve were approximately \$3,891 million and its net unearned premium reserve was approximately \$1,378 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (filed by AGL with the SEC on February 26, 2016);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016 (filed by AGL with the SEC on May 5, 2016).
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 (filed by AGL with the SEC on August 4, 2016); and

- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2016 (filed by AGL with the SEC on November 4, 2016).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE."

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("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 Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P solely in reliance upon the issuance of the municipal bond insurance policy issued by Assured Guaranty Municipal Corp. ("AGM") at the time of delivery of the Bonds.

Moody's Investors Service ("Moody's") has assigned an underlying 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 the 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 their judgment, circumstances so warrant. Any such revisions or withdrawal of such rating may have an adverse effect on the market place of the Bonds. The Bonds are expected to receive an insured rating of "A2" (stable outlook) from Moody's solely in reliance upon the issuance of the municipal bond insurance policy issued by Assured Guaranty Municipal Corp. ("AGM") at the time of delivery of the Bonds.

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Northampton Municipal Utility District (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT – General" and "Description."
The Issue	\$10,300,000 Unlimited Tax Bonds, Series 2016 (the "Bonds"), are dated December 1, 2016, and mature on March 1 in each of the years and in the amounts shown on the cover hereof. Interest on the Bonds accrues from December 1, 2016 and is payable on March 1, 2017, and on each September 1 and March 1 thereafter until maturity or earlier redemption, at the interest rates shown on the cover page. See "THE BONDS." The Bonds maturing on March 1, 2018 through March 1, 2033, inclusive, are issued as serial bonds. The Bonds maturing on March 1 in each of the years 2035, 2037 and 2041 are issued as term bonds (the "Term Bonds"), which have certain mandatory redemption amounts as set forth under "THE BONDS – Redemption of the Bonds – <i>Mandatory Redemption</i> ."
Optional Redemption	Bonds maturing on or after March 1, 2026, are subject to redemption, in whole or from time to time in part, on March 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If fewer than all of the Bonds are optionally redeemed at any time, the particular maturities and amounts of Bonds to be optionally redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity and if fewer than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC (defined herein) in accordance with its customary procedures while the Bonds are in book-entry-only form). Upon redemption, the Bonds will be payable at a price equal to the principal amount thereof called for redemption, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds - <i>Optional Redemption</i> ."
Denominations	The Bonds are offered in fully registered form in integral multiples of \$5,000 in principal amount. See "THE BONDS – Description."
Source of Payment	The Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any entity other than the District. See "THE BONDS – Source of Payment."
Use of Proceeds	A portion of the proceeds of the Bonds will be used to pay for (1) Water Plant No. 3; (2) a portion of Wastewater Treatment Plant No. 2, Phase I and (3) a portion of detention and mitigation ponds to serve Wastewater Treatment Plant No. 2. Additionally, proceeds from the Bonds will be used to pay developer interest, twelve months of capitalized interest and certain costs of issuance of the Bonds.
Outstanding Bonds	The District has previously issued Waterworks and Sewer System Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"); the Unlimited Tax Park Bonds, Series 2006 (the "Series 2006 Park Bonds"); the Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"); the Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010

Refunding Bonds"); the Unlimited Tax Bonds, Series 2012 (the "Series 2012 Bonds"); the Unlimited Tax Refunding Bonds, Series 2014 (the "Series 2014 Refunding Bonds"); the Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"); and the Unlimited Tax Refunding Bonds, Series 2016 (the "Series 2016 Refunding Bonds"). As of November 1, 2016, \$19,460,000 principal amount of the bonds issued by the District remain outstanding (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds." The District has also issued its Northampton Municipal Utility District Defined Area Unlimited Tax Bonds, Series 2016 and Defined Area Unlimited Tax Road Bonds, Series 2016 (the "Defined Area Bonds") to provide facilities for the Defined Area (as defined herein) and which Defined Area Bonds are payable from separately levied taxes that are not pledged to the payment of the Outstanding Bonds or the Bonds.

Payment Record.....	The District has never defaulted in the timely payment of principal of and interest on its previously issued bonds.
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 a water, wastewater and storm drainage system. The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), the order of the District authorizing the issuance of the bonds (the "Bond Order"), the Texas Constitution, Chapters 49 and 54, Texas Water Code, and the general laws of the State of Texas. See "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Authority for Issuance," and "-Issuance of Additional Debt."
Authorized But Unissued Bonds.....	After the issuance of the Bonds, \$24,040,000 principal amount of unlimited tax bonds will remain authorized but unissued for 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."
Municipal Bond Insurance	Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE."
Ratings	S&P Global Ratings (AGM) – "AA" (stable outlook). Moody's Investors Service (AGM) – "A2" (stable outlook). Moody's Investors Service (Underlying) – "A2." See "MUNICIPAL BOND INSURANCE" and "RATINGS."
Legal and Tax Opinion	Bacon & Wallace, L.L.P., Houston, Texas, Bond Counsel. See "LEGAL MATTERS."
Not Qualified Tax-Exempt Obligations.....	The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended (the "Code"). See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."

THE DISTRICT

Description.....	Northampton Municipal Utility District, a political subdivision of the State of Texas located within Harris County, contains approximately 1,585.9743 acres located approximately 30 miles north of Houston's central business district. The District is bounded on the south by Root Road, on the east by Spring Creek, and is approximately one mile east of Kuykendahl Road and less than one mile north of the Grand Parkway. The District lies entirely within the extraterritorial jurisdiction of the
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City of Houston (the "City") and is located within Klein Independent School District. See "THE DISTRICT – Description."

Authority..... The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT – General."

Status of Development of the District..... Approximately 823.83 acres within the District, including the Defined Area, have been developed as the residential subdivisions of Northampton, Sections 1, 2, 3, 4, 5 and 8 (aggregating 1,073 lots), Inway Forest of Northampton (12 lots), Northampton Estates, Phases I-III (aggregating 250 lots), Northampton Forest, Sections I, II and III (aggregating 205 lots); The Terrace of Northampton Estates (13 lots); The Oaks of Northampton (27 lots); Woods of Northampton, Sections 1 and 2 (39 lots); Courts at Auburn Lakes (53 lots); Hampton Creek, Sections 1, 2, 4, 5 and 6 (261 lots); and Stratton Woods (40 lots). In addition, there are 64.18 acres within the District that are being developed as the residential subdivisions of Hampton Creek, Section 3 (21 lots); Dovershire Place, Sections 1 and 2 (97 lots) and Inway Oaks Estates (51 lots). As of August 1, 2016, there were 1,856 completed homes, 1,844 of which are occupied, 35 homes under construction, 310 vacant, developed lots and 181 lots under development (including homes in the Defined Area).

The District includes approximately 23.53 acres of commercial development including two office buildings, a Conoco gas station, Dave's express gas station, a Shell gas station, one retail strip center, one automotive repair center, one private tennis club, and the Spring Volunteer Fire Department Station No. 2; a 346-unit apartment complex known as the Alexan Auburn Lakes on 14.37 acres; a 308-unit apartment complex known as Waterford Springs on approximately 40.9 acres; recreational facilities which include three clubhouses, two swimming pools and tennis courts; 5 acres developed as a church and approximately 42.45 acres of developed park land. The remaining acreage within the District consists of a country club and 18-hole golf course on approximately 67.82 acres, (a portion of which lies within the 100-year flood plain), a school site on approximately 27.08 acres, approximately 126.47 undeveloped but developable acres and approximately 342.65 undevelopable acres, including approximately 132.296 such acres in the Defined Area. See "STATUS OF DEVELOPMENT."

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 within the District (the "Defined Area").

At an election within the Defined Area on November 6, 2012, the voters authorized \$17,000,000 principal amount of bonds to finance road improvements solely within the Defined Area and \$41,000,000 principal amount of bonds to finance water, wastewater and drainage improvements solely within the Defined Area (the "Defined Area System").

The Defined Area is currently being developed by D.R. Horton-Texas, Ltd. ("DR Horton") and SC Waterford Springs LLC ("Waterford"). DR Horton has developed Hampton Creek, Sections 1, 2, 4, 5 and 6 and is developing Hampton Creek, Section 3 on approximately 146.45 acres (261 lots). As of August 1, 2016, Hampton Creek contained 138 complete and occupied homes, 12 complete and unoccupied homes, 17 homes under construction, and 94 vacant, developed lots. SC Waterford Springs, LLC owns approximately 22.35 acres on which it has constructed a 308 unit apartment complex.

