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**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>ASSETS</b>		
Cash	\$ 2,885,593	\$ 68,124
Investments	490,000	
Receivables:		
Property Taxes	1,254,139	
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$5,000)	215,263	
Accrued Interest	263	
Builder Damages	7,666	
Other	3,726	
Due from Other Funds		27,659
Prepaid Costs	30,888	
Due from Other Governments	10,399	19,325
Advance for Regional Wastewater Treatment Plant Operations	67,900	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<u>\$ 4,965,837</u>	<u>\$ 115,108</u>

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 645,409	\$ 1,630,517	\$ 5,229,643	\$	\$ 5,229,643
490,000		980,000		980,000
1,528,337		2,782,476		2,782,476
			16,419	16,419
		215,263		215,263
		263		263
		7,666		7,666
		3,726		3,726
117,998	798,283	943,940	(943,940)	
		30,888	80,012	110,900
		29,724		29,724
		67,900	(67,900)	
			1,936,448	1,936,448
			7,370,765	7,370,765
			19,984,267	19,984,267
<u>\$ 2,781,744</u>	<u>\$ 2,428,800</u>	<u>\$ 10,291,489</u>	<u>\$ 28,376,071</u>	<u>\$ 38,667,560</u>

The accompanying notes to financial  
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**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 129,820	\$ 23,708
Due to Other Governments	32,090	
Accrued Interest Payable		
Developer Advances	23,561	
Retainage Payable		
Due to Other Funds	943,940	
Due to Taxpayers		
Due to Homeowners Association	1,192	
Unearned User Fees	11,300	
Security Deposits	287,165	
Reserved for Wastewater Treatment Plant Operations		91,400
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
<b>TOTAL LIABILITIES</b>	<u>\$ 1,429,068</u>	<u>\$ 115,108</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows:		
Property Taxes	<u>\$ 1,632,220</u>	<u>\$</u>

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<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 51,454	\$ 204,982	\$	\$ 204,982
		32,090		32,090
			239,852	239,852
		23,561	11,575,369	11,598,930
	331,409	331,409		331,409
		943,940	(943,940)	
7,943		7,943		7,943
		1,192		1,192
		11,300		11,300
		287,165		287,165
		91,400	(67,900)	23,500
			720,000	720,000
			19,324,667	19,324,667
<u>\$ 7,943</u>	<u>\$ 382,863</u>	<u>\$ 1,934,982</u>	<u>\$ 30,848,048</u>	<u>\$ 32,783,030</u>
 <u>\$ 1,840,672</u>	 <u>\$</u>	 <u>\$ 3,472,892</u>	 <u>\$ (44,633)</u>	 <u>\$ 3,428,259</u>

The accompanying notes to financial  
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**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>FUND BALANCES</b>		
Nonspendable:		
Advance for Wastewater Treatment Plant Operations	\$ 67,900	\$
Prepaid Costs	30,888	
Restricted for Authorized Construction:		
Bond Proceeds		
Net Investment Revenues		
Restricted for Debt Service		
Unassigned	<u>1,805,761</u>	
<b>TOTAL FUND BALANCES</b>	<u>\$ 1,904,549</u>	<u>\$ - 0 -</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 4,965,837</u>	<u>\$ 115,108</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for:		
Debt Service		
Capital Projects		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$	\$ 67,900	\$ (67,900)	\$
		30,888	(30,888)	
	1,821,488	1,821,488	(1,821,488)	
	224,449	224,449	(224,449)	
933,129		933,129	(933,129)	
		1,805,761	(1,805,761)	
<u>\$ 933,129</u>	<u>\$ 2,045,937</u>	<u>\$ 4,883,615</u>	<u>\$ (4,883,615)</u>	<u>\$ - 0 -</u>
 <u>\$ 2,781,744</u>	 <u>\$ 2,428,800</u>	 <u>\$ 10,291,489</u>		
			\$ (507,068)	\$ (507,068)
			736,037	736,037
			224,449	224,449
			2,002,853	2,002,853
			<u>\$ 2,456,271</u>	<u>\$ 2,456,271</u>

The accompanying notes to financial  
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**NORTHHAMPTON MUNICIPAL UTILITY DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**

Total Fund Balances - Governmental Funds	\$	4,883,615
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Amounts reported for governmental activities in the Statement of Net Position are different because:

80,012

Bond insurance premiums paid at closing are amortized over the term of the refunding bonds.

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.

29,291,480

Deferred tax revenues and deferred penalty and interest revenues on delinquent taxes for the 2014 and prior tax levies became part of recognized revenues in the governmental activities of the District.

61,052

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developers	\$ (11,575,369)	
Accrued Interest Payable	(239,852)	
Bonds Payable Within One Year	(720,000)	
Bonds Payable After One Year	<u>(19,324,667)</u>	<u>(31,859,888)</u>

Total Net Postion - Governmental Activities

\$ 2,456,271

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**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>REVENUES</b>		
Property Taxes	\$ 1,042,385	\$
Water Service	1,001,460	
Wastewater Service	1,126,294	475,459
Penalty and Interest	37,948	
Tap Connection and Inspection Fees	90,906	
Facility Use Fees	109,162	
Regional Water Authority Fees	737,987	
Investment Revenues	3,173	69
Miscellaneous Revenues	95,683	
<b>TOTAL REVENUES</b>	<u>\$ 4,244,998</u>	<u>\$ 475,528</u>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 301,728	\$ 3,122
Contracted Services	528,368	48,632
Purchased Wastewater Service	300,073	
Utilities	106,945	84,314
Repairs and Maintenance	213,767	98,545
Regional Water Authority Assessments	652,924	
Parks and Recreation	1,104,432	
Depreciation		
Other	250,970	240,915
Conveyance of Streets		
Capital Outlay		
Parks and Recreation	61,614	
Other Facilities	21,975	
Debt Service:		
Bond Principal		
Bond Interest		
BAN Interest		
Bond Issuance Costs	32,948	
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 3,575,744</u>	<u>\$ 475,528</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 669,254</u>	<u>\$ -0-</u>

The accompanying notes to financial  
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<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 1,401,822	\$	\$ 2,444,207	\$ (5,195)	\$ 2,439,012
		1,001,460		1,001,460
		1,601,753	(300,073)	1,301,680
27,695		65,643	(719)	64,924
		90,906		90,906
		109,162		109,162
		737,987		737,987
2,904	6,833	12,979		12,979
75		95,758		95,758
<u>\$ 1,432,496</u>	<u>\$ 6,833</u>	<u>\$ 6,159,855</u>	<u>\$ (305,987)</u>	<u>\$ 5,853,868</u>
\$ 6,246	\$	\$ 311,096	\$	\$ 311,096
51,194		628,194		628,194
		300,073	(300,073)	
		191,259		191,259
		312,312		312,312
		652,924		652,924
		1,104,432		1,104,432
			979,460	979,460
11,899	576	504,360		504,360
			2,101,912	2,101,912
		61,614	(61,614)	
	6,624,282	6,646,257	(6,646,257)	
925,000		925,000	(925,000)	
615,399		615,399	80,429	695,828
	7,388	7,388		7,388
	243,558	276,506		276,506
<u>\$ 1,609,738</u>	<u>\$ 6,875,804</u>	<u>\$ 12,536,814</u>	<u>\$ (4,771,143)</u>	<u>\$ 7,765,671</u>
<u>\$ (177,242)</u>	<u>\$ (6,868,971)</u>	<u>\$ (6,376,959)</u>	<u>\$ 6,376,959</u>	<u>\$ -0-</u>

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**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In (Out)	\$ 26,027	\$
Long-Term Debt Issued		
Bond Discount		
Developer Advances		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ 26,027</u>	<u>\$ -0-</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ 695,281	\$ -0-
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES(DEFICIT)/NET POSITION -</b>		
<b>JANUARY 1, 2015</b>	<u>1,209,268</u>	<u></u>
<b>FUND BALANCES/NET POSITION -</b>		
<b>DECEMBER 31, 2015</b>	<u><u>\$ 1,904,549</u></u>	<u><u>\$ -0-</u></u>

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$	\$	\$	\$
210,284	(26,027)			
	4,249,716	4,460,000	(4,460,000)	
	(77,317)	(77,317)	77,317	
	5,554,888	5,554,888	(5,554,888)	
<u>\$ 210,284</u>	<u>\$ 9,701,260</u>	<u>\$ 9,937,571</u>	<u>\$ (9,937,571)</u>	<u>\$ -0-</u>
\$ 33,042	\$ 2,832,289	\$ 3,560,612	\$ (3,560,612)	\$
			(1,911,803)	(1,911,803)
<u>900,087</u>	<u>(786,352)</u>	<u>1,323,003</u>	<u>3,045,071</u>	<u>4,368,074</u>
<u>\$ 933,129</u>	<u>\$ 2,045,937</u>	<u>\$ 4,883,615</u>	<u>\$ (2,427,344)</u>	<u>\$ 2,456,271</u>

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net Change in Fund Balances - Governmental Funds	\$	3,560,612
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.		(5,195)
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Governmental funds report penalty and interest on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed.		(719)
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Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(979,460)
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Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital assets purchases are expensed in the Statement of Activities.		4,605,959
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Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.		925,000
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Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the long-term debt through fiscal year-end and the current amortization of bond discounts and bond premiums is added to interest expense.		(80,429)
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Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the government-wide financial statements and the Statement of Activities is not affected.		(4,460,000)
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Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.		(5,554,888)
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Governmental funds report bond discounts as other financing uses in the year paid. However, in the government-wide statements, bond discounts are amortized over the life of the bonds and the current year amortized portion is added to interest expense.		77,317
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Change in Net Position - Governmental Activities	\$	<u>(1,911,803)</u>
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The accompanying notes to financial  
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**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1. CREATION OF DISTRICT**

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

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

The District has entered into an agreement with Oakmont Public Utility District for the expansion and operation of a wastewater treatment plant. The District has oversight responsibility for the wastewater treatment plant. Additional disclosure is provided in Note 9.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

Financial Statement Presentation

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

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

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

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

Government-Wide Financial Statements

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

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



**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

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

Basis of Accounting

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include the 2014 tax levy collections during the period October 1, 2014, to December 31, 2015, and taxes collected from January 1, 2015, to December 31, 2015, for all prior tax levies. The 2015 tax levy has been fully deferred to meet the District's planned expenditures in the 2016 fiscal year.

