

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
INVESTMENTS
DECEMBER 31, 2013

<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	XXXXX5780	0.300%	04/18/14	\$ 245,000	\$ 149
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXXX1557	0.300%	02/25/14	\$ 245,000	\$
Certificate of Deposit	XXXXX1910	0.350%	02/25/14	245,000	
Certificate of Deposit	XXXXX1535	0.300%	02/25/14	245,000	
TOTAL DEBT SERVICE FUND				\$ 735,000	\$ - 0 -
TOTAL - ALL FUNDS				\$ 980,000	\$ 149

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JANUARY 1, 2013	\$ 691,448		\$ 995,684	
Adjustments to Beginning				
Balance	<u>1,962</u>	\$ 693,410	<u>2,827</u>	\$ 998,511
Original 2013 Tax Levy	\$ 760,818		\$ 1,091,951	
Adjustment to 2013 Tax Levy	<u>89,586</u>	<u>850,404</u>	<u>126,332</u>	<u>1,218,283</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,543,814		\$ 2,216,794
TAX COLLECTIONS:				
Prior Years	\$ 678,244		\$ 976,671	
Current Year	<u>175,127</u>	<u>853,371</u>	<u>249,512</u>	<u>1,226,183</u>
TAXES RECEIVABLE -				
DECEMBER 31, 2013		<u>\$ 690,443</u>		<u>\$ 990,611</u>
TAXES RECEIVABLE BY				
YEAR:				
2013	\$ 675,277		\$ 968,771	
2012	3,367		4,849	
2011	2,192		3,157	
2010	2,432		3,501	
2009	1,931		2,781	
2008	2,095		3,017	
2007	1,255		1,808	
2006	874		1,258	
2005	654		942	
2004	<u>366</u>		<u>527</u>	
TOTAL		<u>\$ 690,443</u>		<u>\$ 990,611</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
DISTRICT WIDE:				
Land	\$ 57,926,244	\$ 58,607,793	\$ 57,068,920	\$ 57,007,269
Improvements	333,894,721	320,651,863	303,903,043	304,376,224
Personal Property	4,958,049	4,654,557	5,532,249	4,979,174
Exemptions	<u>(58,366,932)</u>	<u>(56,595,208)</u>	<u>(29,155,746)</u>	<u>(28,321,466)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 338,412,082</u>	<u>\$ 327,319,005</u>	<u>\$ 337,348,466</u>	<u>\$ 338,041,201</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>\$ 2,064,314</u>	<u>\$ 1,996,646</u>	<u>\$ 2,057,826</u>	<u>\$ 2,062,052</u>
DEFINED AREA :				
PROPERTY VALUATIONS	<u>\$ 683,460</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</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></u>	<u></u>	<u></u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.64</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
ADJUSTED TAX LEVY*	<u>\$ 4,374</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
	**			
PERCENTAGE OF TOTAL TAXES COLLECTED TO TOTAL TAXES LEVIED	<u>20.53 %</u>	<u>99.59 %</u>	<u>99.74 %</u>	<u>99.71 %</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, 2013

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
2014	\$ 130,000	\$ 138,508	\$ 268,508
2015	140,000	131,420	271,420
2016	145,000	124,845	269,845
2017	155,000	118,845	273,845
2018	160,000	112,545	272,545
2019	170,000	105,860	275,860
2020	175,000	98,787	273,787
2021	185,000	91,407	276,407
2022	195,000	83,617	278,617
2023	205,000	75,417	280,417
2024	215,000	66,807	281,807
2025	230,000	57,800	287,800
2026	240,000	48,400	288,400
2027	250,000	38,600	288,600
2028	265,000	28,300	293,300
2029	280,000	17,400	297,400
2030	295,000	5,900	300,900
2031			
2032			
2033			
2034			
2035			
2036			
	<u>\$ 3,435,000</u>	<u>\$ 1,344,458</u>	<u>\$ 4,779,458</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2013

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
2014	\$ 60,000	\$ 59,395	\$ 119,395
2015	60,000	56,995	116,995
2016	65,000	54,528	119,528
2017	70,000	51,895	121,895
2018	70,000	49,165	119,165
2019	75,000	46,300	121,300
2020	80,000	43,200	123,200
2021	85,000	39,900	124,900
2022	85,000	36,500	121,500
2023	90,000	33,000	123,000
2024	95,000	29,300	124,300
2025	100,000	25,400	125,400
2026	105,000	21,300	126,300
2027	110,000	17,000	127,000
2028	115,000	12,500	127,500
2029	125,000	7,700	132,700
2030	130,000	2,600	132,600
2031			
2032			
2033			
2034			
2035			
2036			
	<u>\$ 1,520,000</u>	<u>\$ 586,678</u>	<u>\$ 2,106,678</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2013

S E R I E S - 2 0 1 0			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2014	\$ 25,000	\$ 187,994	\$ 212,994
2015	25,000	187,244	212,244
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			
	<u>\$ 3,925,000</u>	<u>\$ 3,236,540</u>	<u>\$ 7,161,540</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2013

<u>REFUNDING SERIES - 2010</u>			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2014	\$ 615,000	\$ 217,175	\$ 832,175
2015	640,000	198,350	838,350
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			
	\$ 6,090,000	\$ 1,517,350	\$ 7,607,350

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2013

S E R I E S - 2 0 1 2			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2014	\$	\$ 73,563	\$ 73,563
2015		73,562	73,562
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
	<u>\$ 2,175,000</u>	<u>\$ 1,565,594</u>	<u>\$ 3,740,594</u>

See accompanying independent auditor's report.

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NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2013

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2014	\$ 830,000	\$ 676,635	\$ 1,506,635
2015	865,000	647,571	1,512,571
2016	695,000	620,098	1,315,098
2017	720,000	594,346	1,314,346
2018	740,000	566,486	1,306,486
2019	640,000	538,772	1,178,772
2020	670,000	512,213	1,182,213
2021	700,000	484,444	1,184,444
2022	730,000	455,405	1,185,405
2023	765,000	424,991	1,189,991
2024	800,000	393,170	1,193,170
2025	840,000	359,950	1,199,950
2026	695,000	328,938	1,023,938
2027	720,000	300,324	1,020,324
2028	620,000	273,182	893,182
2029	645,000	247,227	892,227
2030	675,000	219,906	894,906
2031	705,000	189,328	894,328
2032	740,000	155,231	895,231
2033	780,000	119,353	899,353
2034	820,000	81,100	901,100
2035	855,000	46,287	901,287
2036	895,000	15,663	910,663
	<u>\$ 17,145,000</u>	<u>\$ 8,250,620</u>	<u>\$ 25,395,620</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2013

Description	Original Bonds Issued	Bonds Outstanding January 1, 2013
Northampton Municipal Utility District Waterworks and Sewer System Unlimited Tax Bonds - Series 2006	\$ 4,000,000	\$ 3,560,000
Northampton Municipal Utility District Unlimited Tax Park Bonds - Series 2006	1,775,000	1,575,000
Northampton Municipal Utility District Unlimited Tax Bonds - Series 2010	4,000,000	3,950,000
Northampton Municipal Utility District Unlimited Tax Refunding Bonds - Series 2010	6,965,000	6,700,000
Northampton Municipal Utility District Unlimited Tax Bonds - Series 2012	<u>2,175,000</u>	<u>2,175,000</u>
TOTAL	<u><u>\$ 18,915,000</u></u>	<u><u>\$ 17,960,000</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, 2013</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
	\$ 125,000	\$ 145,201	\$ 3,435,000	Wells Fargo Bank N.A. Houston, TX
	55,000	61,970	1,520,000	Wells Fargo Bank N.A. Houston, TX
	25,000	188,744	3,925,000	Wells Fargo Bank N.A. Houston, TX
	610,000	232,500	6,090,000	Wells Fargo Bank N.A. Houston, TX
		57,420	2,175,000	Regions Bank Houston, TX
<u>\$ - 0 -</u>	<u>\$ 815,000</u>	<u>\$ 685,835</u>	<u>\$ 17,145,000</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, 2013