Developers Within the District In addition to the D.R. Horton and SC Waterford Springs, the following developers own properties in the District that are not in the Defined Area:

Buffington Capital Holdings, LLC ("Buffington Capital") has developed 42 lots for Section I of a single family residential development known as Dovershire Place. Dovershire Place, Section 2, which will consist of 55 lots, is currently being designed.

Partners In Building, L.P., ("PIB") a Texas limited partnership, has developed approximately 40 single family residential lots on 20.335 acres, known as Stratton Woods. PIB is marketing the homes ranging from \$550,000 to \$1,000,000 in price and 3,000 to 7,000 in square footage.

MRE, LLC ("MRE") has developed a 51 single family residential development known as Inway Oaks Estates, which was annexed into the District. Infinity Classic Homes ("Infinity") has purchased half of those lots and plans to purchase the remaining lots for home construction. As of August 1, 2016, there were 4 completed homes, 1 model home, 1 home under construction, and 45 vacant, developed lots. Infinity is marketing the homes ranging from \$200,000 to \$400,000 in price and 1,691 to 4,903 in square footage. 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.

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.

Hampton on the Lakes, LLC, an entity controlled by Bryan Frenchak, owns approximately 49 acres in the District (including 33 acres in the Defined Area). Currently, the District is not aware of any plans to develop such acreage.

Developers within the Defined Area D.R. Horton is developing land and building homes within the District in the Defined Area. The single-family homes being marketed range in size from 1,500 square feet to 4,000 square feet and in price from approximately \$200,000 to \$400,000. Additionally, SC Waterford Springs will be developing Phase II of a 308-unit apartment complex in the Defined Area.

INVESTMENT CONSIDERATIONS

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

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

2016 Assessed Valuation	\$574,950,813 (b)
(100% of market value as of January 1, 2016)	
See "TAX DATA" and "TAXING PROCEDURES."	
Estimated Taxable Valuation as of April 1, 2016	\$589,098,902 (c)
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
Outstanding Bonds (as of November 1, 2016)	\$19,460,000
The Bonds	<u>\$10,300,000</u>
Total	\$29,760,000
Estimated Overlapping Debt	<u>\$33,322,755 (d)</u>
Total Direct and Estimated Overlapping	<u>\$63,082,755</u>
Direct Debt Ratio:	
: as a percentage of 2016 Assessed Valuation	5.18%
: as a percentage of the Estimated Taxable Valuation at April 1, 2016	5.05%
Direct and Estimated Overlapping Debt Ratio:	
: as a percentage of 2016 Assessed Valuation	10.97%
: as a percentage of the Estimated Taxable Valuation at April 1, 2016	10.71%
Debt Service Fund Balance as of November 14, 2016 (unaudited)	\$ 1,178,669 (e)
General Fund Balance as of November 14, 2016 (unaudited)	\$ 2,628,294
Park Capital Projects Fund Balance as of November 14, 2016 (unaudited)	\$ 338,708
Capital Projects Fund Balance as of November 14, 2016 (unaudited)	\$ 343,925
2016 District Tax Rate Per \$100 of Assessed Valuation	
Debt Service	\$0.33
Maintenance & Operation	<u>0.25</u>
Total	\$ 0.58 (f)
Average Annual Debt Service Requirements	
of the Bonds and the Remaining Outstanding Bonds (2017-2041)	\$ 1,687,257
Maximum Annual Debt Service Requirement	
of the Bonds and the Remaining Outstanding Bonds (2018)	\$ 2,126,507
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual	
Debt Service Requirements of the Bonds and the Outstanding Bonds	
(2017-2041) at 95% Tax Collections	
Based Upon 2016 Assessed Valuation	\$0.31
Based Upon April 1, 2016 Estimated Taxable Valuation	\$0.31
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual	
Debt Service Requirements of the Bonds and the Outstanding Bonds	
(2018) at 95% Tax Collections	
Based Upon 2016 Assessed Valuation	\$0.39
Based Upon April 1, 2016 Estimated Taxable Valuation	\$0.38

- (a) The Selected Financial Information does not include any information about the Defined Area, or its taxable value, tax rates or bonds issued or expected to be issued. For a discussion of these matters, see "DEFINED AREA" herein.
- (b) As certified by the Harris County Appraisal District (the "Appraisal District"). All property located in the District is valued on the tax rolls by the Appraisal District at 100% of estimated market value as of January 1 of each year. Includes \$29,912,640 in uncertified value.
- (c) Provided by the HCAD for information purposes only. Represents new construction within the District from January 1, 2016 to April 1, 2016. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (d) See "DISTRICT DEBT - Estimated Overlapping Debt Statement." In addition to the Estimated Overlapping Debt shown, the District also has \$9,190,000 in bonds outstanding payable solely from taxes on property within the Defined Area.
- (e) Balance gives effect to payment of debt service due on all Outstanding Bonds in 2016. Neither Texas law nor the Bond Order requires that any particular amount be maintained in the Debt Service Fund at any time.
- (f) The Texas Commission on Environmental Quality (the "TCEQ") has recommended the District levy a debt service tax rate of at least \$0.35 per \$100 of assessed valuation in the first tax year following the issuance of the Bonds. This recommendation was based upon the Bonds being sold at a maximum effective interest rate of 4.7%. In addition to the District tax rate shown, the District has levied a separate tax of \$0.64 per \$100 of assessed valuation in the Defined Area. See "TAX DATA - Estimated Overlapping Taxes."

\$10,300,000
NORTHAMPTON MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX BONDS
SERIES 2016

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Northampton Municipal Utility District (the "District") of its Unlimited Tax Bonds, Series 2016 (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, L.L.P., 6363 Woodway, Suite 800, Houston, Texas 77057, upon payment of duplication costs. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

THE BONDS

General

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

The Bonds, dated December 1, 2016, will mature on March 1 of the years and in the principal amounts indicated on the cover page hereof and will accrue interest, on the basis of a 360 day year comprised of twelve thirty-day months, at the stated interest rates indicated on the cover page hereof. Principal of the Bonds will be payable at Regions Bank, in Houston, Texas, an Alabama banking corporation (the "Registrar" or "Paying Agent" or "Paying Agent/Registrar"), upon surrender of the Bonds for payment. Interest on the Bonds accrues from December 1, 2016 (or the most recent interest payment date to which interest has been paid or duly provided for) and is payable on March 1, 2017, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until maturity or prior redemption. Unless otherwise agreed between the Registrar and the registered owner(s) of the Bonds (the "Registered Owners"), interest on the Bonds is payable by check, dated as of the Interest Payment Date, and mailed by the Registrar on or before the Interest Payment Date to the Registered Owners shown on the records of the Registrar as of the close of business on the fifteenth (15th) day of the calendar month next preceding each interest payment date (the "Record Date"). The Bonds are issued only in fully registered form. The Bonds will be issued in denominations of \$5,000 principal amount, or integral multiples thereof.

Book-Entry-Only System

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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 Standard & Poor's 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.

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, Houston, Texas, an Alabama banking corporation. 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 by check mailed on each Interest Payment Date by the Paying Agent to the Bondholder at the last known address as it appears on the Registrar's books on the Record Date.

Assignments, Transfers, and Exchanges

In the event the District discontinues use of the system of book-entry-only transfers through DTC, 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 Waterworks and Sewer System Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"); the Unlimited Tax Park Bonds, Series 2006 (the "Series 2006 Park Bonds"); the Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"); the Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010 Refunding Bonds"); the Unlimited Tax Bonds, Series 2012 (the "Series 2012 Bonds"); the Unlimited Tax Refunding Bonds, Series 2014 (the "Series 2014 Refunding Bonds"); the Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"); and the Unlimited Tax Refunding Bonds, Series 2016 (the "Series 2016 Refunding Bonds"). As of November 1, 2016, \$19,460,000 principal amount of the bonds issued by the District remain outstanding (the "Outstanding Bonds"). The District has also issued its Northampton Municipal Utility District Defined Area Unlimited Tax Bonds, Series 2016 and Defined Area Unlimited Tax Road Bonds, Series 2016 (the "Defined Area Bonds") to provide facilities for the Defined Area (as defined herein) and which Defined Area Bonds are payable from separately levied taxes that are not pledged to the payment of the Outstanding Bonds or the Bonds.