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

Capital Assets

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

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

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

Budgeting

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

Pensions

Payments are made into the social security system for the employees. See Note 11 for the District's defined contribution plan.

Measurement Focus

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

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

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

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

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

Measurement Focus (Continued)

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

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

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

Accounting Estimates

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

**NOTE 3.      LONG-TERM DEBT**

	Series 2006	Park Series 2006
Amount Outstanding - December 31, 2015	\$ 300,000	\$ 135,000
Interest Rates	4.000%	3.900%
Maturity Dates - Beginning/Ending	March 1, 2016/2017	March 1, 2016/2017
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	March 1, 2015*	March 1, 2015*
	Series 2010	Refunding Series 2010
Amount Outstanding - December 31, 2015	\$ 3,875,000	\$ 4,835,000
Interest Rates	3.250% - 5.000%	3.50% - 4.00%
Maturity Dates - Beginning/Ending	March 1, 2016/2018, 2021, 2025, 2028, 2030, 2031/2034	March 1, 2016/2027
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	March 1, 2018*	March 1, 2018*

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

	Series 2012	Refunding Series 2014	Series 2015
Amount Outstanding - December 31, 2015	\$ 2,175,000	\$ 4,260,000	\$ 4,460,000
Interest Rates	2.75% - 3.50%	2.7281%	2.00% - 3.75%
Maturity Dates – Beginning/Ending	March 1, 2028/2034, 2036	March 1, 2016/2030	March 1, 2017/2026, 2029, 2031, 2037, 2040
Interest Payment Dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable Dates	March 1, 2020*	March 1, 2023*	March 1, 2023*

\* On any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, in whole or in part, at the option of the District, in such manner as the District may determine.

The Series 2010 term bonds maturing on March 1, 2021, 2025, 2028 and 2030 are subject to mandatory redemption by lot or other customary random selection method beginning March 1, 2019, 2022, 2026, and 2029, respectively.

The Series 2012 term bonds maturing on March 1, 2036 are subject to mandatory redemption by lot or other customary random selection methods beginning March 1, 2035.

The Series 2015 term bonds maturing on March 1, 2029, 2031, 2037, and 2040 are subject to mandatory redemption by lot or other customary random selection methods beginning March 1, 2027, 2030, 2036, and 2038, respectively.

The following is a summary of transactions regarding the changes in the long-term liabilities for the year ended December 31, 2015:

	January 1, 2015	Additions	Retirements	December 31, 2015
Bonds Payable	\$ 16,505,000	\$ 4,460,000	\$ 925,000	\$ 20,040,000
Unamortized Discounts	(273,988)	(77,317)	(32,291)	(319,014)
Unamortized Premiums	352,652		28,971	323,681
Bonds Payable, Net	<u>\$ 16,583,664</u>	<u>\$ 4,382,683</u>	<u>\$ 921,680</u>	<u>\$ 20,044,667</u>
		Amount Due Within One Year		\$ 720,000
		Amount Due After One Year		<u>19,324,667</u>
		Bonds Payable, Net		<u>\$ 20,044,667</u>

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

As of December 31, 2015, the District had authorized but unissued bonds in the amount of \$34,480,000 for utility facilities and refundings; \$41,000,000 for utility facilities and refundings in the defined area; and \$17,000,000 for roads in the defined area.

As of December 31, 2015, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 720,000	\$ 706,593	\$ 1,426,593
2017	860,000	679,009	1,539,009
2018	885,000	649,545	1,534,545
2019	790,000	621,769	1,411,769
2020	815,000	595,449	1,410,449
2021-2025	4,615,000	2,535,455	7,150,455
2026-2030	4,180,000	1,785,115	5,965,115
2031-2035	4,975,000	923,653	5,898,653
2036-2040	2,200,000	141,514	2,341,514
	<u>\$ 20,040,000</u>	<u>\$ 8,638,102</u>	<u>\$ 28,678,102</u>

The bonds are payable solely from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended December 31, 2015, the District levied a District-wide ad valorem debt service tax at the rate of \$0.36 per \$100 of assessed valuation, which resulted in a tax levy of \$1,814,331 on the adjusted taxable valuation of \$503,980,879 for the 2015 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

Defined Area

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

At an election within the District on November 6, 2012 the voters authorized \$41,000,000 principal amount of bonds to finance water, wastewater and drainage improvements within the Defined Area and \$17,000,000 principal amount of bonds to finance road improvements within the Defined Area. The District currently levies a maintenance tax of \$0.64 per \$100 of assessed valuation for property within the Defined Area, in addition to the District's debt service and maintenance tax rates applicable to the remainder of the District. None of the Defined Area bonds have been issued to date. Any bonds issued for the Defined Area shall be payable solely from a tax levied within the boundaries of the Defined Area and not on any other part of the District.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

The District's tax calendar is as follows:

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

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

- A. The District shall maintain insurance on the system of a kind and in an amount which usually would be carried by municipal corporations and political subdivisions in Texas operating facilities, but considering any governmental immunities to which the District may be entitled. The District has property coverage of \$18,587,000, scheduled equipment coverage of \$27,000 and boiler and machinery coverage of \$18,587,000. In addition, the District has \$3,000,000 of general liability coverage, \$1,000,000 of automobile liability coverage, \$1,000,000 of commercial umbrella liability and \$1,000,000 of pollution liability coverage.
- B. The bond orders state that any profits realized from or interest accruing on investments shall belong to the fund from which the monies for such investments were taken; provided, however, that at the discretion of the Board of Directors the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.
- C. The bond orders state that the District is required by the Securities and Exchange Commission to provide annual continuing disclosure of certain general financial information and operating data to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year.
- D. The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5<sup>th</sup> year anniversary of each issue.

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

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

Bond Interest Reserve – January 1, 2015	\$ -0-
Add: Series 2015 Capitalized Interest	210,284
Less: Series 2015 Interest	<u>52,096</u>
Bond Interest Reserve – December 31, 2015	<u>\$ 158,188</u>

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's bank deposits was \$6,209,643 and the bank balance was \$6,411,212. Of the bank balance, \$1,925,159 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2015, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 2,885,593	\$ 490,000	\$ 3,375,593
SPECIAL REVENUE FUND	68,124		68,124
DEBT SERVICE FUND	645,409	490,000	1,135,409
CAPITAL PROJECTS FUND	<u>1,630,517</u>		<u>1,630,517</u>
TOTAL DEPOSITS	<u>\$ 5,229,643</u>	<u>\$ 980,000</u>	<u>\$ 6,209,643</u>



**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

Investments (Continued)

All investments are recorded at cost, which the District considers to be fair value. As of December 31, 2015, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years		
		Less Than 1	1-5	6-10
<u>GENERAL FUND</u>				
Certificates of Deposit	\$ 490,000	\$ 490,000	\$	\$
<u>DEBT SERVICE FUND</u>				
Certificates of Deposit	<u>490,000</u>	<u>490,000</u>		
TOTAL INVESTMENTS	\$ 980,000	\$ 980,000	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2015, the District managed credit risk by investing in certificates of deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District managed interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the Special Revenue Fund are restricted for wastewater treatment plant operations. All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase or construction of capital assets.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015:

	January 1, 2015	Increases	Decreases	December 31, 2015
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 1,775,875	\$ 163,173	\$ 2,600	\$ 1,936,448
Construction in Progress	1,496,183	9,128,811	3,254,229	7,370,765
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 3,272,058</b>	<b>\$ 9,291,984</b>	<b>\$ 3,256,829</b>	<b>\$ 9,307,213</b>
<b>Capital Assets Subject to Depreciation</b>				
Meeting and Recreation Facilities	\$ 4,252,536	\$ 51,328	\$	\$ 4,303,864
Water System	7,759,046	802,531		8,561,577
Wastewater System	13,857,518	754,230		14,611,748
Drainage	2,250,224	1,485,568		3,735,792
Equipment	99,392			99,392
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 28,218,716</b>	<b>\$ 3,093,657</b>	<b>\$ - 0 -</b>	<b>\$ 31,312,373</b>
<b>Less Accumulated Depreciation</b>				
Meeting and Recreation Facilities	\$ 2,130,470	\$ 256,888	\$	\$ 2,387,358
Water System	3,868,017	281,130		4,149,147
Wastewater System	3,927,024	364,931		4,291,955
Drainage	328,660	72,369		401,029
Equipment	94,475	4,142		98,617
<b>Total Accumulated Depreciation</b>	<b>\$ 10,348,646</b>	<b>\$ 979,460</b>	<b>\$ - 0 -</b>	<b>\$ 11,328,106</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 17,870,070</b>	<b>\$ 2,114,197</b>	<b>\$ - 0 -</b>	<b>\$ 19,984,267</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 21,142,128</b>	<b>\$ 11,406,181</b>	<b>\$ 3,256,829</b>	<b>\$ 29,291,480</b>

**NOTE 7. MAINTENANCE TAX**

The voters of the District have approved the levy and collection of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. During the fiscal year ended December 31, 2015, the District levied an ad valorem maintenance tax at the rate of \$0.25 per \$100 of assessed valuation, which resulted in a tax levy of \$1,259,952 on the adjusted taxable valuation of \$503,980,879 for the 2015 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system.

Defined Area

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 7. MAINTENANCE TAX (Continued)**

Defined Area (Continued)

The District is authorized to levy a maintenance tax of \$0.64 per \$100 of assessed valuation for property within the Defined Area, in addition to the District's debt service and maintenance tax rates applicable to the remainder of the District. During the fiscal year ended December 31, 2015, the District levied an ad valorem maintenance tax of \$0.64 per \$100 of assessed valuation for the Defined Area, which resulted in a tax levy of \$353,976 on the adjusted valuation of \$55,308,676 for the 2015 tax year. These funds are deposited into a special interest and sinking fund account to be used for future debt service on Defined Area Bonds to be issued by the District in the future.