District Wide:	<u>Tax and Revenue Bonds</u>	<u>Tax Bonds and Refunding Bonds</u>	<u>Park Bonds</u>
Bond Authority:			
Authorized by Voters	\$ 10,600,000	\$ 54,700,000	\$ 1,775,000
Amount Issued	<u>10,600,000</u>	<u>15,570,000</u>	<u>1,775,000</u>
Remaining to be Issued	<u>\$ - 0 -</u>	<u>\$ 39,130,000</u>	<u>\$ - 0 -</u>
Defined Area:		<u>Tax Bonds and Refunding Bonds</u>	<u>Road Bonds</u>
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, 2013:			<u>\$ 1,369,997</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 1,104,157</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		
	2013	2012	2011
REVENUES			
Property Taxes	\$ 821,340	\$ 842,121	\$ 845,835
Water Service	728,175	562,595	651,036
Wastewater Service	875,255	874,541	879,248
Penalty and Interest	31,472	25,382	28,356
Tap Connection and Inspection Fees	1,420	950	10,500
Facility Use Fees	101,633	89,388	111,381
Regional Water Authority Fees	666,239	654,750	826,349
Investment Revenues	1,137	2,265	3,917
Miscellaneous Revenues	77,571	78,434	177,939
TOTAL REVENUES	<u>\$ 3,304,242</u>	<u>\$ 3,130,426</u>	<u>\$ 3,534,561</u>
EXPENDITURES			
Professional Fees	\$ 289,276	\$ 249,791	\$ 215,763
Contracted Services	497,542	541,377	595,775
Purchased Wastewater Service	328,594	290,491	299,627
Utilities	109,439	104,107	128,970
Repairs and Maintenance	237,242	288,313	231,620
Regional Water Authority Assessments	641,190	653,541	847,613
Parks and Recreation	1,024,236	1,061,096	932,341
Other	189,231	180,969	169,458
Capital Outlay:			
Parks and Recreation		150,698	374,603
Other Facilities	87,997	101,055	212,490
TOTAL EXPENDITURES	<u>\$ 3,404,747</u>	<u>\$ 3,621,438</u>	<u>\$ 4,008,260</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (100,505)</u>	<u>\$ (491,012)</u>	<u>\$ (473,699)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ 157,614</u>	<u>\$ 606,692</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 57,109	\$ 115,680	\$ (473,699)
BEGINNING FUND BALANCE	<u>303,083</u>	<u>187,403</u>	<u>661,102</u>
ENDING FUND BALANCE	<u>\$ 360,192</u>	<u>\$ 303,083</u>	<u>\$ 187,403</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2010	2009	2013	2012	2011	2010	2009
\$ 856,413	\$ 868,847	24.8 %	26.8 %	23.9 %	27.5 %	28.3 %
551,572	622,158	22.0	18.0	18.4	17.7	20.2
897,145	893,201	26.5	27.9	24.9	28.8	29.1
29,529	28,513	1.0	0.8	0.8	0.9	0.9
950				0.3		
111,850	70,766	3.1	2.9	3.2	3.6	2.3
593,195	499,473	20.2	20.9	23.4	19.0	16.3
8,488	23,691		0.1	0.1	0.3	0.8
67,206	65,895	2.4	2.6	5.0	2.2	2.1
<u>\$ 3,116,348</u>	<u>\$ 3,072,544</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 163,074	\$ 123,939	8.8 %	8.0 %	6.0 %	5.2 %	4.0 %
591,523	571,072	15.1	17.3	16.9	19.0	18.6
393,127	277,965	9.9	9.3	8.5	12.6	9.1
104,400	115,085	3.3	3.3	3.6	3.4	3.7
290,063	253,345	7.2	9.2	6.6	9.4	8.3
599,260	563,196	19.4	20.9	24.0	19.2	18.3
923,763	778,344	31.0	33.9	26.4	29.6	25.3
141,661	171,251	5.7	5.8	4.8	4.5	5.6
525,434	234,468		4.8	10.6	16.9	7.6
	28,025	2.7	3.2	6.0		0.9
<u>\$ 3,732,305</u>	<u>\$ 3,116,690</u>	<u>103.1 %</u>	<u>115.7 %</u>	<u>113.4 %</u>	<u>119.8 %</u>	<u>101.4 %</u>
<u>\$ (615,957)</u>	<u>\$ (44,146)</u>	<u>(3.1) %</u>	<u>(15.7) %</u>	<u>(13.4) %</u>	<u>(19.8) %</u>	<u>(1.4) %</u>
<u>\$ 135,603</u>	<u>\$ 117,794</u>					
\$ (480,354)	\$ 73,648					
1,141,456	1,067,808					
<u>\$ 661,102</u>	<u>\$ 1,141,456</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2013	2012	2011
REVENUES			
Property Taxes	\$ 1,182,729	\$ 1,212,652	\$ 1,217,998
Penalty and Interest	22,686	15,116	18,678
Investment Revenues	4,092	6,605	11,130
Miscellaneous Revenues	1,605	25	
TOTAL REVENUES	<u>\$ 1,211,112</u>	<u>\$ 1,234,398</u>	<u>\$ 1,247,806</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 48,659	\$ 47,288	\$ 66,253
Debt Service Principal	815,000	570,000	725,000
Debt Service Interest and Fees	687,835	879,911	661,853
Bond Issuance Costs			
TOTAL EXPENDITURES	<u>\$ 1,551,494</u>	<u>\$ 1,497,199</u>	<u>\$ 1,453,106</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (340,382)</u>	<u>\$ (262,801)</u>	<u>\$ (205,300)</u>
OTHER FINANCING SOURCES (USES)			
Refunding Bonds	\$	\$	\$
Long-Term Debt Issued		73,562	
Payment to Refunded Bond Escrow Agent			
Bond Discount			
Bond Premium			
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ 73,562</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (340,382)	\$ (189,239)	\$ (205,300)
BEGINNING FUND BALANCE	<u>1,462,488</u>	<u>1,651,727</u>	<u>1,857,027</u>
ENDING FUND BALANCE	<u>\$ 1,122,106</u>	<u>\$ 1,462,488</u>	<u>\$ 1,651,727</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,708</u>	<u>1,690</u>	<u>1,692</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,653</u>	<u>1,647</u>	<u>1,648</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2010	2009	2013	2012	2011	2010	2009
\$ 1,233,233	\$ 1,251,128	97.8 %	98.3 %	97.6 %	96.8 %	95.7 %
25,990	21,606	1.9	1.2	1.5	2.0	1.6
14,818	34,910	0.3	0.5	0.9	1.2	2.7
348	284					
<u>\$ 1,274,389</u>	<u>\$ 1,307,928</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 52,131	\$ 49,722	4.0 %	3.8 %	5.3 %	4.1 %	3.8 %
640,000	605,000	67.3	46.2	58.1	50.2	46.3
690,317	651,043	56.8	71.3	53.0	54.2	49.8
250,485					19.6	
<u>\$ 1,632,933</u>	<u>\$ 1,305,765</u>	<u>128.1 %</u>	<u>121.3 %</u>	<u>116.4 %</u>	<u>128.1 %</u>	<u>99.9 %</u>
\$ (358,544)	\$ 2,163	(28.1) %	(21.3) %	(16.4) %	(28.1) %	0.1 %
\$ 6,965,000	\$					
190,619						
(7,046,578)						
(143,738)						
476,472						
<u>\$ 441,775</u>	<u>\$ - 0 -</u>					
\$ 83,231	\$ 2,163					
<u>1,773,796</u>	<u>1,771,633</u>					
<u>\$ 1,857,027</u>	<u>\$ 1,773,796</u>					
<u>1,693</u>	<u>1,686</u>					
<u>1,650</u>	<u>1,643</u>					

See accompanying independent auditor's report.

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**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2013**

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

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>December 31, 2013</u>	Expense Reimbursements for the year ended <u>December 31, 2013</u>	<u>Title</u>
E. C. Thomas	05/10 05/14 (Elected)	\$ 2,850	\$ -0-	President
William Black	05/12 05/16 (Elected)	\$ 7,200	\$ 3,484	1st Vice President
Paul Schneider	05/10 05/14 (Elected)	\$ 3,300	\$ -0-	2nd Vice President
Joyce Nelsen	05/12 05/16 (Elected)	\$ 5,100	\$ 1,670	Secretary
John A. Braden	05/12 05/16 (Elected)	\$ 4,950	\$ 1,374	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 May 23, 2012.

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, 2013

Key Personnel:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2013</u>	<u>Title</u>
Jim Sheffield 6012-A Root Road Spring, TX 77389	09/29/03	\$ 123,372	General Manager
Consultants:			
Bacon & Wallace, L.L.P. 6363 Woodway, Suite 800 Houston, TX 77057	01/01/01	\$ 126,526	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	12/16/91	\$ 23,100	Auditor
Cindy Schmidt P.O. Box 80 Tomball, TX 77377	01/15/90	\$ 25,458	Bookkeeper
Perdue Brandon Fielder Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, TX 77008	10/21/96	\$ 7,093	Delinquent Tax Attorney
Jones & Carter, Inc. 8701 New Trails Drive, Suite 200 The Woodlands, TX 77381	12/04/79	\$ 645,796	Engineer

See accompanying independent auditor's report.

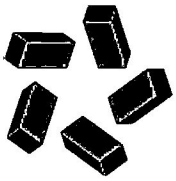
NORTHAMPTON MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2013

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2013</u>	<u>Title</u>
RBC Capital Markets 1001 Fannin, Suite 1200 Houston, TX 77002	11/20/89	\$ 3,750	Financial Advisor
Hays Utility South Corporation P.O. Box 2569 Spring, TX 77383	10/14/70	\$ 668,978	Operator
Esther Flores c/o Tax Tech, Inc. 873 Dulles Avenue, Suite A Stafford, TX 77477-5710	06/17/91	\$ 24,396	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

**SPECIMEN MUNICIPAL
BOND INSURANCE POLICY**



BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com

Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:
212-962-1524 (attention: Claims)

SPECIMEN

OFFICIAL STATEMENT DATED OCTOBER 22, 2012

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

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

NEW ISSUE – Book Entry Only

RATING: Standard & Poor's Rating Services ("S&P")..... "AA-" (stable outlook)
See "RATINGS" and "MUNICIPAL BOND INSURANCE" herein

\$2,175,000

NORTHAMPTON MUNICIPAL UTILITY DISTRICT

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

UNLIMITED TAX BONDS, SERIES 2012

Dated: November 1, 2012

Due: March 1, as shown below

The \$2,175,000 Northampton Municipal Utility District Unlimited Tax Bonds, Series 2012 (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 November 1, 2012, and is payable on March 1, 2013, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are subject to redemption and payment at the option of the District, in whole or from time to time in part, on March 1, 2020, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS - Optional Redemption" herein.

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

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

**ASSURED
GUARANTY**
MUNICIPAL

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

AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$425,000 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)
2028(b)	\$ 60,000	2.750%	2.750%	2032(b)	\$ 60,000	3.000%	2.950%
2029(b)	55,000	2.750%	2.800%	2033(b)	65,000	3.000%	3.000%
2030(b)	60,000	2.750%	2.850%	2034(b)	65,000	3.000%	3.050%
2031(b)	60,000	3.000%	2.900%				

\$1,750,000 Term Bonds

\$1,750,000 Term Bonds due March 1, 2036 (a)(b)(c) Interest Rate 3.500% (Price \$102.585)

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

The Bonds are issued out of the \$16,700,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring and constructing a waterworks, wastewater and storm drainage system to serve the District. Following the issuance of the Bonds, \$1,130,000 in principal amount of unlimited tax bonds authorized by the District's voters will remain unissued, all of which may also be used for refunding purposes. See "THE BONDS - Issuance of Additional Debt." The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment."

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by Bacon & Wallace, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds is expected on or about November 20, 2012.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, resulting in the lowest net interest costs which was tendered by FTN Financial Capital Markets (the "Underwriter") to purchase the Bonds bearing the interest rates shown under "AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page of this Official Statement at a price of 97.874191% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.499910%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

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

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and

asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

No Material Adverse Change

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

Securities Laws

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

Delivery of Official Statements

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), and "Aa3" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward

revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On March 20, 2012, Moody's issued a press release stating that it had placed AGM's "Aa3" insurance financial strength rating on review for possible downgrade. AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at www.moody.com, for the complete text of Moody's comments.