Authority for Issuance

The Bonds are issued out of the \$43,500,000 principal amount of unlimited tax bonds authorized at elections held within the District for the purpose of acquiring and constructing a waterworks, wastewater and storm drainage system on February 2, 2002, and November 6, 2012. Following the issuance of the Bonds, \$24,040,000 of the principal amount of unlimited tax bonds for purpose of acquiring and constructing a waterworks, wastewater and storm drainage system will remain authorized but unissued pursuant to such elections. On November 6, 2012 the Board of Directors held an election within the Defined Area to authorize \$41,000,000 principal amount of Defined Area Bonds to finance the water, wastewater and drainage improvements within the Defined Area, and \$17,000,000 principal amount of Defined Area Bonds to finance road improvements within the Defined Area. All of such bonds may also be issued for refunding purposes. See "Issuance of Additional Debt" below.

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

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District, and the principal thereof and the interest thereon, together with the principal and interest on the Outstanding Bonds and such additional tax bonds of the District as may hereafter be issued by the District, if any, are payable from and secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District, including property within the Defined Area. However, taxes separately levied for the repayment of Defined Area Bonds are not pledged to the repayment of District Bonds.

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

Redemption of the Bonds

-Optional Redemption-

The District reserves the right, at its option, to redeem the Bonds prior to their scheduled maturities, in whole or in part, on March 1, 2025, 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 due on March 1 in each of the years 2035, 2037, and 2041 (the "Term Bonds") also are 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.

\$985,000 Term Bonds due March 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2034	\$485,000
March 1, 2035 (Maturity)	500,000

\$1,050,000 Term Bonds due March 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2036	\$515,000
March 1, 2037 (Maturity)	535,000

\$2,320,000 Term Bonds due March 1, 2041

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2038	\$550,000
March 1, 2039	570,000
March 1, 2040	590,000
March 1, 2041 (Maturity)	610,000

On or before 30 days prior to each Mandatory Redemption Date as set forth above, the Registrar shall (i) determine the principal amount of Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary method of random selection, the Term Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (ii) give notice of such redemption as provided in the Bond Order. The principal amount of any Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced, at the option of the District, by the principal amount of Term Bonds of such maturity, which by the 45th day prior to such Mandatory Redemption Date, have either been purchased in the open market and delivered or tendered for cancellation by the District or on behalf of the District to the Registrar or optionally redeemed and which, in either case, have not previously been made the basis for a reduction under this sentence.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/ Registrar at least thirty (30) days prior to the date fixed for redemption by sending written 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 register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding with any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

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 the right in the Bond Order to issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created and for refunding purposes. The Bonds are issued out of the \$43,500,000 unlimited tax bonds authorized by the District voters for providing improvements and facilities and refunding bonds issued for such purposes. Following the issuance of the Bonds, the District will have the right to issue an additional \$24,040,000 in unlimited tax bonds for facilities as authorized by District voters, all of which may be used for refunding purposes. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District.

Since the District has not financed all components of its System, the District anticipates issuing more bonds for such purpose as future development in the District necessitates. In the opinion of the District's Engineer, the remaining authorized but unissued bonds will be sufficient to complete development of the District. Developing environmental regulations and conversion to surface water could also result in the need to finance additional improvements. Before issuing any additional bonds for facilities, the District would have to obtain approval of the TCEQ for the issuance of such bonds and the projects to be financed thereby.

After the issuance of the Bonds, the District will owe approximately \$2,100,000 in developer reimbursement for water, sewer and drainage projects outside of the Defined Area. Additionally, the District owes approximately \$9,150,000 in developer reimbursement for Defined Area water, sewer and drainage projects and approximately \$1,400,000 for Defined Area road projects, which will be reimbursed by future Defined Area Bonds. See "DEFINED AREA" for a discussion of Defined Area Bonds.

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. 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

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

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

Strategic Partnership Agreements

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

Use and Distribution of Bond Proceeds

A portion of the proceeds of the Bonds will be used to pay for (1) Water Plant No. 3; (2) a portion of Wastewater Treatment Plant No. 2, Phase I and (3) a portion of detention and mitigation ponds to serve Wastewater Treatment Plant No. 2. Additionally, proceeds from the Bonds will be used to pay developer interest, twelve months of capitalized interest and certain costs of issuance of the Bonds.

	<u>Amount</u>
<u>CONSTRUCTION COSTS</u>	
A. Developer Contribution Items	
None	\$ -0-
B. District Items	
1. Detention & Mitigation Ponds to serve Wastewater Treatment Plant No. 2	\$ 115,090
2. Wastewater Treatment Plant No. 2 – Phase I (partial)	2,869,854
3. Water Plant No. 3	4,620,000
4. Contingencies (7.67% of item nos. 3)	354,384
5. Engineering (20.47% of item nos. 1-3)	<u>536,261</u>
Total District Items	\$ 8,495,589
TOTAL CONSTRUCTION COSTS	\$ 8,495,589
<u>NON-CONSTRUCTION COSTS</u>	
A. Legal Fees (2.5%)	\$ 257,500
B. Fiscal Agent Fees (2%)	206,000
C. Interest	
1. Capitalized Interest (12 mos.)	334,895
2. Developer Interest	432,249
D. Bond Discount (2.629%)	270,755
E. Bond Issuance Expenses	35,912
F. Bond Application Report Costs	65,000
G. Attorney General Fee (0.10% or \$9,500 max.)	9,500
H. TCEQ Bond Issuance Fee (0.25%)	25,750
I. Contingency	<u>166,850</u>
TOTAL NON CONSTRUCTION COSTS	\$1,804,411
TOTAL BOND ISSUE REQUIREMENT	\$10,300,000

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.

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 773 acres. Due to subsequent annexations, the District presently contains approximately 1,585.9743 acres, including approximately 439 acres within the Defined Area. See “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 of Houston 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 downtown Houston and 5 miles west of Spring, Texas. The District lies entirely within the extraterritorial jurisdiction of the City of Houston and is located within the Klein Independent School District. The District is located approximately 4 miles west of Interstate Highway 45 and is bounded on the east by Spring Creek, on the south by Root Road, and is approximately 1 mile east of Kuykendahl Road and less than one mile north of the Grand Parkway.

Topography and Flood Hazards

Elevations within the District vary from approximately 89 feet msl to 151 feet msl. A majority of the land drains north from Root Road to Willow Creek, which ultimately drains to Spring Creek. Approximately 260 acres of the District lie within the 100-year floodplain of Willow Creek, a portion of which has been developed as Willow Creek Golf Club. 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.

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	Position	Term Expires May
E.C. Thomas	President	2018
Bill Black	First Vice President	2020
W. Paul Schneider	Second Vice President	2018
Scott Kirkpatrick	Secretary	2020
Roger A. Flood, III	Treasurer/Investment Officer	2020

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

The District has also contracted for utility system operating, bookkeeping, tax assessing services and annual auditing of its books as follows:

Tax Assessor/Collector - The District's Tax Assessor/Collector is Ms. Esther Flores of 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. Such firm acts as operator for approximately 80 utility systems.

Auditor - The District employed McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, to audit its financial records for the fiscal year ended December 31, 2015, 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 employs Bacon & Wallace, L.L.P., Houston, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Bacon & Wallace, L.L.P. also acts as general counsel for the District.

Disclosure Counsel - The District has engaged McCall, Parkhurst & Horton L.L.P. as Disclosure Counsel. The legal fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the 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 employed 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 "SOURCES OF INFORMATION - Experts."