**NOTE 8. WATER SUPPLY AGREEMENTS**

Encanto Real Utility District

On September 24, 1985, the District entered into an agreement with Encanto Real Utility District ("Encanto") to provide emergency water supply services. All necessary costs of constructing the interconnect, including a two-way meter for the purpose of measuring the water provided, shall be borne by Encanto. Each district is responsible for maintaining the respective interconnect lines within their boundaries. The agreement was amended on August 21, 2000, and December 20, 2011. The charge for service to either district is \$1.25 per thousand gallons of water delivered plus the North Harris County Regional Water Authority pumpage fee. During the current fiscal year, the District billed Encanto \$19,573 for water used plus \$31,316 for regional water authority fees. The agreement shall be in force until September 24, 2020.

Oakmont Public Utility District

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

Harris County Municipal Utility District No. 1

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

**NOTE 9. WASTEWATER TREATMENT CONTRACTS**

On January 20, 2014, the District entered into a utility development and service agreement with Klein Independent School District ("Klein ISD"). The District agreed to furnish wastewater treatment capacity not to exceed 70,000 gallons per day average daily flow, to be charged pursuant to the District's rate order. The term of the contract is 40 years, expiring on January 20, 2054.

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9. WASTEWATER TREATMENT CONTRACTS (Continued)**

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	590,000	62.17
Oakmont Public Utility District	<u>360,000</u>	<u>37.83</u>
<b>TOTAL</b>	<u>950,000</u>	<u>100.00</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, 2015	\$ 35,956	\$ 14,141	\$ 50,097
Operating Costs	300,118	175,410	475,528
Receipts and Credits	(321,015)	(163,926)	(484,941)
Change in Reserve	<u>12,600</u>	<u>(6,300)</u>	<u>6,300</u>
Due (to) from Participants			
at December 31, 2015	<u>\$ 27,659</u>	<u>\$ 19,325</u>	<u>\$ 46,984</u>
Two Month Reserve	<u>\$ 67,900</u>	<u>\$ 23,500</u>	<u>\$ 91,400</u>

The District is in the process of expanding its wastewater treatment capacity to serve a number of new developments within its boundaries. However, the need for additional capacity is expected to precede the completion of the expansion. On July 1, 2013, the District entered into a lease agreement with Oakmont, in which Oakmont agrees to lease the District 42,000 gallons per day of wastewater treatment capacity until completion of the expansion or July 1, 2016, (whichever occurs first) at which time this agreement will terminate. The District will make monthly lease payments to Oakmont in the amount of \$946. In addition to the monthly lease payment, the District will pay monthly operating charges attributable to the leased capacity. During the current fiscal year the District recorded an expenditure of \$11,355 for monthly lease payments.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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, 2015, \$5,000 of surplus funds is required to remain in escrow.

In compliance with the Commission's order dated July 21, 2006, the District placed \$1,488,675 from the Series 2006 Park Bond proceeds into an escrow account. On February 26, 2007, the Commission approved the release of \$44,375 from escrow for legal fees. On November 12, 2008, the Commission approved the release of \$150,000 from escrow for land acquisition for a general expansion of the District's Inway recreational facility which includes additional parking, greenspace, trails, etc. On July 15, 2010, the Commission approved the release of \$291,500 for Inway Park Improvements, and a change in project scope to reallocate \$40,610 to finance a portion of the Inway Park Improvements. On January 26, 2012, the Commission approved the release of \$464,286 from escrow and a change in project scope: \$269,500 plus \$81,357 for Northcrest Park Improvements and \$113,429 for West Park Improvements. On June 11, 2013, the Commission approved the release of \$105,513 from escrow for Northcrest Park improvements. On July 12, 2013, the Commission approved the release of \$24,250 from escrow for the West Park improvements. At December 31, 2015, \$368,141 remains in escrow from the 2006 Park Bonds.

The total escrow requirement at December 31, 2015, is \$373,141.

**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, 2015, the eligible employees contributed \$14,765 to the plan and the District contributed \$6,771.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75<sup>th</sup> Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The fee for 2015 was \$2.00 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of \$652,924 for fees assessed by the Authority during the current fiscal year. The District collects fees from its customers as a part of its monthly billings to cover this regulatory assessment.

**NOTE 13. AGREEMENT FOR MANAGEMENT AND OPERATION OF OAKMONT PARKS AND RECREATIONAL FACILITIES**

On December 9, 2006, the District entered into an agreement with Oakmont Public Utility District ("Oakmont") to manage the Oakmont recreational facilities. Oakmont shall impose and collect the same recreation fee set by the District and shall make the recreation fee mandatory for each occupied resident in Oakmont. Oakmont will furnish all consumable supplies needed to operate the facilities. The District will furnish all equipment, tools, appliances and labor necessary for proper maintenance and repairs. The term of this agreement was for one year, subject to renewal. On October 13, 2007, the agreement was amended to extend the term of the agreement for one year, and to provide for automatic renewal of the agreement on the effective date for successive one year terms unless terminated earlier by written notice of either party at least 60 days prior to the anniversary of the effective date. The second amendment effective January 1, 2012 and the third amendment, effective January 1, 2015, set the fees to be paid by Oakmont. During the current fiscal year, the District recorded \$78,248 of revenue related to this agreement.

**NOTE 14. 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.



**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 15. INTERFUND PAYABLES AND RECEIVABLES**

The General Fund owes the Debt Service Fund (Tax Account) \$117,998 for maintenance tax collections. The General Fund fund owes the Special Revenues Fund \$27,659 for wastewater treatment plant operations. The General Fund owes the Capital Projects Fund \$798,283 for Water Plant No. 3 construction costs pending the expenditures of these funds.

**NOTE 16. USE OF SURPLUS FUNDS AND TRANSFERS**

On September 23, 2015, the Commission approved a change in project scope to relocate a total of \$696,000 originally designated for construction costs associated with Wastewater Treatment Plant No. 2 – Phase 1 and Water Plant No. 2 Hydropneumatic Tank Addition, and the use of \$274,966 in surplus funds for costs associated with Water Plant No. 3 land purchase, engineering, design fees and a portion of construction contingency for Water Plant No. 3.

The District transferred \$26,027 of Series 2015 bond proceeds from the Capital Projects Fund to the General Fund for amounts paid in prior years for bond issuance costs.

**NOTE 17. ENFORCEMENT ACTION**

The District received a notice of violation from the Commission on or about December 20, 2010, for failure to comply with permitted effluent limits and failure to submit a complete discharge monitoring report for the period ended June 30, 2010. The District was assessed an administrative penalty of \$36,465 by the Commission. The penalty amount was shared with Oakmont pursuant to the ownership percentages. The Commission agreed to offset the penalty by the District's completion of a Supplemental Environmental Project for the Spring Creek Greenway Project. In 2011, the Commission accepted the Supplemental Environmental Project and the Agreed Order administrative penalty was satisfied. The Agreed Order will expire August 13, 2016.

**NOTE 18. BOND ANTICIPATION NOTE**

On August 18, 2014, the District issued a bond anticipation note in a private placement to Regions Bank in the amount of \$2,930,000. The note carried an interest rate of 0.885%. Proceeds were used for the funding of the Wastewater Treatment Plant expansion and Water Plant No. 2 hydro tank projects. The note was fully retired on April 14, 2015 from proceeds of the Series 2015 bond issue.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 19. BOND SALE**

On April 14, 2015, the District issued \$4,460,000 of Series 2015 Unlimited Tax Bonds. Proceeds from the bonds were used to redeem a bond anticipation note (BAN), the proceeds of which were used to pay for the expansion of the District's Wastewater Treatment Plant; the addition of a hydropneumatic tank to Water Plant No. 2 and costs for engineering fees and contingencies associated with these projects. In addition, the proceeds of the bonds include 18 months of capitalized interest and costs of issuing the BAN and the bonds.

**NOTE 20. 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, 2015, the District recorded an estimated liability of \$6,020,481 for completed projects and \$5,554,888 for advances for Wastewater Treatment Plant No. 2.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2015**

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 900,000	\$ 1,042,385	\$ 142,385
Water Service	900,000	1,001,460	101,460
Wastewater Service	990,000	1,126,294	136,294
Penalty and Interest	27,000	37,948	10,948
Tap Connection and Inspection Fees	215,650	90,906	(124,744)
Facility Use Fees	109,200	109,162	(38)
Regional Water Authority Fees	750,000	737,987	(12,013)
Investment Revenues	2,100	3,173	1,073
Miscellaneous Revenues	100,600	95,683	(4,917)
<b>TOTAL REVENUES</b>	<u>\$ 3,994,550</u>	<u>\$ 4,244,998</u>	<u>\$ 250,448</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 234,750	\$ 301,728	\$ (66,978)
Contracted Services	556,020	528,368	27,652
Purchased Wastewater Service	331,800	300,073	31,727
Utilities	123,060	106,945	16,115
Repairs and Maintenance	243,000	213,767	29,233
Regional Water Authority Assessments	750,000	652,924	97,076
Parks and Recreation	1,094,960	1,104,432	(9,472)
Other	293,190	250,970	42,220
Capital Outlay:			
Parks and Recreation	40,000	61,614	(21,614)
Other		21,975	(21,975)
Debt Service:			
Bond Issuance Costs		32,948	(32,948)
<b>TOTAL EXPENDITURES</b>	<u>\$ 3,666,780</u>	<u>\$ 3,575,744</u>	<u>\$ 91,036</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 327,770</u>	<u>\$ 669,254</u>	<u>\$ 341,484</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers In (Out)	<u>\$</u>	<u>\$ 26,027</u>	<u>\$ 26,027</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 327,770</u>	<u>\$ 695,281</u>	<u>\$ 367,511</u>
<b>FUND BALANCE - JANUARY 1, 2015</b>	<u>1,209,268</u>	<u>1,209,268</u>	
<b>FUND BALANCE - DECEMBER 31, 2015</b>	<u>\$ 1,537,038</u>	<u>\$ 1,904,549</u>	<u>\$ 367,511</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, 2015**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Wastewater Service	\$ 510,505	\$ 475,459	\$ (35,046)
Investment Revenues		69	69
<b>TOTAL REVENUES</b>	<u>\$ 510,505</u>	<u>\$ 475,528</u>	<u>\$ (34,977)</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 16,800	\$ 3,122	\$ 13,678
Contracted Services	51,000	48,632	2,368
Utilities	85,200	84,314	886
Repairs and Maintenance	96,000	98,545	(2,545)
Other	261,505	240,915	20,590
Capital Outlay			
<b>TOTAL EXPENDITURES</b>	<u>\$ 510,505</u>	<u>\$ 475,528</u>	<u>\$ 34,977</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ -0-	\$ -0-	\$ -0-
<b>FUND BALANCE - JANUARY 1, 2015</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>FUND BALANCE - DECEMBER 31, 2015</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**SUPPLEMENTARY INFORMATION REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**DECEMBER 31, 2015**