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012, and its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012.

Capitalization of AGM

At June 30, 2012, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,169,404,271 and its total net unearned premium reserve was approximately \$2,204,572,593, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2011, for the quarterly period ended March 31, 2012, and for the quarterly period ended June 30, 2012, which have been filed with the New York State Department of Financial Services and posted on AGL's website at <http://www.assuredguaranty.com>, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (filed by AGL with the SEC on February 29, 2012).
- (ii) the Quarterly Report on Form 10-Q for the fiscal year ended March 31, 2012 (filed by AGL with the SEC on May 10, 2012).
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012 (filed by AGL with the SEC on August 9, 2012).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information.

Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

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

RATINGS

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

Standard & Poor's has assigned an underlying rating of "A-" (negative outlook) to the District's credit. The Bonds are expected to receive an insured rating of "AA-" (stable outlook) from Standard & Poor's solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds.

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

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Northampton Municipal Utility District (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT - General" and "Description."
Description of the Bonds	<p>\$2,175,000 Unlimited Tax Bonds, Series 2012 (the "Bonds"), are dated November 1, 2012, and mature on March 1 in each of the years and in the amounts shown on the cover hereof.</p> <p>Interest on the Bonds accrues from November 1, 2012 and is payable on March 1, 2013, and on each September 1 and March 1 thereafter until maturity or earlier redemption, at the interest rates shown on the cover page. See "THE BONDS." The Bonds maturing on March 1, 2028 through March 1, 2034, inclusive, are issued as serial bonds (the "Serial Bonds"). The Bonds maturing on March 1, 2036 are issued as term bonds (the "Term Bonds"), which have certain mandatory redemption amounts as set forth under "THE BONDS – Redemption Provisions – <i>Mandatory Redemption</i>." The Serial Bonds and the Term Bond are collectively referred to herein as the "Bonds." See "THE BONDS."</p>
Optional Redemption.....	<p>The Bonds are subject to redemption prior to their stated maturity, in whole or in part on March 1, 2020, or on any date thereafter. If less than all of the Bonds are optionally redeemed at any time, the particular maturities and amounts of Bonds to be optionally redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity and if less than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC in accordance with its customary procedures while the Bonds are in book-entry-only form).</p> <p>Upon redemption, the Bonds will be payable at a price equal to the principal amount thereof called for redemption, plus accrued interest to the date fixed for redemption. See "THE BONDS - Description" and "- Optional Redemption."</p>
Denominations.....	The Bonds are offered in fully registered form in integral multiples of \$5,000 in principal amount. See "THE BONDS - Description."
Source of Payment.....	The Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District, and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any entity other than the District. See "THE BONDS - Source of Payment."
Use of Proceeds	Proceeds of the Bonds will be used to pay for the construction and engineering costs of Gosling Road Water and Wastewater Line Extension within the District. In addition, proceeds of the Bonds will be used to pay one year of capitalized interest on the Bonds; and to pay certain administrative and issuance costs of the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."

Outstanding Bonds	<p>The District has previously issued \$1,400,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1968 (the "Series 1968 Bonds"); \$800,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1970 (the "Series 1970 Bonds"); \$800,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1972 (the "Series 1972 Bonds"); \$1,530,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1985 (the "Series 1985 Bonds"); \$970,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1989 (the "Series 1989 Bonds"); \$2,135,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1991 (the "Series 1991 Bonds"); \$1,900,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1993A (the "Series 1993A Bonds"), \$1,760,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1999 (the "Series 1999 Bonds"), \$1,505,000 Waterworks and Sewer System Unlimited Tax Bonds, Series 2001 (the "Series 2001 Bonds"), \$2,990,000 Waterworks and Sewer System Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"), \$4,000,000 Waterworks and Sewer System Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"); \$1,775,000 Unlimited Tax Park Bonds, Series 2006 (the "Series 2006 Park Bonds") and \$4,000,000 Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"). In addition, the District has issued \$3,275,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1993 (the "Series 1993 Refunding Bonds"); \$1,890,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1998 (the "Series 1998 Refunding Bonds") and \$6,965,000 Unlimited Tax Refunding Bonds (the "Series 2010 Refunding Bonds"). As of October 1 2012, \$15,785,000 principal amount of the bonds issued by the District remain outstanding (the "Outstanding Bonds"). See "THE BONDS - Outstanding Bonds."</p>
Payment Record.....	The District has never defaulted in the timely payment of principal of and interest on its previously issued bonds.
Authority for Issuance	<p>The Bonds are issued out of an aggregate of \$16,700,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of purchasing or constructing a water, wastewater and storm drainage system. The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), the order of the District authorizing the issuance of the bonds (the "Bond Order"), the Texas Constitution, Chapters 49 and 54, Texas Water Code, and the general laws of the State of Texas. See "INVESTMENT CONSIDERATIONS - Future Debt" and "THE BONDS - Authority for Issuance," and "- Issuance of Additional Debt."</p>
Authorized But Unissued Bonds	<p>After the issuance of the Bonds, \$1,130,000 principal amount of unlimited tax bonds will remain authorized but unissued for water, sanitary sewer and drainage facilities to serve land within the District, all of which may also be used for refunding purposes. See "THE BONDS - Authority for Issuance" and "- Issuance of Additional Debt."</p>
Municipal Bond Insurance.....	Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE."
Municipal Bond Ratings.....	Standard & Poor's Ratings Services (AGM) - "AA-" (stable outlook). See "BOND RATINGS."

Legal and Tax Opinion..... Bacon & Wallace, L.L.P., Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”

Qualified Tax-Exempt Obligations..... The District has 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 “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 1,525.741 acres located approximately 30 miles north of Houston's central business district and approximately 5 miles west of Spring, Texas. The District is bounded on the south by Root Road, on the east by the confluence of Spring and Willow Creeks, and is approximately one mile east of Kuykendahl Road. The District lies entirely within the extraterritorial jurisdiction of the City of Houston (the “City”) and is located within Klein Independent School District. See “THE DISTRICT – Description.”

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

Development..... Approximately 765 acres within the District have been developed as the residential subdivisions of Northampton, Sections 1, 2, 3, 4, 5 and 8 (aggregating 1,073 lots), Inway Forest (12 lots), Northampton Estates, Phases I-III (aggregating 250 lots), Northampton Forest, Sections I, II and III (aggregating 205 lots); The Terrace of Northampton Estates (13 lots); The Oaks of Northampton (27 lots); Woods of Northampton (39 lots) and Courts at Auburn Lakes (53 lots). As of September 1, 2012, there were 1,633 complete homes, 2 homes under construction, and 37 vacant developed lots. The District includes approximately 18 acres of commercial development including two office buildings; a Conoco gas station, Dave’s express gas station, and a Shell gas station; one retail strip center; one automotive repair center; one private tennis club; the Spring Volunteer Fire Department Station No. 2; recreational facilities which include three clubhouses, two swimming pools and tennis courts; and approximately 26 acres of developed park land. The remaining acreage within the District consists of a country club and 18-hole golf course on approximately 143 acres, (a portion of which lies within the 100-year flood plain), an elementary school on approximately 9 acres, approximately 32 acres are private estates, the District’s facilities on approximately 16 acres, approximately 20 acres currently under development as 40 single family residential lots, approximately 277 undeveloped but developable acres and approximately 220 undevelopable acres. See “STATUS OF DEVELOPMENT.”

Principal Landowners..... Houston Gosling Woodlands, L.P., a Texas limited liability partnership, whose general partner is Hunt Land Holdings, L.L.C., owns approximately 440 acres in the District, of which approximately 223 acres are undeveloped but developable. The District can make no representations regarding the pace or type of development that may occur.

Partners In Building, L.P., a Texas limited partnership, owns 20.335 acres in the District and is expected to develop a 40-lot single-family subdivision of custom homes. See “PRINCIPAL LANDOWNERS.”

INVESTMENT CONSIDERATIONS

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

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2012 Assessed Valuation.....	\$326,554,979 (a)
(100% of estimated market value as of January 1, 2012)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt: Outstanding Bonds.....	\$ 15,785,000
The Bonds	<u>2,175,000</u>
Total	<u>\$ 17,960,000</u>
Estimated Overlapping Debt.....	<u>\$ 25,183,374 (b)</u>
Total Direct and Estimated Overlapping Debt.....	<u>\$ 43,143,374</u>
Direct Debt Ratio	
: as a percentage of 2012 Assessed Valuation.....	5.50 %
Direct and Estimated Overlapping Debt Ratio	
: as a percentage of 2012 Assessed Valuation.....	13.21 %
Debt Service Fund Balance as of September 17, 2012 (unaudited).....	\$ 1,352,634 (c)
General Fund Balance as of September 17, 2012 (unaudited).....	\$ 238,163
Park Capital Projects Fund Balance as of September 17, 2012 (unaudited).....	\$ 601,036
Capital Projects Fund Balance as of September 17, 2012 (unaudited)	\$ 1,528,292
2012 District Tax Rate Per \$100 of Assessed Valuation	
Debt Service	\$0.36 (d)
Maintenance	<u>0.25</u>
Total	<u>\$0.61</u>
Average Percentage of Total Tax Collections (2006-2011).....	99.62 %
Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2013-2036)	\$ 1,120,847
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2015).....	\$ 1,512,571
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2013-2036) at 98% Tax Collections Based Upon 2012 Assessed Valuation.....	\$0.36
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2015) at 98% Tax Collections Based Upon 2012 Assessed Valuation.....	\$0.48

- (a) As certified by the Harris County Appraisal District (the "Appraisal District"). All property located in the District is valued on the tax rolls by the Appraisal District at 100% of estimated market value as of January 1 of each year. The District's tax roll is certified by the Appraisal Review Board. This number includes \$8,382,751 of uncertified value. The uncertified value represents the owners' opinion of the property value and is the estimated minimum amount to be ultimately certified by the Appraisal District.
- (b) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."
- (c) Neither Texas law nor the Bond Order requires that any particular amount be maintained in the Debt Service Fund or General Fund at any time. The balance reflects payments of all debt service due in 2012. One year of capitalized interest on the Bonds and accrued interest from the dated date of the Bonds to the date of closing will be deposited in this account.
- (d) The TCEQ in its order authorizing the District to issue the Bonds advised the District to levy a debt service tax rate of not less than \$0.36 per \$100 of assessed valuation based upon the Bonds being issued at an interest rate of 5.63%.