STATUS OF DEVELOPMENT OF THE DISTRICT

Approximately 823.83 acres within the District, including the Defined Area, have been developed as the residential subdivisions of Northampton, Sections 1, 2, 3, 4, 5 and 8 (aggregating 1,073 lots), Inway Forest of Northampton (12 lots), Northampton Estates, Phases I-III (aggregating 250 lots), Northampton Forest, Sections I, II and III (aggregating 205 lots); The Terrace of Northampton Estates (13 lots); The Oaks of Northampton (27 lots); Woods of Northampton, Sections 1 and 2 (39 lots); Courts at Auburn Lakes (53 lots); Hampton Creek, Sections 1, 2, 4, 5 and 6 (261 lots); and Stratton Woods (40 lots). In addition, there are 64.18 acres within the District that are being developed as the residential subdivisions of Hampton Creek, Section 3 (21 lots); Dovershire Place, Sections 1 and 2 (97 lots) and Inway Oaks Estates (51 lots). As of August 1, 2016, there were 1,856 completed homes, 1,844 of which are occupied, 35 homes under construction, 310 vacant, developed lots and 181 lots under development (including homes in the Defined Area).

The District includes approximately 23.53 acres of commercial development including two office buildings, a Conoco gas station, Dave's express gas station, a Shell gas station, one retail strip center, one automotive repair center, one private tennis club, and the Spring Volunteer Fire Department Station No. 2; a 346-unit apartment complex known as the Alexan Auburn Lakes on 14.37 acres; a 308-unit apartment complex known as Waterford Springs on approximately 40.9 acres; recreational facilities which include three clubhouses, two swimming pools and tennis courts; 5 acres developed as a church and approximately 42.45 acres of developed park land. The remaining acreage within the District consists of a country club and 18-hole golf course on approximately 67.82 acres, (a portion of which lies within the 100-year flood plain), a school site on approximately 27.08 acres, approximately 126.47 undeveloped but developable acres, and approximately 342.65 undevelopable acres, including approximately 132.296 such acres in the Defined Area.

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.

All property within the Defined Area is also within the District and is therefore subject to a Defined Area tax rate and a District tax rate. Since the first levy of a Defined Area tax rate in 2013, taxpayers within the Defined Area have paid a combined rate of \$1.25, composed of a Defined Area tax rate of \$0.64 and a District tax rate of \$0.61 per \$100 of Assessed Valuation.

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. The voters also approved the levy of a maintenance tax not to exceed \$0.64 per \$100 of Assessed Valuation.

The District has issued \$6,490,000 Defined Area Unlimited Tax Bonds, Series 2016 and \$2,700,000 Defined Area Unlimited Tax Road Bonds, Series 2016. Following the issuance of these bonds, the District will be authorized to issue the remaining authorized \$34,510,000 in Defined Area bonds and \$14,300,000 in Defined Area road bonds. The District still owes approximately \$9,150,000 in developer reimbursement for Defined Area water, sewer and drainage projects and approximately \$1,400,000 for Defined Area road projects, which will be reimbursed by future Defined Area Bonds.

Commencing in 2013, the District has levied an annual 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 all property within the District. All such taxes have been allocated and transferred to the Defined Area Debt Service Fund and the Defined Area Road Debt Service Fund, respectively. Any bonds issued for the Defined Area are payable solely from a tax levied within the boundaries of the Defined Area and not on any other part of the District.

The District's water supply and wastewater facilities, including distribution and collection systems, are fully integrated with the Defined Area and all customers are "in-district" customers. All operating revenues from customers within the Defined Area are deposited into the District's operating fund and used for general operating fund purposes.

For the 2016 tax year, the District levied a Defined Area debt service tax of \$0.42 per \$100 of Assessed Valuation, a Defined Area road debt service tax of \$0.175 per \$100 of Assessed Valuation, and a Defined Area Maintenance Tax of \$0.045 per \$100 of Assessed Valuation. The 2016 Assessed Valuation in the Defined Area is \$78,801,516.

The Defined Area is currently being developed by D.R. Horton-Texas, Ltd. ("DR Horton") and SC Waterford Springs LLC ("Waterford"). D.R. Horton-Texas, Ltd., 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. DR Horton has developed Hampton Creek, Sections 1, 2, 4, 5 and 6 and is developing Hampton Creek, Section 3 on approximately 146.45 acres (261 lots). As of August 1, 2016, Hampton Creek contained 138 complete and occupied homes, 12 complete and unoccupied homes, 17 homes under construction, and 94 vacant, developed lots. Waterford purchased approximately 41 acres which is now owned by two different entities. SC Waterford Springs, LLC owns approximately 22.35 acres on which it has constructed a 308 unit apartment complex. SC Waterford Springs II, LLC owns approximately 18.59 acres on which a second apartment complex of approximately 300 units is being planned. According to Waterford, a start date for construction of the 300 unit apartment complex has not been determined. DR Horton and Waterford are referred to herein as the "Defined Area Developers." Gosling Village, LLC, an entity controlled by Bryan Frenchak, owns 33 acres within the Defined Area but has not reported any development plans to the District. DR Horton owns the remaining 219.296 acres in the Defined Area, of which approximately 87 are undeveloped but developable.

DEVELOPERS WITHIN THE DISTRICT

The following developers own properties in the District that are not in the Defined Area:

Buffington Capital Holdings, LLC ("Buffington Capital") has developed 42 lots for Section I of a single family residential development known as Dovershire Place. Dovershire Place, Section 2, which will consist of 55 lots, is currently being designed.

Partners In Building, L.P., ("PIB") a Texas limited partnership, has developed approximately 40 single family residential lots on 20.335 acres, known as Stratton Woods. PIB is marketing the homes ranging from \$550,000 to \$1,000,000 in price and 3,000 to 7,000 in square footage.

MRE, LLC ("MRE") has developed a 51 single family residential development known as Inway Oaks Estates, which was annexed into the District. Infinity Classic Homes ("Infinity") has purchased half of those lots and plans to purchase the remaining lots for home construction. As of August 1, 2016, there were 4 completed homes, 1 model home, 1 home under construction, and 45 vacant, developed lots. Infinity is marketing the homes ranging from \$200,000 to \$400,000 in price and 1,691 to 4,903 in square footage. 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.

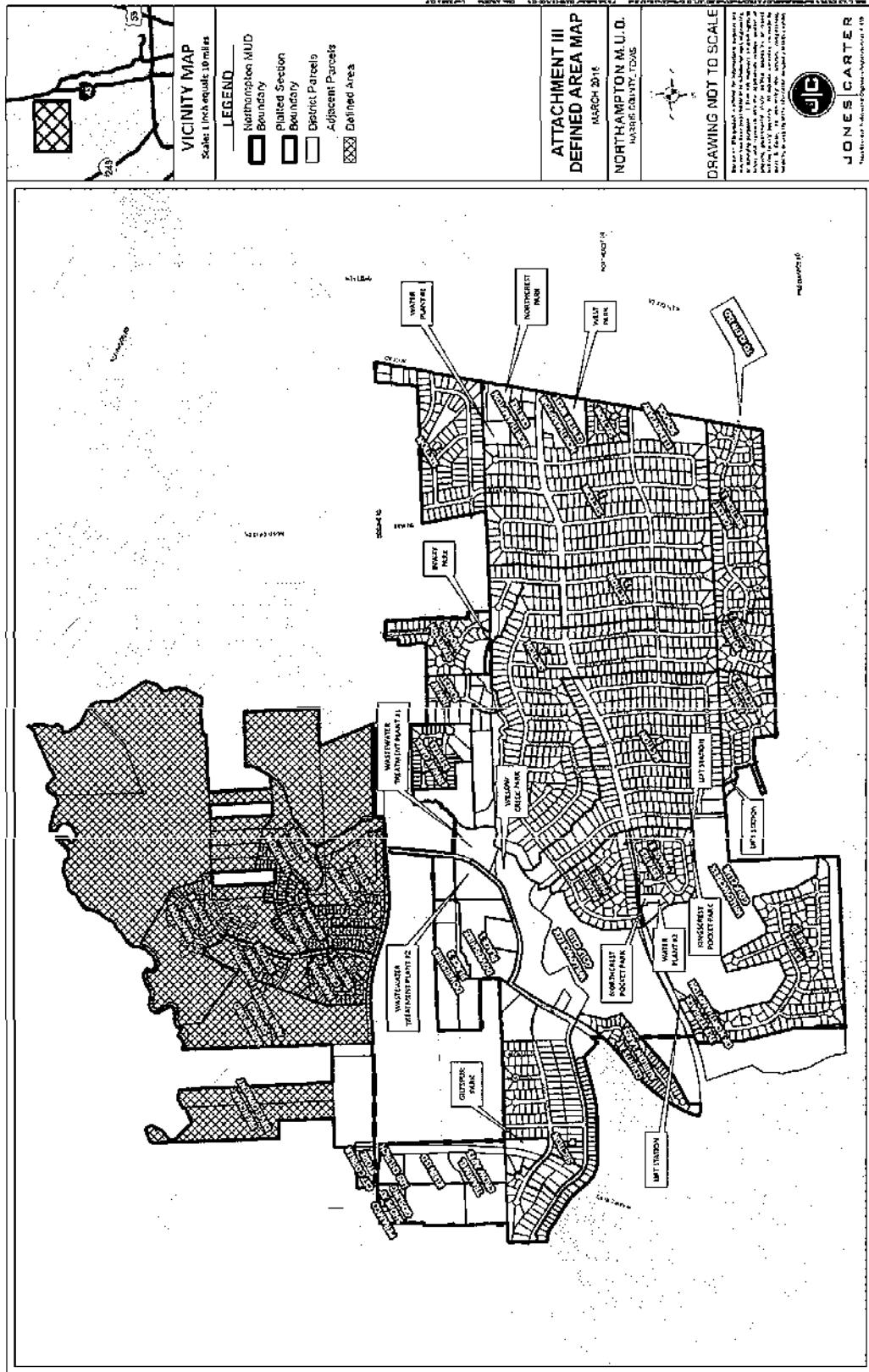
Maple Multi-Family Operations, L.L.C. ("Maple") has completed development of Alexan Auburn Lakes, a 346-Unit apartment complex located on 14.37 acres. Maple is owned and controlled by Trammel Crow Residential. Trammel Crow Residential is a Dallas-based multifamily real estate company.