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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

**2. RETAIL SERVICE PROVIDERS**

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

Based on the rate order approved October 20, 2014.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 20.00	7,000	N	\$ 1.50 \$ 2.00 \$ 2.50 \$ 3.50 \$ 5.00	7,001 to 12,000 12,001 to 20,000 20,001 to 30,000 30,001 to 75,000 75,001 and over
WASTEWATER:	\$ 44.85 *		Y		
SURCHARGE:					
Regional Water Authority Fees				\$ 2.40	1,000 and over

District employs winter averaging for wastewater usage?          X    
Yes                      No

Total monthly charges per 10,000 gallons usage: Water: \$24.50 Wastewater: \$44.85 Surcharge: \$24.00 Total: \$93.35

\* Includes garbage fee of \$17.50 and recycling fee of \$3.00.

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>1,768</u>	<u>1,753</u>	x 1.0	<u>1,753</u>
1"	<u>93</u>	<u>92</u>	x 2.5	<u>230</u>
1½"	<u>1</u>	<u>1</u>	x 5.0	<u>5</u>
2"	<u>30</u>	<u>30</u>	x 8.0	<u>240</u>
3"			x 15.0	
4"	<u>1</u>	<u>1</u>	x 25.0	<u>25</u>
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"	<u>3</u>	<u>3</u>	x 80.0	<u>240</u>
10"			x 115.0	
Total Water Connections	<u><u>1,898</u></u>	<u><u>1,882</u></u>		<u><u>2,593</u></u>
Total Wastewater Connections	<u><u>1,841</u></u>	<u><u>1,825</u></u>	x 1.0	<u><u>1,825</u></u>

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

Gallons pumped into system:	336,251,000	Water Accountability Ratio: 92.5% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	296,065,000	
Gallons sold to Encanto Real	15,074,000	

See accompanying independent auditor's report.



**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**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, 2015**

<b>PROFESSIONAL FEES:</b>	
Auditing	\$ 23,500
Engineering	141,271
Legal	<u>136,957</u>
<b>TOTAL PROFESSIONAL FEES</b>	<b>\$ 301,728</b>
 <b>PURCHASED SERVICES FOR RESALE:</b>	
Purchased Wastewater Service	<u>\$ 300,073</u>
 <b>CONTRACTED SERVICES:</b>	
Bookkeeping	\$ 28,601
Operations and Billing	<u>92,323</u>
<b>TOTAL CONTRACTED SERVICES</b>	<b>\$ 120,924</b>
 <b>UTILITIES:</b>	
Electricity	\$ 105,047
Telephone	<u>1,898</u>
<b>TOTAL UTILITIES</b>	<b>\$ 106,945</b>
 <b>REPAIRS AND MAINTENANCE</b>	<b>\$ 213,767</b>
 <b>ADMINISTRATIVE EXPENDITURES:</b>	
Community Education	\$ 5,381
Director Fees	22,200
Dues and Registration Fees	2,059
Insurance	47,716
Office Supplies and Postage	7,890
Travel and Meetings	5,248
Website	1,521
Other	<u>10,739</u>
<b>TOTAL ADMINISTRATIVE EXPENDITURES</b>	<b>\$ 102,754</b>
 <b>CAPITAL OUTLAY:</b>	
Capitalized Assets	\$ 21,975
Expenditures Not Capitalized	<u>          </u>
<b>TOTAL CAPITAL OUTLAY</b>	<b>\$ 21,975</b>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

TAP CONNECTIONS	\$	<u>49,351</u>		
SOLID WASTE DISPOSAL	\$	<u>407,444</u>		
SECURITY	\$	<u>-0-</u>		
PARKS AND RECREATION				
Personnel (Including Benefits)	\$	876,899		
Repairs and Maintenance		152,707		
Truck		8,642		
Utilities		66,184		
Capital Outlay		<u>61,614</u>		
TOTAL PARKS AND RECREATION	\$	<u>1,166,046</u>		
OTHER EXPENDITURES:				
Chemicals	\$	29,584		
Laboratory Fees		18,818		
Permit Fees		3,676		
Reconnection Fees		11,932		
Inspection Fees		13,090		
Regional Water Authority Assessments		652,924		
TCEQ Regulatory Assessment		10,410		
Wastewater Treatment Capacity Lease		<u>11,355</u>		
TOTAL OTHER EXPENDITURES	\$	<u>751,789</u>		
DEBT SERVICE:				
Bond Issuance Costs		<u>32,948</u>		
TOTAL EXPENDITURES	\$	<u><u>3,575,744</u></u>		
Number of persons employed by the District	<u>11</u>	Full-Time	<u>11</u>	Part-Time*

\* During the summer months, part-time employees may be as many as 47.

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**INVESTMENTS**  
**DECEMBER 31, 2015**

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Certificate of Deposit	XXXX5780	0.500%	04/19/16	\$ 245,000	\$ 245
Certificate of Deposit	XXXX0340	0.300%	06/21/16	245,000	18
TOTAL GENERAL FUND				<u>\$ 490,000</u>	<u>\$ 263</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX1910	0.350%	02/24/16	\$ 245,000	\$
Certificate of Deposit	XXXX1535	0.400%	02/24/16	245,000	
TOTAL DEBT SERVICE FUND				<u>\$ 490,000</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 980,000</u>	<u>\$ 263</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JANUARY 1, 2015	\$ 837,222		\$ 1,162,889	
Adjustments to Beginning				
Balance	<u>5,136</u>	\$ 842,358	<u>7,396</u>	\$ 1,170,285
Original 2015 Tax Levy	\$ 1,269,910		\$ 1,566,535	
Adjustment to 2015 Tax Levy	<u>344,018</u>	<u>1,613,928</u>	<u>247,796</u>	<u>1,814,331</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 2,456,286		\$ 2,984,616
TAX COLLECTIONS:				
Prior Years	\$ 824,066		\$ 1,143,944	
Current Year	<u>378,081</u>	<u>1,202,147</u>	<u>312,335</u>	<u>1,456,279</u>
TAXES RECEIVABLE -				
DECEMBER 31, 2015		<u>\$ 1,254,139</u>		<u>\$ 1,528,337</u>
TAXES RECEIVABLE BY				
YEAR:				
2015	\$ 1,235,847		\$ 1,501,996	
2014	5,853		8,429	
2013	2,241		3,226	
2012	1,763		2,539	
2011	1,460		2,102	
2010	1,587		2,285	
2009	1,585		2,283	
2008	1,699		2,447	
2007	866		1,248	
2006	506		728	
2005	366		527	
2004	<u>366</u>		<u>527</u>	
TOTAL		<u>\$ 1,254,139</u>		<u>\$ 1,528,337</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014	2013	2012
<b>DISTRICT WIDE:</b>				
Land	\$ 127,603,417	\$ 79,957,275	\$ 57,926,244	\$ 58,607,793
Improvements	433,454,831	361,292,832	333,894,721	320,651,863
Personal Property	5,658,875	4,854,864	4,958,049	4,654,557
Exemptions	<u>(62,736,244)</u>	<u>(59,616,162)</u>	<u>(58,366,932)</u>	<u>(56,595,208)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 503,980,879</u>	<u>\$ 386,488,809</u>	<u>\$ 338,412,082</u>	<u>\$ 327,319,005</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 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>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.61</u>	<u>\$ 0.61</u>	<u>\$ 0.61</u>	<u>\$ 0.61</u>
ADJUSTED TAX LEVY*	<u>\$ 3,074,284</u>	<u>\$ 2,357,582</u>	<u>\$ 2,064,314</u>	<u>\$ 1,996,646</u>
<b>DEFINED AREA :</b>				
PROPERTY VALUATIONS	<u>\$ 55,308,676</u>	<u>\$ 10,765,269</u>	<u>\$ 683,460</u>	<u>\$ - 0 -</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Maintenance***	<u>0.64</u>	<u>0.64</u>	<u>0.64</u>	<u></u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.64</u>	<u>\$ 0.64</u>	<u>\$ 0.64</u>	<u>\$ - 0 -</u>
ADJUSTED TAX LEVY*	<u>\$ 353,976</u>	<u>\$ 68,898</u>	<u>\$ 4,374</u>	<u>\$ - 0 -</u>
PERCENTAGE OF TOTAL TAXES COLLECTED TO TOTAL TAXES LEVIED	<u>20.14 %</u>	<u>99.41 %</u>	<u>99.75 %</u>	<u>99.78 %</u>
	**			

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

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

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

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2015**

S E R I E S - 2 0 0 6			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2016	\$ 145,000	\$ 9,100	\$ 154,100
2017	155,000	3,100	158,100
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 300,000</u>	<u>\$ 12,200</u>	<u>\$ 312,200</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2015**

P A R K S E R I E S - 2 0 0 6			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2016	\$ 65,000	\$ 3,998	\$ 68,998
2017	70,000	1,365	71,365
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 135,000</u>	<u>\$ 5,363</u>	<u>\$ 140,363</u>

See accompanying independent auditor's report.