\$2,175,000
NORTHAMPTON MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX BONDS
SERIES 2012

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Northampton Municipal Utility District (the “District”) of its Unlimited Tax Bonds, Series 2012 (the “Bonds”).

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”), the Texas Constitution, the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended, and an order authorizing issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”); and an election held within the boundaries of the District.

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

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by the 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 November 1, 2012, will mature on March 1 of the years and in the principal amounts indicated on the cover page hereof and will accrue interest at the stated interest rates indicated on the cover page hereof. Principal of the Bonds will be payable at 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 November 1, 2012 (or the most recent interest payment date to which interest has been paid or duly provided for) and is payable on March 1, 2013, 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 The Depository Trust Company (“DTC”), New York, New York, while the Bonds are registered in its nominee’s name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company (“DTC”), New York NY, will act as securities depository for the securities (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 Security certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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 Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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

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

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

Replacement of Bonds

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

Outstanding Bonds

The District has previously issued \$1,400,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1968 (the "Series 1968 Bonds"); \$800,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1970 (the "Series 1970 Bonds"); \$800,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1972 (the "Series 1972 Bonds"); \$1,530,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1985 (the "Series 1985 Bonds"); \$970,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1989 (the "Series 1989 Bonds"); \$2,135,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1991 (the "Series 1991 Bonds"); \$1,900,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1993A (the "Series 1993A Bonds"); \$1,760,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1999 (the "Series 1999 Bonds"); \$1,505,000 Waterworks and Sewer System Unlimited Tax Bonds, Series 2001 (the "Series 2001 Bonds"); and \$2,990,000 Waterworks and Sewer System Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"), \$4,000,000 Waterworks and Sewer System Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"); \$1,775,000 Unlimited Tax Park Bonds, Series 2006 (the "Series 2006 Park Bonds"); and \$4,000,000 Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"). In addition, the District has issued \$3,275,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1993 (the "Series 1993 Refunding Bonds"); \$1,890,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1998 (the "Series 1998 Refunding Bonds"); and \$6,965,000 Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010 Refunding Bonds"). As of October 1, 2012, \$15,785,000 principal amount of the bonds issued by the District are outstanding (the "Outstanding Bonds").

Authority for Issuance

The Bonds are issued out of the \$16,700,000 principal amount of unlimited tax bonds authorized at elections held within the District for the purpose of acquiring and constructing a waterworks, wastewater and storm drainage system on May 1, 1993, January 20, 2001, and February 2, 2002. Following the issuance of the Bonds, \$1,130,000 of the principal amount of unlimited tax bonds for purpose of acquiring and constructing a waterworks, wastewater and storm drainage system will remain authorized but unissued pursuant to such elections. All of such bonds may also be issued for refunding purposes. See "- Issuance of Additional Debt" below.

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

Source of Payment

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

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

Redemption of the Bonds

- Optional Redemption -

The District reserves the right, at its option, to redeem the Bonds prior to their scheduled maturities, in whole or in part, on March 1, 2020, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are optionally redeemed at any time, the particular Bonds to be optionally redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity and if less than all of the Bonds within a maturity are to be redeemed, the Paying Agent/Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC while the Bonds are in Book-Entry-Only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

- Mandatory Redemption -

The Bonds maturing on March 1, 2036 (the "Term Bonds") are subject to mandatory sinking fund redemption and shall be redeemed by the District prior to their scheduled maturities on March 1 in the years and in the amounts set forth below at a redemption price equal to the principal amount redeemed plus accrued interest to the mandatory redemption date (the "Mandatory Redemption Date," or "Mandatory Redemption Dates"):

\$1,750,000 Term Bonds Maturing on March 1, 2036

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2035	\$855,000
March 1, 2036 (Maturity)	895,000

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

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those 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 \$16,700,000 unlimited tax bonds authorized by the District voters for providing improvements and facilities. Following the issuance of the Bonds, the District will have the right to issue an additional \$1,130,000 in unlimited tax bonds for facilities as authorized by District voters, all of which may also be used for refunding purposes. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District.

Since the District has not financed all components of its System, the District anticipates issuing more bonds for such purpose as future development in the District necessitates. In the opinion of the District's Engineer, unless the bond election called on August 20, 2012 is passed by the voters, the remaining authorized but unissued bonds will be insufficient to complete water and sewer infrastructure for the existing development within the District. Additional funds will be needed to complete water and sewer infrastructure for future development, as well as a future water plant and wastewater treatment plant. 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.

On August 20, 2012, the Board of Directors approved calling a bond election for \$38,000,000 principal amount of bonds for the purpose of acquiring and constructing a waterworks, wastewater and storm drainage system. No representation can be made as to whether the election will be passed by voters within the District. If the election passes and after the issuance of the Bonds, the District will be authorized to issue a maximum of \$39,130,000

principal amount of additional bonds for the purpose of acquiring and constructing a waterworks, wastewater and storm drainage system.

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

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

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

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 or property and do not generally and directly benefit the District as a whole. Before a plan relating to a defined area is adopted by the District and becomes effective, the District must hold a public hearing and an election within such defined area. Effective August 20, 2012, Houston Gosling Woodlands, L.P. (the "Defined Area Developer") and the District entered into a "Financing Agreement" pursuant to which the Defined Area Developer agreed to submit a proposed defined area plan for consideration by the Board of Directors of the District relating to an area within the District encompassing 439.686 acres (the "Defined Area").

On August 20, 2012, the Board of Directors took action to proceed with the creation of the Defined Area within the boundaries of the District. The Defined Area is expected to be developed as single-family residential and multi-family developments. The Board of Directors has called for an election within the Defined Area to authorize \$41,000,000 principal amount of Defined Area Bonds to finance the water, wastewater and drainage improvements within the Defined Area, and \$17,000,000 principal amount of Defined Area Bonds to finance road improvements within the Defined Area. These bond amounts to be voted upon for the Defined Area are in addition to the \$38,000,000 in bonds to be voted on the election called on August 20, 2012 described under "Issuance of Additional Debt". The District has also called for an election authorizing the levy of a maintenance tax within the defined area not to exceed \$0.64 per \$100 of assessed valuation. Any bonds issued for the Defined Area will be payable solely from a tax levied within the boundaries of the Defined Area.

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. A district may not be placed into bankruptcy involuntarily.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any

action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Use and Distribution of Bond Proceeds

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

	<u>District's Share</u>
<u>Construction Costs</u>	
A. Developer Contribution Items	
1. None.	\$ -0-
B. District Items	
1. Gosling Road Water and Wastewater Lines	\$1,390,000
2. Contingencies (10% of Item 1)	139,000
3. Engineering (15% of Items 1 and 2)	229,000
4. Easement Acquisition Costs	<u>53,000</u>
Total District Items	\$1,811,000
TOTAL CONSTRUCTION COSTS	\$1,811,000
<u>Nonconstruction Costs</u>	
Legal Fees	\$ 54,375
Fiscal Agent Fees	43,500
Capitalized Interest (12 months)	73,563
Bond Discount	46,236
Bond Issuance Expenses	43,637
Bond Application Report	30,000
Attorney General Fee	2,175
TCEQ Bond Issuance Fee (0.25%)	5,438
Contingency (a)	<u>65,076</u>
TOTAL NONCONSTRUCTION COSTS	\$ 364,000
TOTAL BOND ISSUE REQUIREMENT	<u>\$2,175,000</u>

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

THE DISTRICT

General

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

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

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

Description

As originally created, the District contained approximately 773 acres. Due to subsequent annexations, the District presently contains approximately 1,525.741 acres. . Effective August 20, 2012, Houston Gosling Woodlands, L.P. (the “Defined Area Developer”) and the District entered into a “Financing Agreement” pursuant to which the Defined Area Developer agreed to submit a proposed defined area plan for consideration by the Board of Directors of the District relating to an area within the District encompassing 439.686 acres (the “Defined Area”). On August 20, 2012, the Board of Directors took action to proceed with the creation of the Defined Area within the boundaries of the District. The Defined Area is expected to be developed as single-family residential and multi-family developments.

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

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

Topography and Flood Hazards

Elevations within the District vary from approximately 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 409 acres of the District lie within the 100-year floodplain of Willow Creek, a substantial portion of which has been developed as a golf course. Courts at Auburn Lakes has a very small part of approximately 23 lots that back up to the golf course which are currently in the floodplain. In Northampton, Section 4 approximately 37 lots include a portion of the drainage ditch and therefore are partially located in the 100-year floodplain. No action is currently being 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 and their principal occupations are listed below:

Name	Position	Occupation	Term Expires May
E. C. Thomas	President	Petrophysicist	2014
Bill Black	1 st Vice President	Engineering Consultant	2016
W. Paul Schneider	2 nd Vice President	Pharmacist	2014
Joyce Nelsen	Secretary	Realtor/Broker	2016
John A. Braden	Treasurer/Investment Officer	CPA	2016

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

Tax Assessor/Collector - The District's Tax Assessor/Collector is 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 Cindy Schmidt. Ms. Schmidt 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, 2011, 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 - RBC Capital Markets, LLC serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor is employed by the District and has participated in the preparation of the Official Statement, however, the Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement that has been supplied or provided by third-parties. See "SOURCES OF INFORMATION - Experts."