Hampton on the Lakes, LLC, an entity controlled by Bryan Frenchak, owns approximately 49 acres in the District (including 33 acres in the Defined Area). Currently, the District is not aware of any plans to develop such acreage.

DEVELOPERS WITHIN THE DEFINED AREA

D.R. Horton is a developer of land, and the sole builder building homes within the Defined Area. The single-family homes being marketed in the Defined Area range in size from 1,500 square feet to 4,000 square feet and in price from approximately \$200,000 to \$400,000. Additionally, SC Waterford Springs, LLC has completed Phase I of the Water Springs Apartments.

LOCATION MAP OF THE DISTRICT



TAX DATA

Debt Service Tax

All taxable property within the District (including property within the Defined Area) is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. 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. The District levied a debt service tax for the 2016 tax year of \$0.33 per \$100 of assessed valuation. See "Tax Rate Distribution" below.

District Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. The District voters have authorized the levy of such a maintenance tax in an amount not to exceed \$0.25 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds and any tax supported bonds which may be issued in the future. The District maintenance tax is levied against all property within the District (including property within the Defined Area). The District levied a maintenance tax for the 2016 tax year of \$0.25 per \$100 of assessed valuation. See "Tax Rate Distribution" below.

Tax Collection History

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

Tax Year	Assessed Valuation	District Tax Rate/ \$100(a)	Adjusted Levy	Current Year	Period Ending 9/30	% of Collection as of 10/31/16
2011	\$337,686,401	\$0.61	\$2,059,887	100.00%	2012	99.83%
2012	327,971,597	0.61	2,000,627	100.00	2013	99.82
2013	346,545,952	0.61	2,113,930	99.19	2014	99.79
2014	388,417,797	0.61	2,369,344	99.17	2015	99.64
2015	504,080,905	0.61	3,075,135	99.43	2016	99.43

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

Tax Rate Distribution

	<u>2016 (a)</u>	<u>2015 (a)</u>	<u>2014 (a)</u>	<u>2013 (a)</u>	<u>2012</u>
Debt Service	\$0.33	\$0.36	\$0.36	\$0.36	\$0.36
Maintenance	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>
Total District Tax Rate	<u>\$0.58</u>	<u>\$0.61</u>	<u>\$0.61</u>	<u>\$0.61</u>	<u>\$0.61</u>

(a) This section contains information about the District's taxes applicable to all land within the District and does not contain any information about the Defined Area or its taxable value, tax rate or bonds issued or expected to be issued. For a discussion of these matters, see "DEFINED AREA" herein.

Analysis of Tax Base

The following table illustrates the District's total assessed value in the tax years 2012-2016 by type of property.

Type of Property	2016 Assessed Valuation (a)	2015 Assessed Valuation	2014 Assessed Valuation	2013 Assessed Valuation	2012 Assessed Valuation
Land	\$115,342,378	\$127,679,579	\$ 81,808,573	\$ 66,770,815	\$ 58,876,697
Improvements	487,567,339	433,631,692	361,587,829	333,789,735	321,428,213
Personal Property	6,214,445	8,356,422	6,619,477	6,500,152	6,182,205
Less: Exemptions	<u>(64,085,989)</u>	<u>(65,587,058)</u>	<u>(61,598,082)</u>	<u>(60,514,750)</u>	<u>(58,515,518)</u>
Total	<u>\$545,038,173</u>	<u>\$504,080,635</u>	<u>\$388,417,797</u>	<u>\$346,545,952</u>	<u>\$327,971,597</u>

(a) Excludes \$29,912,640 in uncertified value.

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their taxable assessed values as of January 1, 2016:

Taxpayer	Type of Property	Assessed Valuation 2016 Tax Roll	% of 2016 Tax Roll
SC Waterford Springs LLC	Land and Improvements	\$ 33,225,078	6.10%
AAL Apartments LLC	Land and Improvements	29,786,563	5.47
Willow Creek Golf Club Inc	Land and Improvements	3,541,059	0.65
Gosling Investments LLC	Land and Improvements	2,971,481	0.55
DR Horton Texas LTD	Land and Improvements	2,179,353	0.40
Partners In Building	Land	1,995,509	0.37
Centerpoint Energy	Personal Property	1,713,170	0.31
Gosling Express Inc	Land, Improvements & Personal Property	1,709,728	0.31
6130 AL Development Group LLC	Land and Improvements	1,648,842	0.30
Homeowner	Land and Improvements	<u>1,075,039</u>	<u>0.20</u>
Total		<u>\$ 79,845,822</u>	<u>14.65%</u>

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 Bonds and the Outstanding Bonds if no growth in the District occurs beyond the 2016 Assessed Valuation (\$574,950,813) or the Estimate of Assessed Valuation as of April 1, 2016 (\$589,098,902). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds(2017-2041)	\$1,687,257
Tax Rate of \$0.31 on the 2016 Assessed Valuation at 95% collection produces	\$1,693,230
Tax Rate of \$0.31 on the April 1, 2016 Estimated Valuation at 95% collection produces	\$1,734,896
Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2018)	\$2,126,507
Tax Rate of \$0.39 on the 2016 Assessed Valuation at 95% collection produces	\$2,130,193
Tax Rate of \$0.38 on the April 1, 2016 Estimated Valuation at 95% collection produces	\$2,126,647

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 "DEFINED AREA") 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 2016 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>Taxing Jurisdiction</u>	<u>2016 Tax Rate/\$100</u>
The District	\$0.58000
Harris County	0.41656
Harris County Department of Education	0.00520
Harris County Flood Control District	0.02829
Port of Houston Authority	0.01334
Harris County Hospital District	0.17179
Lone Star College System	0.10780
Harris County Emergency Services District No. 11	0.03987
Klein Independent School District	<u>1.43000</u>
Total 2016 Tax Rate for the District	<u>\$2.79285</u>
The Defined Area	0.64000
Total 2016 Tax Rate for the Defined Area	<u>\$3.43285</u>

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THE SYSTEM

Proceeds of the Outstanding Bonds were used to finance water, sanitary sewer and drainage lines to serve approximately 829 acres of single-family residential development, approximately 42 acres of developed park land, approximately 24 acres of commercial development, and approximately 124 acres of 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 with the Defined Area and all customers are "in-district" customers. All operating revenues from customers within the Defined Area are deposited into the District's operating fund and used for general operating fund purposes.