**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2015**

S E R I E S - 2 0 1 0			
Duc During Fiscal Years Ending December 31	Principal Duc March 1	Interest Duc March 1/ September 1	Total
2016	\$ 25,000	\$ 186,462	\$ 211,462
2017	25,000	185,619	210,619
2018	25,000	184,713	209,713
2019	50,000	183,150	233,150
2020	50,000	180,963	230,963
2021	50,000	178,775	228,775
2022	50,000	176,525	226,525
2023	50,000	174,212	224,212
2024	50,000	171,900	221,900
2025	50,000	169,588	219,588
2026	50,000	167,275	217,275
2027	50,000	164,962	214,962
2028	180,000	159,644	339,644
2029	185,000	150,971	335,971
2030	190,000	141,831	331,831
2031	645,000	121,478	766,478
2032	680,000	89,181	769,181
2033	715,000	55,178	770,178
2034	755,000	18,875	773,875
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 3,875,000</u>	<u>\$ 2,861,302</u>	<u>\$ 6,736,302</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2015**

REFUNDING SERIES - 2010			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2016	\$ 460,000	\$ 180,700	\$ 640,700
2017	470,000	164,425	634,425
2018	485,000	146,500	631,500
2019	345,000	129,900	474,900
2020	365,000	115,700	480,700
2021	380,000	100,800	480,800
2022	400,000	85,200	485,200
2023	420,000	68,800	488,800
2024	440,000	51,600	491,600
2025	460,000	33,600	493,600
2026	300,000	18,400	318,400
2027	310,000	6,200	316,200
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 4,835,000</u>	<u>\$ 1,101,825</u>	<u>\$ 5,936,825</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2015**

S E R I E S - 2 0 1 2			
Duc During Fiscal Years Ending December 31	Principal Duc March 1	Interest Duc March 1/ September 1	Total
2016	\$	\$ 73,563	\$ 73,563
2017		73,562	73,562
2018		73,563	73,563
2019		73,562	73,562
2020		73,563	73,563
2021		73,562	73,562
2022		73,563	73,563
2023		73,562	73,562
2024		73,563	73,563
2025		73,562	73,562
2026		73,563	73,563
2027		73,562	73,562
2028	60,000	72,738	132,738
2029	55,000	71,156	126,156
2030	60,000	69,575	129,575
2031	60,000	67,850	127,850
2032	60,000	66,050	126,050
2033	65,000	64,175	129,175
2034	65,000	62,225	127,225
2035	855,000	46,287	901,287
2036	895,000	15,663	910,663
2037			
2038			
2039			
2040			
	<u>\$ 2,175,000</u>	<u>\$ 1,418,469</u>	<u>\$ 3,593,469</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2015**

REFUNDING SERIES - 2014			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2016	\$ 25,000	\$ 115,876	\$ 140,876
2017	25,000	115,194	140,194
2018	255,000	111,375	366,375
2019	270,000	104,213	374,213
2020	275,000	96,779	371,779
2021	290,000	89,073	379,073
2022	295,000	81,093	376,093
2023	305,000	72,908	377,908
2024	320,000	64,383	384,383
2025	335,000	55,449	390,449
2026	345,000	46,174	391,174
2027	355,000	36,625	391,625
2028	370,000	26,735	396,735
2029	390,000	16,368	406,368
2030	405,000	5,524	410,524
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 4,260,000</u>	<u>\$ 1,037,769</u>	<u>\$ 5,297,769</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2015**

S E R I E S - 2 0 1 5			
Duc During Fiscal Years Ending December 31	Principal Duc March 1	Interest Duc March 1/ September 1	Total
2016	\$	\$ 136,894	\$ 136,894
2017	115,000	135,744	250,744
2018	120,000	133,394	253,394
2019	125,000	130,944	255,944
2020	125,000	128,444	253,444
2021	130,000	125,731	255,731
2022	140,000	122,519	262,519
2023	145,000	118,956	263,956
2024	150,000	115,269	265,269
2025	155,000	111,262	266,262
2026	160,000	106,931	266,931
2027	170,000	102,181	272,181
2028	175,000	97,006	272,006
2029	180,000	91,681	271,681
2030	190,000	86,013	276,013
2031	200,000	79,919	279,919
2032	205,000	73,591	278,591
2033	215,000	66,894	281,894
2034	225,000	59,744	284,744
2035	230,000	52,206	282,206
2036	240,000	43,975	283,975
2037	250,000	35,094	285,094
2038	260,000	25,688	285,688
2039	270,000	15,750	285,750
2040	285,000	5,344	290,344
	<u>\$ 4,460,000</u>	<u>\$ 2,201,174</u>	<u>\$ 6,661,174</u>

See accompanying independent auditor's report.

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**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2015**

**ANNUAL REQUIREMENTS**  
**FOR ALL SERIES**

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2016	\$ 720,000	\$ 706,593	\$ 1,426,593
2017	860,000	679,009	1,539,009
2018	885,000	649,545	1,534,545
2019	790,000	621,769	1,411,769
2020	815,000	595,449	1,410,449
2021	850,000	567,941	1,417,941
2022	885,000	538,900	1,423,900
2023	920,000	508,438	1,428,438
2024	960,000	476,715	1,436,715
2025	1,000,000	443,461	1,443,461
2026	855,000	412,343	1,267,343
2027	885,000	383,530	1,268,530
2028	785,000	356,123	1,141,123
2029	810,000	330,176	1,140,176
2030	845,000	302,943	1,147,943
2031	905,000	269,247	1,174,247
2032	945,000	228,822	1,173,822
2033	995,000	186,247	1,181,247
2034	1,045,000	140,844	1,185,844
2035	1,085,000	98,493	1,183,493
2036	1,135,000	59,638	1,194,638
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
	<u>\$ 20,040,000</u>	<u>\$ 8,638,102</u>	<u>\$ 28,678,102</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2015
Northampton Municipal Utility District Waterworks and Sewer System Unlimited Tax Bonds - Series 2006	\$ 4,000,000	\$ 440,000
Northampton Municipal Utility District Unlimited Tax Park Bonds - Series 2006	1,775,000	195,000
Northampton Municipal Utility District Unlimited Tax Bonds - Series 2010	4,000,000	3,900,000
Northampton Municipal Utility District Unlimited Tax Refunding Bonds - Series 2010	6,965,000	5,475,000
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	4,320,000
Northampton Municipal Utility District Unlimited Tax Bonds - Series 2015	<u>4,460,000</u>	<u>                    </u>
<b>TOTAL</b>	<u><u>\$ 27,695,000</u></u>	<u><u>\$ 16,505,000</u></u>

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

See accompanying independent auditor's report.



<u>Current Year Transactions</u>					
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding December 31, 2015</u>	<u>Paying Agent</u>	
	<u>Principal</u>	<u>Interest</u>			
\$	\$ 140,000	\$ 15,675	\$ 300,000	Wells Fargo Bank N.A. Houston, TX	
	60,000	6,465	135,000	Wells Fargo Bank N.A. Houston, TX	
	25,000	187,244	3,875,000	Wells Fargo Bank N.A. Houston, TX	
	640,000	198,350	4,835,000	Wells Fargo Bank N.A. Houston, TX	
		73,562	2,175,000	Regions Bank Houston, TX	
	60,000	82,007	4,260,000	Regions Bank Birmingham, AL	
<u>4,460,000</u>		<u>52,096</u>	<u>4,460,000</u>	Regions Bank Houston, TX	
<u>\$ 4,460,000</u>	<u>\$ 925,000</u>	<u>\$ 615,399</u>	<u>\$ 20,040,000</u>		

See accompanying independent auditor's report.

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**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>District Wide:</b>	<b>Tax and Revenue Bonds</b>	<b>Tax Bonds and Refunding Bonds</b>	<b>Park Bonds</b>
Bond Authority:			
Authorized by Voters	\$ 10,600,000	\$ 54,700,000	\$ 1,775,000
Amount Issued	<u>10,600,000</u>	<u>20,220,000</u>	<u>1,775,000</u>
Remaining to be Issued	<u>\$ - 0 -</u>	<u>\$ 34,480,000</u>	<u>\$ - 0 -</u>
<b>Defined Area:</b>		<b>Tax Bonds and Refunding Bonds</b>	<b>Road Bonds</b>
Bond Authority:			
Authorized by Voters		\$ 41,000,000	\$ 17,000,000
Amount Issued		<u></u>	<u></u>
Remaining to be Issued		<u>\$ 41,000,000</u>	<u>\$ 17,000,000</u>
Debt Service Fund cash and investment balances as of December 31, 2015:			<u>\$ 1,135,409</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 1,147,124</u>

See Note 3 for interest rate, interest payment dates and maturity dates.

See accompanying independent auditor's report.