STATUS OF DEVELOPMENT

Approximately 765 acres within the District have been developed as the residential subdivisions of Northampton, Sections 1, 2, 3, 4, 5 and 8 (aggregating 1,073 lots), Inway Forest (12 lots), Northampton Estates, Phases I-III (aggregating 250 lots), Northampton Forest, Sections I, II and III (aggregating 205 lots); The Terrace of Northampton Estates (13 lots); The Oaks of Northampton (27 lots); Woods of Northampton (39 lots) and Courts at Auburn Lakes (53 lots). As of September 1, 2012, there were 1,633 complete homes, 2 homes under construction, and 37 vacant developed lots. The District includes approximately 18 acres of commercial development including two office buildings; a Conoco gas station, Dave's express gas station, and a Shell gas station; one retail strip center; one automotive repair center; one private tennis club; the Spring Volunteer Fire Department Station No. 2; recreational facilities which include three clubhouses, two swimming pools and tennis courts; and approximately 26 acres of developed park land. The remaining acreage within the District consists of a country club and 18-hole golf course on approximately 143 acres, (a portion of which lies within the 100-year flood plain), an elementary school on approximately 9 acres, approximately 32 acres are private estates, the District's facilities on approximately 16 acres, approximately 20 acres currently under development as 40 single family residential lots, approximately 277 undeveloped but developable acres and approximately 220 undevelopable acres.

PRINCIPAL LANDOWNERS

Houston Gosling Woodlands, L.P., a Texas limited liability partnership, whose general partner is Hunt Land Holdings, L.L.C., owns approximately 439.686 acres in the District, of which approximately 223 acres are developable. Because no development plans have been reported to the District, the District can make no representations regarding the pace or type of development, if any, that may occur. Further, because the District has only a limited amount of currently authorized but unissued bonds, no representation can be made concerning future bond financing for any such development. See "THE BONDS – Issuance of Additional Debt" and "THE BONDS – Defined Area."

Partners In Building, L.P., a Texas limited partnership, owns 20.335 acres in the District and is expected to develop a 40-lot single-family subdivision of custom homes.

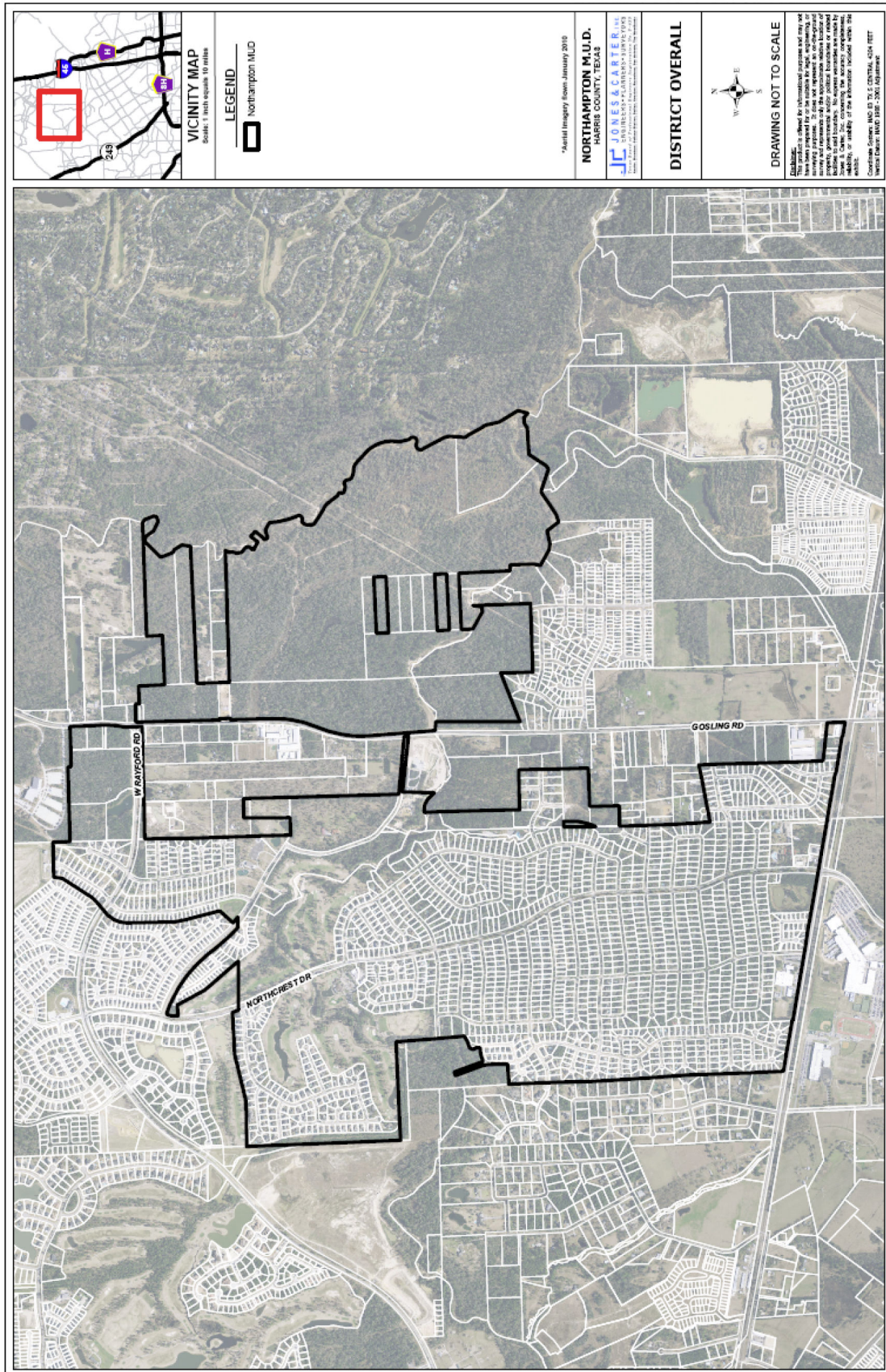
PHOTOGRAPHS WITHIN THE DISTRICT
(taken July, 2012)



PHOTOGRAPHS WITHIN THE DISTRICT
(taken July, 2012)



LOCATION MAP OF THE DISTRICT



TAX DATA

General

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

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. The District voters have authorized the levy of such a maintenance tax in an amount not to exceed \$0.25 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds and any tax supported bonds which may be issued in the future. The District levied a maintenance tax for the 2012 tax year of \$0.25 per \$100 of assessed valuation. See "Tax Rate Distribution" below.

Tax Collection History

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

Tax Year	Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% of Collection as of 5/31/12
2005	\$308,893,732	\$0.610000	\$1,884,252	99.86%
2006	321,154,450	0.610000	1,959,042	99.82
2007	339,740,362	0.610000	2,072,416	99.78
2008	348,497,231	0.610000	2,125,833	99.70
2009	342,216,409	0.610000	2,087,520	99.68
2010	338,582,058	0.610000	2,065,351	99.59
2011	337,699,408	0.610000	2,059,966	97.89(b)

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

(b) In process of collection.

Tax Rate Distribution

	2012	2011	2010	2009	2008
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	<u>\$0.61</u>	<u>\$0.61</u>	<u>\$0.61</u>	<u>\$0.61</u>	<u>\$0.61</u>

Analysis of Tax Base

The following table illustrates the District's total assessed value in the tax years 2008-2012 by type of property.

	2012 Assessed Value (a)	2011 Assessed Value	2010 Assessed Value	2009 Assessed Value	2008 Assessed Value
Land	\$ 56,555,309	\$ 57,397,170	\$ 57,062,094	\$ 57,521,499	\$ 55,295,586
Improvements	313,994,314	304,193,119	304,570,913	298,218,321	305,121,802
Personal Property	3,462,918	6,112,299	5,860,108	6,179,971	6,533,956
Exemptions	<u>(55,556,191)</u>	<u>(30,003,180)</u>	<u>(28,911,057)</u>	<u>(19,703,382)</u>	<u>(18,454,113)</u>
Total	<u>\$318,456,350</u>	<u>\$337,699,408</u>	<u>\$338,582,058</u>	<u>\$342,216,409</u>	<u>\$348,497,231</u>

(a) This does not include \$8,382,751 of uncertified value.

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2012:

Taxpayer	Type of Property	Assessed Valuation 2012 Tax Roll	% of 2012 Tax Roll
Willow Creek Golf Club Inc.	Land & Improvements	\$3,096,372	0.95%
Gosling Express, Inc.	Land & Improvements	1,091,798	0.33%
Centerpoint Energy Houston	Land & Personal Property	966,640	0.30%
Homeowner	Land & Improvements	835,000	0.26%
Homeowner	Land & Improvements	621,542	0.19%
Homeowner	Land & Improvements	600,442	0.18%
Wunderlich, James	Land, Improvements & Agriculture	596,158	0.18%
Homeowner	Land & Improvements	576,455	0.18%
Homeowner	Land & Improvements	558,320	0.17%
Homeowner	Land & Improvements	<u>532,907</u>	<u>0.16%</u>
		<u>\$9,475,634</u>	<u>2.90%</u>

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2012 Assessed Valuation or alternatively, the 2012 Preliminary Valuation. The foregoing further assumes collection of 98% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirements (2013-2036)	\$1,120,847
Tax Rate of \$0.36 on the 2012 Assessed Valuation (\$326,554,979) produces.....	\$1,152,086
Maximum Debt Service Requirement (2015).....	\$1,512,571
Tax Rate of \$0.48 on the 2012 Assessed Valuation (\$326,554,979) produces.....	\$1,536,115

Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2012 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 Jurisdictions</u>	<u>2012 Tax Rate/\$100</u>
The District	\$0.610000
Harris County	0.400210
Harris County Department of Education.....	0.006994
Harris County Flood Control District.....	0.028090
Port of Houston Authority.....	0.029520
Harris County Hospital District.....	0.182160
Harris County Emergency Service District No. 7	0.080000(a)
Harris County Emergency Service District No. 11	0.030000(a)
Klein Independent School District	1.440000
Lone Star College System.....	<u>0.119800</u>
Estimated Total 2012 Tax Rate.....	<u>\$2.916774</u>

(a) This is the entity's 2011 tax rate. The 2012 tax rate was not yet available.

THE SYSTEM

Proceeds of the Outstanding Bonds were used to finance water, sanitary sewer and drainage lines to serve approximately 765 acres of residential development, approximately 26 acres of developed park land, approximately 18 acres of commercial development, and approximately 169 acres of consisting of a golf course and club house, an elementary school, and the District's facilities.

- 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 4 hydropneumatic tanks and booster pump facilities. These water plants are sufficient to provide water supply to 2,500 equivalent single-family connections ("esfc"). At full buildout, it is currently projected that 2,871 esfc will be required to serve the District.