-Water Facilities-

Proceeds of the Outstanding Bonds were used to finance construction of the District's existing water supply system which consists of 2 water plants including 3 water wells, 4 ground storage tanks and 5 hydropneumatic tanks and booster pump facilities. These water plants are sufficient to provide water supply to 3,200 equivalent single-family connections ("esfc"). Currently the District serves 2,870 connections and the developed land within the District is projected to include 4,078 connections. Proceeds of the Bonds will be used to construct Water Plant No. 3. When completed, the total water supply capacity of the District will increase from 3,279 esfc to 3,775 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 ("HCMUD No. 1") whereby both districts agree to supply each other with water on an emergency basis, with appropriate provisions being made for the payment of water used and the operation and maintenance of the interconnect line.

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

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

-Wastewater Treatment-

Proceeds from the Outstanding Bonds were used to finance construction of the District's existing wastewater treatment system which consists of a 1,400,000 gallon per day ("gpd") treatment plant (the "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 2,870 connections and the developed land within the District is projected to include 4,078 connections. The District has recently completed construction of an expansion to the Plant which will be financed in part from proceeds of the Bonds.

-Drainage Facilities-

Storm sewer lines ranging from 24" to 84" run throughout the entire District. All of the outfalls drain into a Harris County Flood Control 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.

Historical Operations of the System

The Bonds are payable solely from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. Net revenues, if any, derived from the operation of the District's water and sewer operations are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that significant revenues, if any, will be available for the payment of debt service on the Bonds and the Outstanding Bonds. The following statement sets forth in condensed form the historical results of operation of the District's System. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements, for the year ended December 31, 2015, and from the District's bookkeeper for the six months ended June 30, 2016. Reference is made to such statement for further and more complete information. See "APPENDIX A."

	Fiscal Year Ended				
	<u>2016(a)</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
REVENUES					
Property Taxes	\$1,459,260	\$1,042,385	\$ 975,998	\$ 821,340	\$ 842,121
Water Service	476,980	1,001,460	846,002	728,175	562,595
Wastewater service	602,199	1,126,932	949,019	875,255	874,541
Penalty and Interest	16,349	37,948	25,950	31,472	25,382
Tap Connection and Inspection Fees	159,757	90,906	653,447	1,420	950
Facilities Use Fees	94,543	109,162	94,057	101,633	89,388
Regional Water Authority Fees	373,150	737,987	690,512	666,239	654,750
Investment Revenues	3,175	3,173	1,996	1,137	2,265
Miscellaneous Revenues	<u>54,788</u>	<u>95,683</u>	<u>98,989</u>	<u>77,571</u>	<u>78,434</u>
TOTAL REVENUES	\$3,240,202	\$4,224,998	\$4,335,970	\$3,304,242	\$3,130,426
EXPENDITURES					
Professional Fees	\$ 161,951	\$ 301,728	\$ 263,237	\$ 289,276	\$ 249,791
Contracted Services	63,074	528,368	512,900	497,542	541,377
Purchased Wastewater Service	239,337	300,073	306,971	328,594	290,491
Utilities	99,236	106,945	99,271	109,439	104,107
Repairs and Maintenance	232,689	213,767	234,968	237,242	288,313
Regional Water Authority Assessment	457,379	652,924	616,980	641,190	653,541
Parks and Recreation	380,672	1,104,432	1,030,122	1,024,236	1,061,096
Other	517,221	250,970	427,836	189,231	180,969
Capital Outlay:					
Parks and Recreation	4,250	61,614	32,589		150,698
Other Facilities	290,049	21,975		87,997	101,055
Debt Service:					
Bond Issuance Costs	<u>-</u>	<u>32,948</u>	<u>26,027</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	\$2,445,857	\$3,575,744	\$3,550,901	\$3,404,747	\$3,621,438
Excess (Deficiency) of Revenues Over Expenditures	\$ 794,345	\$ 669,254	\$ 785,069	\$ (100,505)	\$ (491,012)
Other Financing Sources (Uses)					
Transfers In (Out)	<u>\$ -</u>	<u>\$ 26,027</u>	<u>\$ 64,007</u>	<u>\$ 157,614</u>	<u>\$ 606,692</u>
Net Change in Fund Balance	\$ 794,345	\$ 695,281	\$ 849,076	\$ 57,109	\$ 115,680
Beginning Fund Balance	\$1,904,549	\$1,209,268	\$ 360,192	\$ 303,083	\$ 187,403
Ending Fund Balance	N/A	\$1,904,549	\$1,209,268	\$ 360,192	\$ 303,083

(a) Unaudited. Represents a six-month period from January 1, 2016 to June 30, 2016.

DISTRICT DEBT (a)

General

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

2016 Assessed Valuation	\$574,950,813 (b)
(100% of market value as of January 1, 2016)	
See "TAX DATA" and "TAXING PROCEDURES."	
Estimated Taxable Valuation as of April 1, 2016	\$589,098,902 (c)
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
Outstanding Bonds (as of November 1, 2016)	\$19,460,000
The Bonds	<u>\$10,300,000</u>
Total	\$29,760,000
Estimated Overlapping Debt	<u>\$33,322,755 (d)</u>
Total Direct and Estimated Overlapping Debt	<u>\$62,082,755</u>
Direct Debt Ratio:	
: as a percentage of 2016 Assessed Valuation	5.18%
: as a percentage of the Estimated Taxable Valuation at April 1, 2016.....	5.05%
Direct and Estimated Overlapping Debt Ratio:	
: as a percentage of 2016 Assessed Valuation	10.97%
: as a percentage of the Estimated Taxable Valuation at April 1, 2016.....	10.71%
Debt Service Fund Balance as of November 14, 2016 (unaudited)	\$ 1,178,669 (e)
General Fund Balance as of November 14, 2016 (unaudited)	\$ 2,628,294
Park Capital Projects Fund Balance as of November 14, 2016 (unaudited)	\$ 338,708
Capital Projects Fund Balance as of November 14, 2016 (unaudited).....	\$ 343,925
2016 District Tax Rate Per \$100 of Assessed Valuation	
Debt Service	\$0.33
Maintenance & Operation	<u>0.25</u>
Total	<u>\$ 0.58 (f)</u>
Average Annual Debt Service Requirements	
of the Bonds and the Outstanding Bonds (2017-2041).....	\$1,687,257
Maximum Annual Debt Service Requirement	
of the Bonds and the Outstanding Bonds (2018)	\$2,126,507
Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Average Annual	
Debt Service Requirements of the Bonds and the Outstanding Bonds	
(2017-2041) at 95% Tax Collections	
Based Upon 2016 Assessed Valuation	\$0.31
Based Upon April 1, 2016 Estimated Taxable Valuation	\$0.31
Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Maximum Annual	
Debt Service Requirements of the Bonds and the Outstanding Bonds	
(2018) at 95% Tax Collections	
Based Upon 2016 Assessed Valuation	\$0.39
Based Upon April 1, 2016 Estimated Taxable Valuation	\$0.38

(a) The District Debt information does not include any information about the Defined Area, or its taxable value, tax rate or bonds issued or expected to be issued. For a discussion of these matters, see "DEFINED AREA" herein.

(b) As certified by the Harris County Appraisal District (the "Appraisal District"). All property located in the District is valued on the tax rolls by the Appraisal District at 100% of estimated market value as of January 1 of each year. Includes \$29,912,640 in uncertified value.

(c) Provided by the HCAD for information purposes only. Represents new construction within the District from January 1, 2016 to April 1, 2016. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."

(d) See "DISTRICT DEBT - Estimated Overlapping Debt Statement." In addition to the Estimated Overlapping Debt shown, the District also has \$9,190,000 in bonds outstanding payable solely from taxes on property within the Defined Area.

- (e) Balance gives effect to payment of debt service due on Outstanding Bonds on September 1, 2016. Neither Texas law nor the Bond Order requires that any particular amount be maintained in the Debt Service Fund or General Fund at any time.
- (f) The Texas Commission on Environmental Quality (the "TCEQ") has recommended the District levy a debt service tax rate of at least \$0.35 per \$100 of assessed valuation in the first tax year following the issuance of the Bonds. This recommendation was based upon the Bonds being sold at a maximum effective interest rate of 4.7%. In addition to the District tax rate shown, the District has levied a separate tax of \$0.64 per \$100 of assessed valuation in the Defined Area. See "TAX DATA – Estimated Overlapping Taxes."