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

	Amounts		
	2015	2014	2013
<b>REVENUES</b>			
Property Taxes	\$ 1,042,385	\$ 975,998	\$ 821,340
Water Service	1,001,460	846,002	728,175
Wastewater Service	1,126,294	949,019	875,255
Penalty and Interest	37,948	25,950	31,472
Tap Connection and Inspection Fees	90,906	653,447	1,420
Facility Use Fees	109,162	94,057	101,633
Regional Water Authority Fees	737,987	690,512	666,239
Investment Revenues	3,173	1,996	1,137
Miscellaneous Revenues	95,683	98,989	77,571
<b>TOTAL REVENUES</b>	<b>\$ 4,244,998</b>	<b>\$ 4,335,970</b>	<b>\$ 3,304,242</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 301,728	\$ 263,237	\$ 289,276
Contracted Services	528,368	512,900	497,542
Purchased Wastewater Service	300,073	306,971	328,594
Utilities	106,945	99,271	109,439
Repairs and Maintenance	213,767	234,968	237,242
Regional Water Authority Assessments	652,924	616,980	641,190
Parks and Recreation	1,104,432	1,030,122	1,024,236
Other	250,970	427,836	189,231
Capital Outlay:			
Parks and Recreation	61,614	32,589	
Other Facilities	21,975		87,997
Debt Service:			
Bond Issuance Costs	32,948	26,027	
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,575,744</b>	<b>\$ 3,550,901</b>	<b>\$ 3,404,747</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 669,254</b>	<b>\$ 785,069</b>	<b>\$ (100,505)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	\$ 26,027	\$ 64,007	\$ 157,614
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 695,281</b>	<b>\$ 849,076</b>	<b>\$ 57,109</b>
<b>BEGINNING FUND BALANCE</b>	<b>1,209,268</b>	<b>360,192</b>	<b>303,083</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 1,904,549</b>	<b>\$ 1,209,268</b>	<b>\$ 360,192</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2012	2011	2015	2014	2013	2012	2011
\$ 842,121	\$ 845,835	24.4 %	22.4 %	24.9 %	26.9 %	23.9 %
562,595	651,036	23.6	19.5	22.0	18.0	18.4
874,541	879,248	26.5	21.9	26.5	27.9	24.9
25,382	28,356	0.9	0.6	1.0	0.8	0.8
950	10,500	2.1	15.1			0.3
89,388	111,381	2.6	2.2	3.1	2.9	3.2
654,750	826,349	17.4	15.9	20.2	20.9	23.4
2,265	3,917	0.1			0.1	0.1
78,434	177,939	2.4	2.4	2.3	2.5	5.0
<u>\$ 3,130,426</u>	<u>\$ 3,534,561</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 249,791	\$ 215,763	7.1 %	6.1 %	8.8 %	8.0 %	6.0 %
541,377	595,775	12.4	11.8	15.1	17.3	16.9
290,491	299,627	7.1	7.1	9.9	9.3	8.5
104,107	128,970	2.5	2.3	3.3	3.3	3.6
288,313	231,620	5.0	5.4	7.2	9.2	6.6
653,541	847,613	15.4	14.2	19.4	20.9	24.0
1,061,096	932,341	26.0	23.8	31.0	33.9	26.4
180,969	169,458	5.9	9.9	5.7	5.8	4.8
150,698	374,603	1.5	0.8		4.8	10.6
101,055	212,490	0.5		2.7	3.2	6.0
		0.8	0.6			
<u>\$ 3,621,438</u>	<u>\$ 4,008,260</u>	<u>84.2 %</u>	<u>82.0 %</u>	<u>103.1 %</u>	<u>115.7 %</u>	<u>113.4 %</u>
<u>\$ (491,012)</u>	<u>\$ (473,699)</u>	<u>15.8 %</u>	<u>18.0 %</u>	<u>(3.1) %</u>	<u>(15.7) %</u>	<u>(13.4) %</u>
<u>\$ 606,692</u>	<u>\$ - 0 -</u>					
\$ 115,680	\$ (473,699)					
187,403	661,102					
<u>\$ 303,083</u>	<u>\$ 187,403</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2015	2014	2013
<b>REVENUES</b>			
Property Taxes	\$ 1,401,822	\$ 1,318,900	\$ 1,182,729
Penalty and Interest	27,695	14,583	22,686
Investment Revenues	2,904	4,484	4,092
Miscellaneous Revenues	<u>75</u>	<u>25</u>	<u>1,605</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,432,496</u>	<u>\$ 1,337,992</u>	<u>\$ 1,211,112</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 66,533	\$ 51,544	\$ 48,659
Debt Service Principal	925,000	830,000	815,000
Debt Service Interest and Fees	618,205	679,172	687,835
Bond Issuance Costs	<u></u>	<u>106,157</u>	<u></u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,609,738</u>	<u>\$ 1,666,873</u>	<u>\$ 1,551,494</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (177,242)</u>	<u>\$ (328,881)</u>	<u>\$ (340,382)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding Bonds	\$	\$ 4,320,000	\$
Long-Term Debt Issued	210,284		
Payment to Refunded Bond Escrow Agent	<u></u>	<u>(4,213,138)</u>	<u></u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ 210,284</u>	<u>\$ 106,862</u>	<u>\$ - 0 -</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 33,042	\$ (222,019)	\$ (340,382)
<b>BEGINNING FUND BALANCE</b>	<u>900,087</u>	<u>1,122,106</u>	<u>1,462,488</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 933,129</u>	<u>\$ 900,087</u>	<u>\$ 1,122,106</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>1,882</u>	<u>1,818</u>	<u>1,708</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>1,825</u>	<u>1,766</u>	<u>1,653</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2012	2011	2015	2014	2013	2012	2011
\$ 1,212,652	\$ 1,217,998	97.9 %	98.6 %	97.7 %	98.3 %	97.6 %
15,116	18,678	1.9	1.1	1.9	1.2	1.5
6,605	11,130	0.2	0.3	0.3	0.5	0.9
25				0.1		
<u>\$ 1,234,398</u>	<u>\$ 1,247,806</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 47,288	\$ 66,253	4.6 %	3.9 %	4.0 %	3.8 %	5.3 %
570,000	725,000	64.6	62.0	67.3	46.2	58.1
879,911	661,853	43.2	50.8	56.8	71.3	53.0
			7.9			
<u>\$ 1,497,199</u>	<u>\$ 1,453,106</u>	<u>112.4 %</u>	<u>124.6 %</u>	<u>128.1 %</u>	<u>121.3 %</u>	<u>116.4 %</u>
\$ (262,801)	\$ (205,300)	<u>(12.4) %</u>	<u>(24.6) %</u>	<u>(28.1) %</u>	<u>(21.3) %</u>	<u>(16.4) %</u>
\$ 73,562	\$					
<u>\$ 73,562</u>	<u>\$ - 0 -</u>					
\$ (189,239)	\$ (205,300)					
<u>1,651,727</u>	<u>1,857,027</u>					
<u>\$ 1,462,488</u>	<u>\$ 1,651,727</u>					
<u>1,690</u>	<u>1,692</u>					
<u>1,647</u>	<u>1,648</u>					

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
DECEMBER 31, 2015**

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

District Telephone Number - (713) 739-1060

<b>Board Members</b>	<b>Term of Office (Elected or Appointed)</b>	<b>Fees of Office for the year ended December 31, 2015</b>	<b>Expense Reimbursements for the year ended December 31, 2015</b>	<b>Title</b>
E. C. Thomas	05/14 05/18 (Elected)	\$ 3,000	\$ -0-	President
Bill Black	05/12 05/16 (Elected)	\$ 6,300	\$ 94	1st Vice President
W. Paul Schneider	05/14 05/18 (Elected)	\$ 5,550	\$ 910	2nd Vice President
Robert W. Dowies	06/15 05/16 (Appointed)	\$ 2,100	\$ -0-	Secretary
Roger A. Flood, III	09/14 05/16 (Appointed)	\$ 3,900	\$ -0-	Treasurer/ Investment Officer

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054 July 20, 2015).

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

See accompanying independent auditor's report.



**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**DECEMBER 31, 2015**

<b>Key Personnel:</b>	<b>Date Hired</b>	<b>Fees for the year ended December 31, 2015</b>	<b>Title</b>
Jim Sheffield	09/29/03	\$ 123,296	General Manager
<b>Consultants:</b>			
Bacon & Wallace, L.L.P.	01/01/01	\$ 136,956 \$ 113,235	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	12/16/91	\$ 26,050	Auditor
Cindy Schmidt	01/15/90	\$ 32,250	Bookkeeper
Perdue Brandon Fielder Collins & Mott, L.L.P.	10/21/96	\$ 6,246	Delinquent Tax Attorney
Jones & Carter, Inc.	12/04/79	\$ 564,098	Engineer
Robert W. Baird & Co. Incorporated	01/19/15	\$ 84,368	Financial Advisor
Cindy Schmidt	08/18/14	\$ -0-	Investment Officer
Hays Utility South Corporation	10/14/70	\$ 680,482	Operator
Esther Flores Tax Tech, Inc.	06/17/91	\$ 29,248	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

ADDENDUM  
TO

OFFICIAL STATEMENT DATED SEPTEMBER 22, 2016

\$4,800,000

NORTHAMPTON MUNICIPAL UTILITY DISTRICT

UNLIMITED TAX REFUNDING BONDS, SERIES 2016

This Addendum serves to correct the assessed valuations for SC Waterford Springs LLC and DR Horton Texas LTD in the principal taxpayers table in the Official Statement under "TAX DATA - Principal Taxpayers." Additionally, this Addendum serves to remove reference to SC Waterford Springs LLC and to correct the percentage of assessed value attributable to the District's ten principal taxpayers in 2016 under "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments - *Principal Landowners' Obligations to the District.*" The corrected information for each section is reflected in bold letters below.

**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	<b>\$ 33,225,078</b>	<b>5.88%</b>
AAL Apartments LLC	Land and Improvements	29,786,563	5.27
Willow Creek Golf Club Inc	Land and Improvements	3,541,059	0.63
Gosling Investments LLC	Land and Improvements	2,971,481	0.53
DR Horton Texas LTD	Land and Improvements	<b>2,179,353</b>	<b>0.39</b>
Partners In Building	Land	1,995,509	0.35
Centerpoint Energy	Personal Property	1,713,170	0.30
Gosling Express Inc	Land, Improvements & Personal Property	1,709,728	0.30
6130 AL Development Group LLC	Land and Improvements	1,648,842	0.29
Homeowner	Land and Improvements	1,075,039	0.19
Total		<b><u>\$ 79,845,822</u></b>	<b><u>14.14%</u></b>

***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 **14.14%** of the assessed value of property located in the District. Failure by any 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.

**OFFICIAL STATEMENT DATED SEPTEMBER 22, 2016**

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT. IN THE OPINION OF SPECIAL TAX COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS. SEE "LEGAL MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL AND SEE "LEGAL MATTERS" AND "TAX EXEMPTION" FOR A DISCUSSION OF THE OPINION OF SPECIAL TAX COUNSEL INCLUDING A DESCRIPTION OF CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

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**

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

**\$4,800,000**

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**

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

**UNLIMITED TAX REFUNDING BONDS, SERIES 2016**

**Interest accrues from: October 1, 2016**

**Due: March 1, as shown below**

The \$4,800,000 Northampton Municipal Utility District Unlimited Tax Refunding 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 October 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 Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will be responsible for distributing the principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the owners of beneficial interest 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 15<sup>th</sup> 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 Bonds will mature in the amounts and on the dates and will bear interest at the rates and be reoffered as set forth below.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



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

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	\$20,000	2.000%	1.150%	NM2	2027(c)	\$195,000	4.000%	2.300%	NW0
2019	20,000	2.000%	1.250%	NN0	2028(c)	190,000	4.000%	2.400%	NX8
2020	20,000	2.000%	1.450%	NP5	2029(c)	190,000	4.000%	2.500%	NY6
2021	20,000	2.000%	1.550%	NQ3	2030(c)	195,000	4.000%	2.600%	NZ3
2022	245,000	2.000%	1.700%	NR1	2031(c)	645,000	4.000%	2.640%	PA6
2023	245,000	2.000%	1.850%	NS9	2032(c)	675,000	4.000%	2.690%	PB4
2024	250,000	2.000%	2.000%	NT7	2033(c)	705,000	4.000%	2.720%	PC2
2025(c)	260,000	4.000%	2.100%	NU4	2034(c)	735,000	3.000%	3.110%	PD0
2026(c)	190,000	4.000%	2.200%	NV2					

- (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, 2025, 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, 2024, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for 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, \$34,340,000 in principal amount of unlimited tax bonds authorized by the District's voters will remain unissued, all of which may also be used for refunding purposes. See "THE BONDS - Issuance of Additional Debt." The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment."