- Water Contracts with Other Districts -

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

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

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

- Wastewater Treatment -

Proceeds from the Outstanding Bonds were used to finance construction of the District's existing wastewater treatment system which consists of a 1,150,000 gallon per day ("gpd") treatment plant (the "Plant"). Ownership of this 1,150,000 gpd plant is allocated by written agreements among the District, Oakmont Public Utility District and Klein Independent School District. Pursuant to such agreements, the District is allocated 640,000 gpd, Oakmont Public Utility District is allocated 435,000 gpd, and Klein Independent School District is allocated 75,000 gpd of the plant capacity. The District's share of such facility is sufficient to provide wastewater treatment service to approximately 2,133 esfc based on 300 gpd per esfc. At full buildout, it is currently projected that 2,871 esfc will be required to serve the District.

- Drainage Facilities -

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

DISTRICT DEBT

General

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

2012 Assessed Valuation.....	\$326,554,979 (a)
(100% of estimated market value as of January 1, 2012)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt: Outstanding Bonds.....	\$ 15,785,000
The Bonds	<u>2,175,000</u>
Total	<u>\$ 17,960,000</u>
Estimated Overlapping Debt.....	<u>\$ 25,183,374 (b)</u>
Total Direct and Estimated Overlapping Debt.....	<u>\$ 43,143,374</u>
Direct Debt Ratio	
: as a percentage of 2012 Assessed Valuation.....	5.50 %
Direct and Estimated Overlapping Debt Ratio	
: as a percentage of 2012 Assessed Valuation.....	13.21 %
Debt Service Fund Balance as of September 17, 2012 (unaudited).....	\$ 1,352,634 (c)
General Fund Balance as of September 17, 2012 (unaudited).....	\$ 238,163
Park Capital Projects Fund Balance as of September 17, 2012 (unaudited).....	\$ 601,036
Capital Projects Fund Balance as of September 17, 2012 (unaudited)	\$ 1,528,292
2012 District Tax Rate per \$100 of Assessed Valuation	
Debt Service	\$0.36 (d)
Maintenance	<u>0.25</u>
Total	<u>\$0.61</u>
Average Percentage of Total Tax	
Collections (2006-2011).....	99.62 %
Average Annual Debt Service Requirements	
of the Bonds and the Outstanding Bonds (2013-2036)	\$ 1,120,847
Maximum Annual Debt Service Requirement	
of the Bonds and the Outstanding Bonds (2015).....	\$ 1,512,571
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual	
Debt Service Requirements of the Bonds and the Outstanding Bonds	
(2013-2036) at 98% Tax Collections	
Based Upon 2012 Assessed Valuation.....	\$0.36
Tax Rate per \$100 of Assessed Valuation Required to Pay	
Maximum Annual Debt Service Requirement of the Bonds and the	
Outstanding Bonds (2015) at 98% Tax Collections	
Based Upon 2012 Assessed Valuation.....	\$0.48

(a) As certified by the Harris County Appraisal District (the "Appraisal District"). All property located in the District is valued on the tax rolls by the Appraisal District at 100% of estimated market value as of January 1 of each year. The District's tax roll is certified by the Appraisal Review Board. This number includes \$8,382,751 of uncertified value. The uncertified value represents the owners' opinion of the property value and is the estimated minimum amount to be ultimately certified by the Appraisal District.

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

- (c) Neither Texas law nor the Bond Order requires that any particular amount be maintained in the Debt Service Fund or General Fund at any time. The balance reflects payments of all debt service due in 2012. In addition, one year of capitalized interest on the Bonds and accrued interest from the dated date of the Bonds to the date of closing will be deposited in this account.
- (d) The TCEQ in its order authorizing the District to issue the Bonds advised the District to levy a debt service tax rate of not less than \$0.36 per \$100 of assessed valuation based upon the Bonds being issued at an interest rate of 5.63%.

Debt Service Requirements

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

Year	Outstanding Bonds	The Bonds		Total Debt Service Requirements
		Principal (Due 3-1)	Interest	
2013	\$ 1,443,415		\$ 61,302	\$ 1,504,717
2014	1,433,071		73,563	1,506,634
2015	1,439,009		73,563	1,512,571
2016	1,241,535		73,563	1,315,098
2017	1,240,784		73,563	1,314,346
2018	1,232,923		73,563	1,306,485
2019	1,105,210		73,563	1,178,773
2020	1,108,650		73,563	1,182,213
2021	1,110,883		73,563	1,184,445
2022	1,111,843		73,563	1,185,405
2023	1,116,430		73,563	1,189,993
2024	1,119,608		73,563	1,193,170
2025	1,126,388		73,563	1,199,950
2026	950,375		73,563	1,023,938
2027	946,763		73,563	1,020,325
2028	760,444	\$ 60,000	72,738	893,181
2029	766,072	55,000	71,156	892,228
2030	765,331	60,000	69,575	894,906
2031	766,478	60,000	67,850	894,328
2032	769,181	60,000	66,050	895,231
2033	770,178	65,000	64,175	899,353
2034	773,875	65,000	62,225	901,100
2035		855,000	46,288	901,288
2036		895,000	15,663	910,663
	<u>\$23,098,443</u>	<u>\$2,175,000</u>	<u>\$1,626,896</u>	<u>\$26,900,339</u>

Average Annual Requirements: (2013-2036) \$1,120,847
Maximum Requirement: (2015) \$1,512,571

Estimated Direct and Overlapping Debt Statement

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

<u>Taxing Jurisdiction</u>	<u>Debt as of August 31, 2012</u>	<u>Estimated Overlapping</u>	
		<u>Percent</u>	<u>Amount</u>
Harris County	\$2,803,237,190	0.12%	\$ 3,431,391
Harris County Department of Education	7,795,000	0.12	9,542
Harris County Flood Control District	100,020,000	0.12	122,433
Klein Independent School District	737,125,000	2.61	19,228,042
Lone Star College System	506,910,000	0.29	1,478,956
Port of Houston Authority	745,874,397	0.12	<u>913,011</u>
Total Estimated Overlapping Debt			\$25,183,374
The District			<u>17,960,000(a)</u>
Total Direct & Estimated Overlapping Debt			<u>\$43,143,374</u>

Debt Ratios

	% of 2012 Assessed Valuation
Direct Debt	5.50%
Direct and Estimated Overlapping Debt	13.21%

Under Texas law, ad valorem taxes levied by each taxing authority create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy, and collect ad valorem taxes for operation and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District in an amount not to exceed \$0.25 per \$100 of assessed valuation. The District levied a 2012 maintenance tax of \$0.25 per \$100 of assessed valuation. See "TAX DATA - Maintenance Tax."

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate and amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under the caption "THE BONDS - Source of Payment." The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District's electors at an election. The District's electors have authorized the levy of such a maintenance tax in the maximum amount of \$0.25 per \$100 of assessed valuation. The District levied a maintenance tax in the amount of \$0.25 per \$100 of assessed valuation for the 2012 tax year. See "TAX DATA - Maintenance Tax."

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. For 2012, the District granted an over 65/disabled exemption of \$30,000. In addition, the District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit Exemption" may apply to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has taken action to allow taxation of goods-in-transit, and accordingly, the exemption is not available within the District. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the market value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against

the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For 2012, the District did not grant a general residential homestead exemption.

Valuation of Property for Taxation

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

District and Taxpayer Remedies

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

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

Rollback of Operation and Maintenance Tax Rate

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including such taxes for a period of three (3) years to five (5) years for agricultural use, timberland or open space land prior to the loss of the designation. As of January 1, 2012, approximately 450 acres of land within the District were designated for agricultural use, open space or timberland.

Tax Abatement

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, Klein Independent School District, and (after annexation of the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten years, all or any part of any increase in the assessed valuation of property covered by the agreement over

its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, none of the area within the District has been designated as a reinvestment zone. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by other taxing jurisdictions.

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

INVESTMENT CONSIDERATIONS

General

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

taxes by the property owners. The taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry, both single-family and multi-family, and the commercial development industry. New residential housing construction can be significantly affected by factors such as general economic activity, interest rates, credit availability, energy costs, construction costs, the level of unemployment and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Although as described in this Official Statement under the caption "STATUS OF DEVELOPMENT", (i) the development of a total of approximately 721 acres located within the District is complete, including the development of an aggregate of 1,635 single-family residential building sites, and home construction has occurred on 1,633 of such lots to date (including 2 home under construction), and the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date.

Recent Events in Real Estate Market: In the past few years, the construction loan and commercial mortgage markets in the United States have been under pressure due to many economic factors, including the tightening of credit standards, reduction of access to capital, and interest rate adjustments. Recently, the Harris County area has experienced reduced levels of residential, commercial, retail and multi-family construction. The District cannot predict what impact, if any, a continued downturn in the national and local commercial, retail and/or multi-family market may have on the Harris County area market and assessed values in the District. In fact, the total assessed valuation within the District has declined in each year since 2008.

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

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2012 Assessed Valuation of property located within the District (see "TAX DATA") is \$326,554,979. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds will be \$1,563,400 (2015) and the average annual debt service requirements will be \$1,120,847 (2013-2036, inclusive). Assuming no increase to nor decrease from the 2012 Assessed Valuation of \$326,554,979, tax rates of \$0.48 and \$0.36 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the annual debt service requirement, respectively.

Tax Collection Limitations

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

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

Registered Owners' Remedies and Bankruptcy

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

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

Marketability

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

Economic Factors

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

Bond Insurance Risk Factors

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

Default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies that the Paying Agent exercises and the Bond Insurer's consent may be required in connection with amendments to the Bond Order.

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

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

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE AND RATINGS" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Future Debt

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

Following issuance of the Bonds, there will be \$1,130,000 in principal amount of unlimited tax bonds authorized and unissued by the District's voters for the purpose of constructing and acquiring water, sewer and drainage facilities, all of which may also be used for refunding purposes. The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds and such additional bonds as may be hereafter authorized. The District has also reserved the right to issue certain other bonds and obligations described in the Bond Order. See "THE BONDS - Issuance of Additional Debt."