Debt Service Requirements

The following schedule sets forth the principal and interest requirements on the Outstanding Bonds and the principal and interest requirements for the Bonds.

Calendar Year	Outstanding Debt Service	Plus: The Bonds		Total Debt Service
		Principal	Interest	
2017	\$ 1,475,157	\$ -	\$ 251,171	\$1,726,328
2018	1,504,512	290,000	331,995	2,126,507
2019	1,381,338	295,000	326,145	2,002,483
2020	1,379,617	305,000	320,145	2,004,762
2021	1,386,710	315,000	313,158	2,014,867
2022	1,394,674	330,000	305,095	2,029,769
2023	1,398,727	340,000	296,720	2,035,447
2024	1,406,764	350,000	287,220	2,043,984
2025	1,415,924	360,000	276,570	2,052,494
2026	1,239,717	375,000	265,545	1,880,262
2027	1,240,818	385,000	254,145	1,879,963
2028	1,113,729	400,000	242,370	1,756,099
2029	1,108,856	410,000	230,220	1,749,076
2030	1,118,062	425,000	217,483	1,760,544
2031	1,142,919	440,000	203,745	1,786,664
2032	1,143,391	455,000	189,088	1,787,478
2033	1,152,219	470,000	173,590	1,795,809
2034	1,157,994	485,000	157,113	1,800,106
2035	1,183,494	500,000	139,875	1,823,369
2036	1,194,638	515,000	121,726	1,831,364
2037	285,094	535,000	102,564	922,658
2038	285,688	550,000	81,800	917,488
2039	285,750	570,000	59,400	915,150
2040	290,344	590,000	36,200	916,544
2041	-	610,000	12,200	622,200
Total	<u>\$26,686,134</u>	<u>\$10,300,000</u>	<u>\$5,195,281</u>	<u>\$42,181,415</u>

Average Annual Requirements (2017-2041).....	\$1,687,257
Maximum Requirement (2018).....	\$2,126,507

Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of October 30, 2016	Percent	Overlapping Amount
Harris County	\$2,303,812,874	0.14%	\$3,163,279
Harris County Department of Education	7,000,000	0.14%	9,610
Harris County Flood Control District	83,075,000	0.14%	116,938
Harris County Hospital District	62,815,000	0.14%	88,420
Klein Independent School District	921,585,000	2.97%	27,343,290
Lone Star College System	526,080,000	0.32%	1,674,894
Port of Houston Authority	657,994,397	0.14%	<u>926,324</u>
Total Estimated Overlapping Debt			\$33,322,755
The District			<u>\$29,760,000(a)</u>
Total Direct & Estimated Overlapping Debt			<u>\$63,082,755</u>

(a) Includes the Bonds. In addition to the Estimated Overlapping Debt shown, the District also has \$9,190,000 in bonds outstanding payable solely from taxes on property within the Defined Area.

Debt Ratios

	% of 2016 Assessed Valuation	% of Estimated Valuation As of April 1, 2016
Direct Debt	5.18%	5.05%
Direct and Estimated Overlapping Debt	10.97%	10.71%

Under Texas law, ad valorem taxes levied by each taxing authority create lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy, and collect ad valorem taxes for operation and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District in an amount not to exceed \$0.25 per \$100 of assessed valuation. The District levied a 2016 maintenance tax of \$0.25 per \$100 of assessed valuation. See "TAX DATA - Maintenance Tax."

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate and amount, on all taxable property within the District (including all taxable property within the Defined Area) in sufficient amount to pay the principal of and interest on the Bonds and the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under the caption "THE BONDS - Source of Payment." The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District's electors at an election. The District's electors have authorized the levy of such a maintenance tax in the maximum amount of \$0.25 per \$100 of assessed valuation for the entire District and an additional \$0.64 per \$100 of assessed valuation in the Defined Area. The District levied a maintenance tax in the amount of \$0.25 per \$100 of assessed valuation for the 2016 tax year. A maintenance tax has also been levied in the Defined Area at a rate of \$0.045 per \$100 assessed valuation for the 2016 tax year. See "TAX DATA" and "DEFINED AREA."

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. For 2016, the District granted an over 65/disabled exemption of \$30,000. In addition, the District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is

also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit Exemption" may apply to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has taken action to allow taxation of goods-in-transit, and accordingly, the exemption is not available within the District. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the market value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For 2016, the District did not grant a general residential homestead exemption.

Valuation of Property for Taxation

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the appraisal district to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

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

Rollback of Operation and Maintenance Tax Rate

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including such taxes for a period of three (3) years to five (5) years for agricultural use, timberland or open space land prior to the loss of the designation. As of January 1, 2016, no land within the District was designated for agricultural use, open space or timberland.

Tax Abatement

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, none of the area within the District has been designated as a reinvestment zone. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by other taxing jurisdictions.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due February 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional twenty percent (20%) penalty for collection costs of a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Further, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year upon the property. The District's tax lien is on a parity with the tax liens of the other state and local jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit at any time after taxes become delinquent to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may also be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by the effects of market conditions on the foreclosure sales price, by the taxpayer's right to redeem the property (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings which restrain or stay the collection of a taxpayer's debts.

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry, both single-family and multi-family, and the commercial development industry. New residential housing construction can be significantly affected by factors such as general economic activity, interest rates, credit availability, energy costs, construction costs, the level of unemployment and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Further declines in the price of oil could adversely affect the demand for houses as well as values of existing homes. Although as described in this Official Statement under the caption "STATUS OF DEVELOPMENT", (i) the development of a total of approximately 824 acres located within the District is complete, including the development of single-family residential building sites, and home construction is occurring on 146 acres, and the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date.

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

Maximum Impact on District Tax Rate: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2016 Assessed Valuation of property located within the District (see "TAX DATA") is \$574,950,813 and the Estimated Valuation as of April 1, 2016 of property located within the District is \$589,098,902. After issuance of the Bonds, the maximum annual debt service requirement will be \$2,126,507 (2018) and the average annual debt service requirements will be \$1,687,257 (2017-2041, inclusive). Assuming no increase to nor decrease from the 2016 Assessed Valuation of \$574,950,813, tax rates of \$0.39 and \$0.31 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase to nor decrease from the Estimated Valuation as of April 1, 2016 of \$589,098,902, tax rates of \$0.38 and \$0.31 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. (The discussion above does not include data about the Defined Area. See "DEFINED AREA.")

Principal Landowners' Obligations to the District: As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's ten principal taxpayers in 2016 owned approximately 14.65% of the assessed value of property located in the District. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements.

Developers' Obligations to the District: There is no commitment by or legal requirement of the Developers or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any owner of commercial property to proceed at any particular pace with the construction of homes or commercial improvements in the District. Moreover, there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, in the District. Failure to construct taxable improvements would restrict the rate of growth of taxable values in the District and result in higher tax rates.

Tax Collections Limitations

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

the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy

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

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

Marketability

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

Economic Factors

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

Future Debt

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

Following issuance of the Bonds, there will be \$24,040,000 in principal amount of unlimited tax bonds authorized and unissued by the District's voters for the purpose of constructing and acquiring water, sewer and drainage facilities, all of which may also be used for refunding purposes. The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds and such additional bonds as may be hereafter authorized. The District has also reserved the right to issue certain other bonds and obligations described in the Bond Order. See "THE BONDS - Issuance of Additional Debt" and "DEFINED AREA" for a discussion of Defined Area Bonds.

After the issuance of the Bonds, the District will owe approximately \$2,100,000 in developer reimbursement for water, sewer and drainage projects outside of the Defined Area. Additionally, the District owes approximately \$9,150,000 in developer reimbursement for Defined Area water, sewer and drainage projects and approximately \$1,400,000 for Defined Area road projects, which will be reimbursed by future Defined Area Bonds. See "DEFINED AREA" for a discussion of Defined Area Bonds.

Continuing Compliance with Certain Covenants

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

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the bond insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "MUNICIPAL BOND INSURANCE" and "RATINGS."