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the Underwriter (defined herein), 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 and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Underwriter's Counsel. Delivery of the Bonds is expected on or about October 20, 2016.

**Raymond James**

## USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, this document constitutes an “official statement” of the District that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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.”

The Underwriter has provided the following sentence for inclusion in this official statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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APPENDIX A - Financial Statements of the District
APPENDIX B - Specimen Municipal Bond Insurance Policy

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

### **Underwriting**

Raymond James & Associates, Inc. (referred to herein as the "Underwriter") has agreed to purchase the Bonds from the District for \$5,066,417.65 (being the principal amount of the Bonds, plus a net original issue premium on the Bonds of \$309,948.05, and less an underwriter's discount of \$43,530.40), plus accrued interest on the Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

### **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 District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER - ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### **Securities Laws**

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

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

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



## **Build America Mutual Assurance Company**

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

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

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

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

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2016 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$485.9 million, \$53.4 million and \$432.5 million, respectively.

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

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

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

### *Additional Information Available from BAM*

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

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

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

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

#### **RATINGS**

S&P Global Ratings ("S&P") is a business unit of Standard & Poor's Financial Services LLP. 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 insurance of the municipal bond insurance policy issued by BAM at the time of delivery of the Bonds. Moody's Investors Service ("Moody's") has assigned an underlying credit rating of "A2" to the Bonds. An explanation of the underlying rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007.

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 S&P or Moody's, if, in their respective judgments, circumstances so warrant. Any such revisions or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

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## 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 .....	\$4,800,000 Unlimited Tax Refunding Bonds, Series 2016 (the "Bonds"), are dated October 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 October 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."
Optional Redemption .....	Bonds maturing on or after March 1, 2025, are subject to redemption, in whole or from time to time in part, on March 1, 2024, 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 – Description" and "- Optional Redemption."
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, 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 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 applied to advance refund \$3,650,000 of the District's Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds") and \$1,010,000 of the District's Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010 Refunding Bonds" and collectively referred to herein as the "Refunded Bonds"). The proceeds will also be used to pay certain costs of issuing the Bonds in order to achieve annual gross and net present value savings in the District's annual debt service expense. See "PLAN OF FINANCING – Use of Proceeds."

Remaining Outstanding Bonds.....	In addition to the Series 2010 Bonds and the Series 2010 Refunding Bonds, the District's currently outstanding bonds include the 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 2012 (the "Series 2012 Bonds"); the Unlimited Tax Refunding Bonds, Series 2014 (the "Series 2014 Refunding Bonds"); and the Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"), of which a total of \$19,320,000 in principal amount is currently outstanding (the "Outstanding Bonds"). Excluding the bonds in the process of issuance, following the issuance of the Bonds, \$14,660,000 in principal amount of previously issued bonds issued will be outstanding (the "Remaining Outstanding Bonds"). See "THE BONDS – Remaining Outstanding Bonds." In addition to the Outstanding Bonds, the District has also issued \$6,490,000 Defined Area Unlimited Tax Bonds, Series 2016 and \$2,700,000 Defined Area Unlimited Tax Road Bonds, Series 2016, which bonds are payable from taxes levied solely upon land within the Defined Area within the District. See "DEFINED AREA."
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 District intends to rely on the authority of Chapter 1207, Texas Government Code, for the issuance of \$4,660,000 in principal amount of the Bonds and upon the election of November 6, 2012 for the issuance of \$140,000 in principal amount of the Bonds. The Bonds are issued pursuant to the order of the District authorizing the issuance of the Bonds (the "Bond Order"), the Texas Constitution, Chapters 49 and 54, Texas Water Code, Chapter 1207, Texas Government Code, as amended, 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, \$34,340,000 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 .....	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Ratings .....	S&P Global Ratings (BAM) – "AA" (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 and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. See "LEGAL MATTERS."
Not Qualified Tax-Exempt Obligations.....	The District has <u>NOT</u> designated 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 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.....	<p>Approximately 823.83 acres within the District, including the Defined Area (hereinafter defined), 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).</p> <p>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."</p>
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 16 acres in the District. Currently, the District is not aware of any plans to develop such acreage.

Developers within the Defined Area ..... D.R. Horton is building homes within 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.

## **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."

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

2016 Assessed Valuation .....	\$564,758,564 (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:	
Remaining Outstanding Bonds (Excludes the Refunded Bonds) .....	\$14,660,000
The Bonds .....	<u>\$ 4,800,000</u>
Total .....	\$19,460,000
Estimated Overlapping Debt .....	<u>\$32,597,465 (d)</u>
Total Direct and Estimated Overlapping .....	<u>\$52,057,465</u>
Direct Debt Ratio:	
: as a percentage of 2016 Assessed Valuation .....	3.45%
: as a percentage of the Estimated Taxable Valuation at April 1, 2016 .....	3.30%
Direct and Estimated Overlapping Debt Ratio:	
: as a percentage of 2016 Assessed Valuation .....	9.22%
: as a percentage of the Estimated Taxable Valuation at April 1, 2016 .....	8.84%
Debt Service Fund Balance as of September 19, 2016 (unaudited) .....	\$ 1,217,206 (e)
General Fund Balance as of September 19, 2016 (unaudited) .....	\$ 2,775,979
Park Capital Projects Fund Balance as of September 19, 2016 (unaudited) .....	\$ 433,733
Capital Projects Fund Balance as of September 19, 2016 (unaudited) .....	\$ 343,837
2015 District Tax Rate Per \$100 of Assessed Valuation	
Debt Service .....	\$0.36
Maintenance & Operation .....	<u>0.25</u>
Total .....	\$ 0.61
Average Annual Debt Service Requirements	
of the Bonds and the Remaining Outstanding Bonds (2017-2040) .....	\$ 1,111,922
Maximum Annual Debt Service Requirement	
of the Bonds and the Remaining Outstanding Bonds (2018) .....	\$ 1,504,512
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual	
Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds	
(2017-2040) at 95% Tax Collections	
Based Upon 2016 Assessed Valuation .....	\$0.21
Based Upon April 1, 2016 Estimated Taxable Valuation .....	\$0.20
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual	
Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds	
(2034) at 95% Tax Collections	
Based Upon 2016 Assessed Valuation .....	\$0.29
Based Upon April 1, 2016 Estimated Taxable Valuation .....	\$0.27

- (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 \$43,175,025 in uncertified value.
- (c) Provided by the HCAD for information purposes only. Represents new construction within the Defined Area 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."
- (e) Balance gives effect to payment of all debt service due on the Outstanding Bonds for 2016. Neither Texas law nor the Bond Order requires that any particular amount be maintained in the Debt Service Fund at any time.



**\$4,800,000**  
**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**  
**UNLIMITED TAX REFUNDING 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 Refunding Bonds, Series 2016 (the "Bonds").

The Bonds are issued pursuant to an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"); Article XVI, Section 59 of the Texas Constitution, the laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended and Section 1207, Texas Government Code, as amended.

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

**THE BONDS**

**General**

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

The Bonds, dated October 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 October 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](http://www.dtcc.com).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, District or Paying Agent/Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

#### **Use of Certain Terms in Other Sections of this Official Statement**

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

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

The initial Paying Agent/Registrar is Regions Bank, 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.

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.

### **Remaining Outstanding Bonds**

The District has previously issued \$4,000,000 Waterworks and Sewer System Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"); \$1,775,000 Unlimited Tax Park Bonds, Series 2006 (the "Series 2006 Park Bonds"); \$4,000,000 Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"); \$6,965,000 Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010 Refunding Bonds"); \$2,175,000 Unlimited Tax Bonds, Series 2012 (the "Series 2012 Bonds"); \$4,320,000 Unlimited Tax Refunding Bonds, Series 2014 (the "Series 2014 Refunding Bonds") and \$4,460,000 Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"). Of such previously issued bonds, \$19,320,000 in principal amount is currently outstanding (the "Outstanding Bonds"). After the issuance of the Bonds and the respective redemption dates of the Refunded Bonds, the following bonds (the "Remaining Outstanding Bonds") will remain outstanding:

	Original Principal Amount	Principal Currently Outstanding	Less: Refunded Bonds	Remaining Outstanding Bonds
Series 2006 Bonds	\$ 4,000,000	\$ 155,000	\$ -0-	\$ 155,000
Series 2006 Park Bonds	1,775,000	70,000	-0-	70,000
Series 2010 Bonds	4,000,000	3,850,000	3,650,000	200,000
Series 2010 Refunding Bonds	6,965,000	4,375,000	1,010,000	3,365,000
Series 2012 Bonds	2,175,000	2,175,000	-0-	2,175,000
Series 2014 Refunding Bonds	4,320,000	4,235,000	-0-	4,235,000
Series 2015 Bonds	<u>4,460,000</u>	<u>4,460,000</u>	<u>-0-</u>	<u>4,460,000</u>
	<u>\$27,695,000</u>	<u>\$19,320,000</u>	<u>\$4,660,000</u>	<u>\$14,660,000</u>

### **Authority for Issuance**

The District intends to rely on the authority of Chapter 1207, Texas Government Code, for the issuance of \$4,660,000 of the Bonds and upon the election of November 6, 2012 for the issuance of \$140,000 of the Bonds. Following the issuance of the Bonds, \$34,340,000 of the principal amount of unlimited tax bonds for purpose of acquiring and constructing a waterworks, wastewater and storm drainage system and refunding bonds issued for such purposes will remain authorized but unissued pursuant to such elections. See "DEFINED AREA" for a discussion of Defined Area Bonds.