On August 20, 2012, the Board of Directors approved calling a bond election for \$38,000,000 principal amount of bonds for the purpose of acquiring and constructing a waterworks, wastewater and storm drainage system. No representation can be made as to whether the election will be passed by voters within the District. If the election passes and after the issuance of the Bonds, the District will be authorized to issue a maximum of \$39,130,000 principal amount of additional bonds for the purpose of acquiring and constructing a waterworks, wastewater and storm drainage system.

On August 20, 2012, the Board of Directors took action to proceed with the creation of the Defined Area within the boundaries of the District. The Defined Area consists of 439.686 acres that is expected to be developed as single-family residential and multi-family development. The Board of Directors has called for an election within the Defined Area to authorize \$41,000,000 principal amount of Defined Area Bonds to finance the water, wastewater and drainage improvements within the Defined Area, and \$17,000,000 principal amount of Defined Area Bonds to finance road improvements within the Defined Area. Such bonds amounts for the Defined Area are in addition to the \$38,000,000 in bonds to be voted upon as described in the preceding paragraph. No representation can be made as to whether the election will be passed by voters within the District. Any bonds issued for the Defined Area will be payable solely from a tax levied within the boundaries of the Defined Area.

Continuing Compliance with Certain Covenants

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

Future and Proposed Legislation

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

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

LEGAL MATTERS

Legal Opinions

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

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

No Arbitrage

The District will certify on the date the Bonds are delivered and paid for that based upon all facts and estimates now known or reasonably expected to be in existence, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed from time to time thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District have been authorized to certify to the facts, circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District will covenant in the Bond Order that it will make such use of the proceeds of the Bonds, regulate investments of

proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for certain of the Bonds maturing is less than the maturity amount thereof (the “Original Issue Discount Bonds”). In such event, the difference between the amount payable at the maturity of each Original Issue Discount Bond, and the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Under existing law,

such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

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

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The Issuer has designated the Bonds as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer will covenant to take such action that would assure, or to refrain from such action that would adversely affect the treatment of the Bonds as “qualified tax-exempt obligations.” **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be “qualified tax-exempt obligations.”**

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT,” “TAX DATA,” “APPENDIX A.” The District will update and provide this information within six months after the end of each fiscal year ending in or after 2012.

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

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

Material Event Notices

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

Availability of Information

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

OFFICIAL STATEMENT

General

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

Experts

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

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

Auditor

The District's audited financial statements for the year ended December 31, 2011 were prepared by McCall Gibson Swedlund Barfoot P.L.L.C., Certified Public Accountant, Houston, Texas, and have been included herein as "APPENDIX A". McCall Gibson Swedlund Barfoot P.L.L.C., Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

Certification as to Official Statement

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

Updating of Official Statement

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

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

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

ATTEST:

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

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
December 31, 2011

NORTHAMPTON MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2011

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

111 Congress Avenue
Suite 400
Austin, Texas 78701
(512) 610-2209
www.mgsbpllc.com

Board of Directors
Northampton Municipal
Utility District
Harris County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Northampton Municipal Utility District (the "District"), as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Northampton Municipal
Utility District

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 8 and the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Fund on pages 41 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

May 21, 2012

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Management's discussion and analysis of Northampton Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the District's financial statements, which begin on page 9.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The first of the government-wide statements is the Statement of Net Assets. This information is found in the Statement of Net Assets column on pages 9 through 14. The Statement of Net Assets is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on pages 16 through 17 reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

FUND FINANCIAL STATEMENTS

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

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets on page 15 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 18 explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 through 39 in this report.

OTHER INFORMATION

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$5,836,667 as of December 31, 2011.

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

The following is a comparative analysis of the Statement of Net Assets as of December 31, 2011, and December 31, 2010:

	<u>Summary of Changes in the Statement of Net Assets</u>		
	<u>2011</u>	<u>2010</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 8,375,017	\$ 13,118,624	\$ (4,743,607)
Capital Assets (Net of Accumulated Depreciation)	<u>17,373,357</u>	<u>13,862,959</u>	<u>3,510,398</u>
Total Assets	<u>\$ 25,748,374</u>	<u>\$ 26,981,583</u>	<u>\$ (1,233,209)</u>
Long-Term Liabilities	\$ 15,785,000	\$ 16,355,000	\$ 570,000
Other Liabilities	<u>4,126,707</u>	<u>5,188,615</u>	<u>1,061,908</u>
Total Liabilities	<u>\$ 19,911,707</u>	<u>\$ 21,543,615</u>	<u>\$ 1,631,908</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 2,873,335	\$ 1,981,538	\$ 891,797
Restricted	2,036,812	2,429,960	(393,148)
Unrestricted	<u>926,520</u>	<u>1,026,470</u>	<u>(99,950)</u>
Total Net Assets	<u>\$ 5,836,667</u>	<u>\$ 5,437,968</u>	<u>\$ 398,699</u>

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the District's operations for the years ended December 31, 2011, and December 31, 2010. The District's net assets increased by \$398,699, accounting for a 7.33% growth in net assets.

	Summary of Changes in the Statement of Activities		
	2011	2010	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,064,488	\$ 2,086,303	\$ (21,815)
Charges for Services	2,639,681	2,326,959	312,722
Capital Contributions	693,256	1,969,074	(1,275,818)
Other Revenues	<u>104,902</u>	<u>108,144</u>	<u>(3,242)</u>
Total Revenues	\$ 5,502,327	\$ 6,490,480	\$ (988,153)
Expenses for Services	<u>(5,103,628)</u>	<u>(4,813,049)</u>	<u>(290,579)</u>
Change in Net Assets	\$ 398,699	\$ 1,677,431	\$ (1,278,732)
Net Assets, Beginning of Year	<u>5,437,968</u>	<u>3,760,537</u>	<u>1,677,431</u>
Net Assets, End of Year	<u>\$ 5,836,667</u>	<u>\$ 5,437,968</u>	<u>\$ 398,699</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2011, were \$4,572,656, a decrease of \$3,550,781 from the prior year.

The General Fund fund balance decreased by \$473,699 primarily due to capital outlay paid during the year.

The Debt Service Fund fund balance decreased by \$205,300, primarily due to the timing difference between actual property tax collections and debt service payments.

The Capital Projects Fund fund balance decreased by \$2,871,782, primarily due to the use of Series 2010 bonds to pay for current year capital projects.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$382,125 more than budgeted revenues. Actual expenditures were \$664,965 more than budgeted expenditures. See page 41 for budget and actual comparison.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2011, amounts to \$17,373,357 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment as well as the water, wastewater and drainage systems and recreation facilities.

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

Completed Projects:	
New Park Facilities	\$ 28,580
Tennis Center Improvements	68,178
Wastewater Treatment Plant Expansion	4,721,622
West Park Parking Lot Improvements	92,908
Recoating of Water Plant Nos. 1 and 2	<u>286,340</u>
Total Completed Projects	<u>\$ 5,197,628</u>
Construction in Progress:	
Water Well No. 2 Pump Lowering and Rework	\$ 5,923
Northcrest Park Improvements	432,813
Water and Sewer Extension on Gosling	138,387
Sanitary Sewer Rehabilitation	<u>2,324,066</u>
Total Construction in Progress	<u>\$ 2,901,189</u>

Capital Assets At Year-End Net of Accumulated Depreciation

	2011	2010	Net Increase (Decrease)
Capital Assets Not Subject to Depreciation:			
Land and Land Improvements	\$ 1,284,617	\$ 1,284,617	\$
Construction in Progress	2,901,189	3,935,502	(1,034,313)
Capital Assets Subject to Depreciation:			
Meeting and Recreation Facilities	2,273,460	2,268,074	5,386
Water System	3,188,239	3,084,266	103,973
Wastewater System	6,575,498	2,098,712	4,476,786
Drainage System	1,114,676	1,144,586	(29,910)
Equipment	<u>35,678</u>	<u>47,202</u>	<u>(11,524)</u>
Total Net Capital Assets	<u>\$ 17,373,357</u>	<u>\$ 13,862,959</u>	<u>\$ 3,510,398</u>

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

CAPITAL ASSETS (Continued)

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

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total debt payable of \$16,355,000.

The changes in the debt position of the District during the fiscal year ended December 31, 2011, is summarized as follows:

Bond Debt Payable, January 1, 2011	\$ 17,080,000
Less: Bond Principal Paid	<u>725,000</u>
Bond Debt Payable, December 31, 2011	<u>\$ 16,355,000</u>

All of the District's bonds carry on underlying rating of "A1" from Moody's Investor Service. Additionally, the Series 2006 Bonds, Series 2006 Park Bonds and Series 2010 Bonds carry an underlying rating of "A-" from Standard & Poor's.

The District's Series 2006 Park Bonds and Series 2010 Refunding Bonds carry an insured rating by virtue of bond insurance issued by Assured Guaranty Municipal Corporation ("AGM"). Series 2006 bonds carry an insured rating by virtue of bond insurance issued by National Public Finance Guaranty Corporation ("NPFGC"). Credit enhanced ratings provided through bond policies are subject to change based on the rating of the bond insurance company.

At December 31, 2011, the insured rating for AGM was "Aa3" and the insured rating for NPFGC was "Baa2".