The obligations of the bond insurer are contractual obligations and in an event of default by the bond insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District or Underwriter have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

LEGAL MATTERS

Legal Opinions

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

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

No Arbitrage

The District will certify on the date the Bonds are delivered and paid for that based upon all facts and estimates now known or reasonably expected to be in existence, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed from time to time thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are

material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District have been authorized to certify to the facts, circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District will covenant in the Bond Order that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

On the date of initial delivery of the Bonds, Bacon & Wallace, L.L.P., Houston, Texas, Bond Counsel, will render the opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), interest on the Bonds (1) will be excludable from the "gross income" of the holders thereof and (2) will not be treated as "specified private activity bonds," the interest on which would be excluded as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service

would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

Interest on the Bonds will be includable as an adjustment for “adjusted current earnings” to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Not Qualified Tax-Exempt Obligations

The Bonds will NOT be designated as “qualified tax-exempt obligations” within the meaning of Section 265(a) of the Code.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “TAX DATA,” and “APPENDIX A.” The District will update and provide this information within six months after the end of each fiscal year ending in or after 2016.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 of the SEC (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A" or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The District did not file its operating data for the fiscal years ending December 31, 2009, December 31, 2011, and December 31, 2014 which the District had agreed to file under previous continuing disclosure undertaking agreements as described in the Rule, within the time specified in such undertakings. Such filings, together with notices of late filing, have subsequently been made. Further, the District failed to timely file notice of a downgrade of its underlying rating by Moody's and failed to timely file a notice of an upgrade of its insured rating by S&P. Additionally, due to an oversight, the District did not file the operating data and financial statements for the fiscal year ending December 31, 2012 for some series of bonds. Such filings, together with notices of late filing, have subsequently been made. Except to the extent the preceding is deemed to be material, in the previous five years, the District has not failed to comply in all material respects with any previous undertakings under the Rule. The District has reviewed its continuing disclosure responsibilities and has engaged McCall, Parkhurst & Horton L.L.P. as Disclosure Counsel to assist the District in making its future filings of financial statements and operating data to the MSRB in a timely manner.

OFFICIAL STATEMENT

General

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

Experts

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

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

Auditor

The District's audited financial statements for the year ended December 31, 2015 were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, Houston, Texas and have been included herein as "APPENDIX A". McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

Certification as to Official Statement

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

Updating of Official Statement

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

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

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

ATTEST:

/s/ Scott Kirkpatrick
Secretary, Board of Directors
Northampton Municipal Utility District

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2015

NORTHAMPTON MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northampton Municipal
Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Northampton Municipal Utility District (the "District"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Directors
Northampton Municipal
Utility District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 25, 2016

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Management's discussion and analysis of Northampton Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

FUND FINANCIAL STATEMENTS

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

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

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

NOTES TO FINANCIAL STATEMENTS

The accompanying notes to financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$2,456,271 as of December 31, 2015.

A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment as well as water, wastewater and drainage systems and recreation facilities less any debt used to acquire those assets that is still outstanding).

The following is a comparative analysis of government-wide changes in net position:

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2015</u>	<u>2014</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 9,376,080	\$ 10,235,332	\$ (859,252)
Capital Assets (Net of Accumulated Depreciation)	<u>29,291,480</u>	<u>21,142,128</u>	<u>8,149,352</u>
Total Assets	<u>\$ 38,667,560</u>	<u>\$ 31,377,460</u>	<u>\$ 7,290,100</u>
Developer Advances	\$ 11,598,930	\$ 3,905,259	\$ (7,693,671)
Long-Term Liabilities	19,324,667	15,658,664	(3,666,003)
Other Liabilities	<u>1,859,433</u>	<u>5,018,984</u>	<u>3,159,551</u>
Total Liabilities	<u>\$ 32,783,030</u>	<u>\$ 24,582,907</u>	<u>\$ (8,200,123)</u>
Deferred Inflows of Resources	<u>\$ 3,428,259</u>	<u>\$ 2,426,479</u>	<u>\$ (1,001,780)</u>
Net Position:			
Net Investment in Capital Assets	\$ (507,068)	\$ 2,056,291	\$ (2,563,359)
Restricted	960,486	994,920	(34,434)
Unrestricted	<u>2,002,853</u>	<u>1,316,863</u>	<u>685,990</u>
Total Net Position	<u>\$ 2,456,271</u>	<u>\$ 4,368,074</u>	<u>\$ (1,911,803)</u>

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the District's operations for the years ended December 31, 2015, and December 31, 2014.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2015</u>	<u>2014</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 2,439,012	\$ 2,307,720	\$ 131,292
Charges for Services	3,306,119	3,449,932	(143,813)
Other Revenues	108,737	228,470	(119,733)
Total Revenues	\$ 5,853,868	\$ 5,986,122	\$ (132,254)
Expenses for Services	(7,765,671)	(5,599,763)	(2,165,908)
Change in Net Position	\$ (1,911,803)	\$ 386,359	\$ (2,298,162)
Net Position, Beginning of Year	4,368,074	3,981,715	386,359
Net Position, End of Year	\$ 2,456,271	\$ 4,368,074	\$ (1,911,803)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2015, were \$4,883,615, an increase of \$3,560,612 from the prior year.

The General Fund fund balance increased by \$695,281 primarily due to service revenues exceeding operating expenditures.

The Debt Service Fund fund balance increased by \$33,042, primarily due to the timing difference between actual property tax collections and debt service payments.

The Capital Projects Fund fund balance increased by \$2,832,289, primarily due the sale of Series 2015 bonds.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$250,448 more than budgeted revenues. Actual expenditures were \$91,036 less than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of December 31, 2015, total \$29,291,480 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems and recreation facilities.

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

Completed Projects:	
Hampton Creek Section 1, 2, 4, 5, and 6 water, sewer and drainage	\$ 2,420,940
Wastewater Treatment Plant No. 2 Phase I Detention and Mitigation Ponds	357,532
Water Plant No. 2 Hydro Tank Addition	251,755
Lift Station Improvements	12,101
Northcrest Pool Replaster	38,470
Inway Clubhouse Roof	12,858
Land for Water Plant No. 3	<u>160,573</u>
Total Completed Projects	<u>\$ 3,254,229</u>
Construction in Progress:	
Water Plant No. 3	\$ 29,174
Wastewater Treatment Plant No. 2 Phase 1	7,331,304
Splash Pad Conversions - Plans	4,000
New Pump House	<u>6,287</u>
Total Construction in Progress	<u>\$ 7,370,765</u>

Capital Assets At Year-End, Net of Accumulated Depreciation

	2015	2014	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,936,448	\$ 1,775,875	\$ 160,573
Construction in Progress	7,370,765	1,496,183	5,874,582
Capital Assets, Net of Accumulated Depreciation:			
Meeting and Recreation Facilities	1,916,506	2,122,066	(205,560)
Water System	4,412,430	3,891,029	521,401
Wastewater System	10,319,793	9,930,494	389,299
Drainage System	3,334,763	1,921,564	1,413,199
Equipment	<u>775</u>	<u>4,917</u>	<u>(4,142)</u>
Total Net Capital Assets	<u>\$ 29,291,480</u>	<u>\$ 21,142,128</u>	<u>\$ 8,149,352</u>

Additional information on the District's capital assets can be found in Note 6.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term debt payable of \$20,040,000.

The changes in the debt position of the District during the fiscal year ended December 31, 2015, are summarized as follows:

Bond Debt Payable, January 1, 2015	\$ 16,505,000
Add: Series 2015 Bond Sale	4,460,000
Less: Bond Principal Paid	<u>925,000</u>
Bond Debt Payable, December 31, 2015	<u>\$ 20,040,000</u>

The Series 2006 Bonds, Series 2006 Park Bonds and Series 2010 Refunding Bonds carry on underlying rating of "A2" from Moody's Investor Service. The Series 2010 Bonds, Series 2012 Bonds and Series 2015 Bonds carry an underlying rating of "A-" from Standard & Poor's.

The Series 2006 Park Bonds, Series 2010 Refunding Bonds and Series 2012 Bonds carry insured ratings of "A2", "AA", and "AA" respectively, by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2006 bonds carry an insured rating of "AA-/A3" by virtue of bond insurance issued by National Public Finance Guaranty Corporation. The Series 2015 Bonds carry insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance. Credit enhanced ratings provided through bond policies are subject to change based on the rating of the bond insurance company.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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