The Bonds are issued pursuant to 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.

## **Optional Redemption**

The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2025 prior to their scheduled maturities, in whole or in part, on March 1, 2024, 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.

## **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 \$34,340,000 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.

Currently, the District owes approximately \$8,400,000 in developer reimbursement for water, sewer and drainage projects. The District has submitted its Bond Application No. 17 to the TCEQ in the amount of \$10,300,000 to provide improvements to the District's System, and to reimburse certain developers for a share of the wastewater treatment plant, which are expected to be issued in the fourth quarter of 2016 or first quarter of 2017. Additionally, the District owes approximately \$5,800,000 in developer reimbursement for Defined Area water, sewer and drainage projects and approximately \$350,000 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.

## PLAN OF FINANCING

### Use of Proceeds

A portion of the proceeds of the Bonds, will be applied to advance refund \$3,650,000 of the District's Series 2010 Bonds, and \$1,010,000 of the District's Series 2010 Refunding Bonds (collectively referred to herein as the "Refunded Bonds"). The proceeds will also be used to pay certain costs of issuing the Bonds in order to achieve annual gross and net present value savings in the District's annual debt service expense.

Series 2010 Bonds		Series 2010 Refunding Bonds	
Principal Amount	Maturity Date	Principal Amount	Maturity Date
\$ 200,000	3-1-2025 (a)	\$ 175,000	3-1-2022
280,000	3-1-2028 (b)	180,000	3-1-2023
375,000	3-1-2030 (c)	190,000	3-1-2024
645,000	3-1-2031	200,000	3-1-2025
680,000	3-1-2032	130,000	3-1-2026
715,000	3-1-2033	135,000	3-1-2027
<u>755,000</u>	3-1-2034		
<u>\$3,650,000</u>		<u>\$1,010,000</u>	

Redemption Date: 03/01/2018

Redemption Date: 03/01/2018

Aggregate Amount of Bonds Being Refunded..... \$4,660,000

(a) Term Bond with mandatory redemption amounts as follows:

Amount	Redemption Date	Amount Redeemed
\$ 50,000	03/1/2022	\$ 50,000
50,000	03/1/2023	50,000
50,000	03/1/2024	50,000
<u>50,000</u>	03/1/2025	<u>50,000</u>
<u>\$200,000</u>		<u>\$200,000</u>

(b) Term Bond with mandatory redemption amounts as follows:

Amount	Redemption Date	Amount Redeemed
\$ 50,000	03/1/2026	\$ 50,000
50,000	03/1/2027	50,000
<u>180,000</u>	03/1/2028	<u>180,000</u>
<u>\$280,000</u>		<u>\$280,000</u>

(c) Term Bond with mandatory redemption amounts as follows:

Amount	Redemption Date	Amount Redeemed
\$185,000	03/1/2029	\$185,000
<u>190,000</u>	03/1/2030	<u>190,000</u>
<u>\$375,000</u>		<u>\$375,000</u>

## Escrow Agreement

The District will enter into an escrow agreement (the "Escrow Agreement") with Wells Fargo Bank, N.A. (the "Escrow Agent"), pursuant to which a portion of the proceeds of the Bonds, along with certain other lawfully available funds of the District, if any, will be deposited in cash or invested in certain securities of the United States of America (the "Escrowed Obligations") and held in an escrow fund (the "Escrow Fund") to provide for scheduled payments of principal of and interest on the Refunded Bonds until their maturity or redemption dates. At the time of delivery of the Bonds, Grant Thornton LLP will verify to the District, the Escrow Agent, Bond Counsel and the Underwriter that the cash and Escrowed Obligations in the Escrow Fund are sufficient in principal amount to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

By the deposit of cash and Escrowed Obligations with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the resolutions and/or orders authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefore in such Escrow Agreement.

## Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, together with lawfully available debt service funds on hand, will be applied as follows:

### SOURCES OF FUNDS:

Principal Amount of Bonds.....	\$4,800,000.00
Net Premium .....	309,948.05
Debt Service Funds Transfer .....	43,000.00
Accrued Interest on Bonds.....	8,879.86
Total Sources of Funds.....	<u>\$5,161,827.91</u>

### USES OF FUNDS:

Deposit to Escrow Fund for Payment of the Refunded Bonds .....	\$4,943,122.90
Deposit of Accrued Interest to Debt Service Fund.....	8,879.86
Issuance Expenses and Underwriter's Discount .....	209,825.15
Total Uses of Funds.....	<u>\$5,161,827.91</u>

## **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 substantial portion of which has been developed as a golf course. Courts at Auburn Lakes has a very small part of approximately 23 lots that back up to the golf course which are currently in the floodplain. In Northampton, Section 4 approximately 37 lots include a portion of the drainage ditch and therefore are partially located in the 100-year floodplain. No action is currently being taken by the District to remove the land currently in the official floodplain.

## 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.

**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."

### **Special Consultants Related to Issuance of the Bonds**

Special Tax Counsel - The firm of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, will act as Special Tax Counsel. The fees payable to Special Tax Counsel are contingent upon the issuance, sale and delivery of the Bonds.

Verification Agent - At the time of delivery of the Bonds, Grant Thornton LLP, Certified Public Accountants, will verify to the District, Bond Counsel, and the Underwriter certain matters related to the issuance of the bond and the refunding of the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

### **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 is in the process of issuing its \$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. 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 anticipates the levy of 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 1 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 16 acres in the District. Currently, the District is not aware of any plans to develop such acreage.

#### **DEVELOPERS WITHIN THE DEFINED AREA**

D.R. Horton is 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.



## 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 2015 tax year of \$0.36 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 2015 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 Defined Area. 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 8/31/16
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	388,417,125	0.61	2,369,344	99.17	2015	99.47
2015	504,120,462	0.61	3,075,135	99.12	2016	99.12

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

### Tax Rate Distribution

	<u>2015 (a)</u>	<u>2014 (a)</u>	<u>2013 (a)</u>	<u>2012</u>	<u>2011</u>
Debt Service	\$0.36	\$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>\$0.61</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 tax data 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	\$110,260,820	\$127,679,579	\$ 81,808,573	\$ 66,770,815	\$ 58,876,697
Improvements	468,879,863	433,641,601	361,587,829	333,789,735	321,428,213
Personal Property	5,728,159	8,356,422	6,618,805	6,500,152	6,182,205
Less: Exemptions	<u>(63,285,303)</u>	<u>(65,557,140)</u>	<u>(61,598,082)</u>	<u>(60,514,750)</u>	<u>(58,515,518)</u>
Total	<u>\$521,583,539</u>	<u>\$504,120,462</u>	<u>\$388,417,125</u>	<u>\$346,545,952</u>	<u>\$327,971,597</u>

(a) Excludes \$43,175,025 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	5.88%
AAL Apartments LLC	Land and Improvements	29,786,563	5.27
Willow Creek Golf Club Inc	Land and Improvements	3,541,059	0.63
Gosling Investments LLC	Land and Improvements	2,971,481	0.53
DR Horton Texas LTD	Land and Improvements	2,179,353	0.39
Partners In Building	Land	1,995,509	0.35
Centerpoint Energy	Personal Property	1,713,170	0.30
Gosling Express Inc	Land, Improvements & Personal Property	1,709,728	0.30
6130 AL Development Group LLC	Land and Improvements	1,648,842	0.29
Homeowner	Land and Improvements	<u>1,075,039</u>	<u>0.19</u>
Total		<u>\$ 79,845,822</u>	<u>14.14%</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 Remaining Outstanding Bonds if no growth in the District occurs beyond the 2016 Assessed Valuation (\$564,758,564) 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 Remaining Outstanding Bonds(2017-2040) .....	\$1,111,922
Tax Rate of \$0.21 on the 2016 Assessed Valuation at 95% collection produces .....	\$1,126,693
Tax Rate of \$0.20 on the April 1, 2016 Estimated Valuation at 95% collection produces	\$1,119,288
Maximum Annual Debt Service Requirement on the Bonds	
and the Remaining Outstanding Bonds (2018) .....	\$1,504,512
Tax Rate of \$0.29 on the 2015 Assessed Valuation at 95% collection produces .....	\$1,555,910
Tax Rate of \$0.27 on the April 1, 2016 Estimated Valuation at 95% collection produces	\$1,511,039

### 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 2015 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>2015 Tax Rate/\$100</u>
The District	\$0.610000
Harris County	0.419230
Harris County Department of Education	0.005422
Harris County Flood Control District	0.027330
Port of Houston Authority	0.013420
Harris County Hospital District	0.170000
Lone Star College System	0.107900
Harris County Emergency Services District No. 11	0.041850
Klein Independent School District	1.410000
Total 2015 Tax Rate for the District	<u>\$2.805152</u>
The Defined Area	0.640000
Total 2015 Tax Rate for the Defined Area	<u>\$3.445152</u>

*[Remainder of Page Intentionally Left Blank]*

## **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 2,827 connections and the developed land within the District is projected to include 4,078 connections.

### **-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 2,827 connections and the developed land within the District is projected to include 4,078 connections.

### **-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 Remaining 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 Remaining 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>
<b>REVENUES</b>					
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>
<b>TOTAL REVENUES</b>	<b>\$3,240,202</b>	<b>\$4,224,998</b>	<b>\$4,335,970</b>	<b>\$3,304,242</b>	<b>\$3,130,426</b>
<b>EXPENDITURES</b>					
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>
<b>TOTAL EXPENDITURES</b>	<b>\$2,445,857</b>	<b>\$3,575,744</b>	<b>\$3,550,901</b>	<b>\$3,404,747</b>	<b>\$3,621,438</b>
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>
<b>Net Change in Fund Balance</b>	<b>\$ 794,345</b>	<b>\$ 695,281</b>	<b>\$ 849,076</b>	<b>\$ 57,109</b>	<b>\$ 115,680</b>
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.