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>
ASSETS		
Cash, Note 5	\$ 164,703	\$ 59,172
Investments, Note 5	240,000	
Receivables:		
Property Taxes	725,758	
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$15,000)	127,383	
Accrued Interest	331	
Builder Damages	4,012	
Other	7,603	
Due from Other Funds, Note 16	15,327	6,149
Prepaid Costs	9,711	
Due from Other Governments	15,476	25,385
Advance for Wastewater Treatment Plant Operations, Note 9	34,200	
Unamortized Bond Discounts		
Unamortized Bond Issuance Costs		
Land, Note 6		
Construction in Progress, Note 6		
Capital Assets (Net of Accumulated Depreciation), Note 6		
TOTAL ASSETS	<u>\$ 1,344,504</u>	<u>\$ 90,706</u>

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$ 698,867	\$ 2,984,270	\$ 3,907,012	\$	\$ 3,907,012
1,155,000		1,395,000		1,395,000
1,045,091		1,770,849		1,770,849
9,643		9,643		9,643
		127,383		127,383
1,918		2,249		2,249
		4,012		4,012
		7,603		7,603
		21,476	(21,476)	
		9,711		9,711
		40,861		40,861
		34,200	(34,200)	
			375,021	375,021
			725,673	725,673
			1,284,617	1,284,617
			2,901,189	2,901,189
			<u>13,187,551</u>	<u>13,187,551</u>
<u>\$ 2,910,519</u>	<u>\$ 2,984,270</u>	<u>\$ 7,329,999</u>	<u>\$ 18,418,375</u>	<u>\$ 25,748,374</u>

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

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>
LIABILITIES		
Accounts Payable	\$ 109,009	\$ 28,506
Accrued Interest Payable		
Due to Other Governments	38,864	
Due to Developer, Note 14		
Retainage Payable		
Due to Other Funds, Note 16	6,149	
Advances for Wastewater Treatment Plant Operations, Note 9		62,200
Due to Homeowners Association	1,164	
Annexation Deposits	11,430	
Security Deposits	133,310	
Interest Payable on Capital Appreciation Bonds, Note 3		
Unamortized Bond Premiums		
Deferred Revenues:		
Property Taxes	856,815	
Penalty and Interest on Delinquent Taxes		
User Fees	360	
Long-Term Liabilities:		
Bonds Payable Within One Year, Note 3		
Bonds Payable After One Year, Note 3		
TOTAL LIABILITIES	<u>\$ 1,157,101</u>	<u>\$ 90,706</u>

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$ 8	\$ 31,671	\$ 169,194	\$	\$ 169,194
			218,759	218,759
	11,760	50,624		50,624
	207,313	207,313	41,821	41,821
15,327		21,476	(21,476)	207,313
		62,200	(34,200)	28,000
		1,164		1,164
		11,430		11,430
		133,310		133,310
			197,262	197,262
			439,644	439,644
1,233,814		2,090,629	(32,803)	2,057,826
9,643		9,643	(9,643)	
		360		360
			570,000	570,000
			<u>15,785,000</u>	<u>15,785,000</u>
<u>\$ 1,258,792</u>	<u>\$ 250,744</u>	<u>\$ 2,757,343</u>	<u>\$ 17,154,364</u>	<u>\$ 19,911,707</u>

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
FUND BALANCES/NET ASSETS		
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 9,711	\$
Advance for Wastewater Treatment Plant Operations	34,200	
Restricted for Authorized Construction:		
Bond Proceeds		
Net Investment Revenues		
Restricted for Debt Service		
Unassigned	<u>143,492</u>	<u></u>
TOTAL FUND BALANCES	<u>\$ 187,403</u>	<u>\$ -0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,344,504</u>	<u>\$ 90,706</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Restricted for:		
Capital Projects		
Debt Service		
Unrestricted		
TOTAL NET ASSETS		

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$	\$	\$ 9,711	\$ (9,711)	\$
		34,200	(34,200)	
	1,961,422	1,961,422	(1,961,422)	
	772,104	772,104	(772,104)	
1,651,727		1,651,727	(1,651,727)	
		<u>143,492</u>	<u>(143,492)</u>	
<u>\$ 1,651,727</u>	<u>\$ 2,733,526</u>	<u>\$ 4,572,656</u>	<u>\$ (4,572,656)</u>	<u>\$ -0-</u>
<u>\$ 2,910,519</u>	<u>\$ 2,984,270</u>	<u>\$ 7,329,999</u>		
			\$ 2,873,335	\$ 2,873,335
			772,104	772,104
			1,264,708	1,264,708
			<u>926,520</u>	<u>926,520</u>
			<u>\$ 5,836,667</u>	<u>\$ 5,836,667</u>

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

NORTHHAMPTON MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Total Fund Balances – Governmental Funds	\$ 4,572,656
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Unamortized bond discounts and bond issuance costs in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,100,694
Land used in governmental activities is not a financial resource and, therefore, is not reported as an asset in the governmental funds.	1,284,617
Construction in progress in governmental activities is not a financial resource and, therefore, is not reported as an asset in the governmental funds.	2,901,189
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	13,187,551
Accrued interest on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(416,021)
The amount Due to Developer cannot be paid from Capital Projects funds without approval from the Commission and, therefore, is not reported as a liability in the governmental funds.	(41,821)
Unamortized bond premiums in governmental activities are not financial liabilities and, therefore, are not reported as liabilities in the governmental funds.	(439,644)
Deferred tax revenues for the 2010 and prior tax levies became part of recognized revenues in the governmental activities of the District.	32,803
Deferred penalty and interest revenues on delinquent property taxes for 2010 and prior tax levies became part of recognized revenues in the governmental activities of the District.	9,643
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:	
Bonds Payable Within One Year	\$ (570,000)
Bonds Payable After One Year	<u>(15,785,000)</u>
	<u>(16,355,000)</u>
Total Net Assets – Governmental Activities	<u>\$ 5,836,667</u>

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

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NORTHAMPTON MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Special Revenue Fund
REVENUES		
Property Taxes	\$ 845,835	\$
Water Service	651,036	
Wastewater Service	879,248	412,837
Penalty and Interest	28,356	
Tap Connection and Inspection Fees	10,500	
Facility Use Fees	111,381	
Regional Water Authority Fees	826,349	
Capital Contributions, Note 9		
Investment Revenues	3,917	
Miscellaneous Revenues	177,939	
TOTAL REVENUES	<u>\$ 3,534,561</u>	<u>\$ 412,837</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 215,763	\$ 28,416
Contracted Services	595,775	44,416
Purchased Wastewater Service, Note 9	299,627	
Utilities	128,970	48,089
Repairs and Maintenance	231,620	84,039
Regional Water Authority Assessments, Note 12	847,613	
Parks and Recreation	932,341	
Depreciation, Note 6		
Other	169,458	207,877
Capital Outlay:		
Parks and Recreation	374,603	
Other Facilities	212,490	
Debt Service:		
Bond Principal		
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 4,008,260</u>	<u>\$ 412,837</u>
NET CHANGE IN FUND BALANCES	\$ (473,699)	\$ -0-
CHANGE IN NET ASSETS		
FUND BALANCES/NET ASSETS – JANUARY 1, 2011	<u>661,102</u>	
FUND BALANCES/NET ASSETS – DECEMBER 31, 2011	<u>\$ 187,403</u>	<u>\$ -0-</u>

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 1,217,998	\$	\$ 2,063,833	\$ 655	\$ 2,064,488
		651,036		651,036
		1,292,085	(299,627)	992,458
18,678		47,034	923	47,957
		10,500		10,500
		111,381		111,381
		826,349		826,349
	693,256	693,256		693,256
11,130	11,327	26,374		26,374
		177,939	(99,411)	78,528
<u>\$ 1,247,806</u>	<u>\$ 704,583</u>	<u>\$ 5,899,787</u>	<u>\$ (397,460)</u>	<u>\$ 5,502,327</u>
\$ 19,864	\$	\$ 264,043	\$	\$ 264,043
42,692		682,883		682,883
		299,627	(299,627)	
		177,059		177,059
		315,659		315,659
		847,613		847,613
		932,341		932,341
			652,917	652,917
6,577	143	384,055		384,055
		374,603	(374,603)	
	3,576,222	3,788,712	(3,788,712)	
725,000		725,000	(725,000)	
<u>658,973</u>		<u>658,973</u>	<u>188,085</u>	<u>847,058</u>
<u>\$ 1,453,106</u>	<u>\$ 3,576,365</u>	<u>\$ 9,450,568</u>	<u>\$ (4,346,940)</u>	<u>\$ 5,103,628</u>
\$ (205,300)	\$ (2,871,782)	\$ (3,550,781)	\$ 3,550,781	\$
			398,699	398,699
<u>1,857,027</u>	<u>5,605,308</u>	<u>8,123,437</u>	<u>(2,685,469)</u>	<u>5,437,968</u>
<u>\$ 1,651,727</u>	<u>\$ 2,733,526</u>	<u>\$ 4,572,656</u>	<u>\$ 1,264,011</u>	<u>\$ 5,836,667</u>

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Net Change in Fund Balances - Governmental Funds	\$ (3,550,781)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report property tax revenues when collected. However, in the Statement of Activities, revenues are recorded in the accounting period for which the taxes are levied.	655
Governmental funds report penalty and interest on delinquent property taxes when collected. However, in the Statement of Activities, revenues are recorded when the penalty and interest are assessed.	923
Oakmont's share of eminent domain costs for Ditch M-102 was recorded as a receivable in the Statement of Net Assets. Oakmont reimbursed the District during the current fiscal year removing the receivable and the Statement of Activities is not affected.	(99,411)
Governmental funds do not account for depreciation. However, in the Statement of Activities, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(652,917)
Governmental funds report capital asset purchases as expenditures in the period purchased. However, in the Statement of Net Assets, 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 asset purchases are expensed in the Statement of Activities.	4,163,315
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Assets, bond principal payments decrease long-term liabilities and the Statement of Activities is not affected.	725,000
Governmental funds report interest payments on bonds as expenditures in the year paid. However, in the Statement of Activities, interest is accrued on bonds through fiscal year end and the current amortization of bond discounts, bond issuance costs and bond premiums is added to bond interest expense.	<u>(188,085)</u>
Change in Net Assets - Governmental Activities	<u>\$ 398,699</u>

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

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. CREATION OF DISTRICT

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The District was created as an independent municipality. The District does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the District's basic financial statements. The District has entered into a joint venture agreement with Oakmont Public Utility District for the expansion and operation of a wastewater treatment plant. The District has oversight responsibility for the wastewater treatment plant. Additional disclosure is provided in Note 9.

Financial Statement Presentation

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

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 statements. The fund statements include a Balance Sheet and 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 revenue 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include the 2010 tax levy collections during the period October 1, 2010, to December 31, 2011, and taxes collected from January 1, 2011, to December 31, 2011, for prior tax levies. The 2011 tax levy has been fully deferred to meet the District's planned expenditures in the 2012 fiscal year.

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

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and a useful life of at least two 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 Assets and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net assets.

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

Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, requires the classification of fund balances in governmental funds 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.