NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Fund Balances (Continued)

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 Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

Subsequent Events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through May 21, 2012, which is the date these statements were available to be issued.

NOTE 3. BONDS PAYABLE

	Series 1999
Amount Outstanding - December 31, 2011	$ 145,000
Interest Rates	4.400%
Maturity Dates - Beginning/Ending	March 1, 2012
Interest Payment Dates	March 1
Callable Dates	March 1, 2007*

	Series 2006	Series 2006 Park
Amount Outstanding - December 31, 2011	$ 3,680,000	$ 1,630,000
Interest Rates	4.000% - 5.250%	3.900% - 6.000%
Maturity Dates - Beginning/Ending	March 1, 2012/2016, 2018, 2020, 2022, 2024, 2026, 2028, 2030	March 1, 2012/2015, 2018, 2021, 2024, 2027, 2030
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	March 1, 2015**	March 1, 2015**

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

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

NOTE 3. BONDS PAYABLE (Continued)

	Series 2010
Amount Outstanding - December 31, 2011	$ 3,975,000
Interest Rates	3.000% - 5.000%
Maturity Dates – Beginning/Ending	March 1, 2012/2018, 2021, 2025, 2028, 2030, 2031/2034
Interest Payment Dates	March 1/September 1
Callable Dates	March 1, 2018*

	Series 2010 Refunding Bonds	
	Current Interest Bonds	Compound Interest Bonds
Amount Outstanding - December 31, 2011	$ 6,700,000	$ 225,000
Interest Rates	2.00% - 4.00%	1.25%
Maturity Dates – Beginning/Ending	March 1, 2013/2027	March 1, 2012
Interest Payment Dates	March 1/September 1	At Maturity
Callable Dates	March 1, 2018*	Non-Callable*

* Or any date thereafter, callable at par plus unpaid accrued interest, in whole or in part, at the option of the District. The Series 2010 term bonds maturing on March 1, 2021, 2025, 2028 and 2030 are subject to mandatory redemption by lot or other customary random selection method beginning March 1, 2019, 2022, 2026, and 2029, respectively.

The Series 2010 Refunding compound interest bonds are non-callable. The par value of these bonds is $225,000 and the maturity value is $455,000. Interest on these bonds will be paid at maturity. At December 31, 2011, the accreted value of these bonds is $422,262. Accrued interest of $197,262 has been recorded in the Statement of Net Assets.

NOTE 3. BONDS PAYABLE (Continued)

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2011:

Bond Debt Payable - January 1, 2011			$ 17,080,000	
Less:	Bond Principal Retirement			
	Series 1993 Refunding	$ 70,000		
	Series 1993-A	130,000		
	Series 1998 Refunding	150,000		
	Series 1999	145,000		
	Series 2006	115,000		
	Series 2006 Parks	50,000		
	Series 2010	25,000		
	Series 2010 Refunding	40,000	725,000	
Bond Debt Payable - December 31, 2011			$ 16,355,000	
Bond Debt Payable -				
	Due Within One Year		$ 570,000	
	Due After One Year		15,785,000	
Bond Debt Payable - December 31, 2011			$ 16,355,000	
Original Bonds Voted			$ 21,800,000	*
New Bonds Voted			5,500,000	**
Park Bonds Voted			1,775,000	***
Total Bonds Authorized			$ 29,075,000	
Original Bonds Approved			$ 25,565,000	
Original Bonds Issued			$ 23,790,000	
Park Bonds Issued			1,775,000	
Refunding Bonds Issued ($12,130,000) Net of Bonds Refunded ($11,925,000)			205,000	
Total Bonds Issued			$ 25,770,000	

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

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

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

NOTE 3. BONDS PAYABLE (Continued)

As of December 31, 2011, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2012	$ 570,000	$ 877,912	$ 1,447,912
2013	815,000	628,415	1,443,415
2014	830,000	603,072	1,433,072
2015	865,000	574,009	1,439,009
2016	695,000	546,535	1,241,535
2017-2021	3,470,000	2,328,449	5,798,449
2022-2026	3,830,000	1,594,641	5,424,641
2027-2031	3,130,000	875,086	4,005,086
2032-2034	2,150,000	163,234	2,313,234
	$ 16,355,000	$ 8,191,353	$ 25,546,353

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

During the year ended December 31, 2011, the District levied an ad valorem debt service tax at the rate of $0.36 per $100 of assessed valuation, which resulted in a tax levy of $1,214,455 on the adjusted taxable valuation of $337,348,466 for the 2011 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

A. The District shall maintain insurance on the system of a kind and in an amount which usually would be carried by municipal corporations and political subdivisions in Texas operating facilities, but considering any governmental immunities to which the District may be entitled. The District has property coverage of $14,942,000, scheduled equipment coverage of $19,500 and boiler and machinery coverage of $13,500,000. In addition, the District has $2,000,000 of directors and officers liability coverage, $3,000,000 of general liability coverage, $1,000,000 of automobile liability coverage, $1,000,000 of commercial umbrella liability and $1,000,000 of pollution liability coverage.

B. The bond orders state that any profits realized from or interest accruing on investments shall belong to the fund from which the monies for such investments were taken; provided, however, that at the discretion of the Board of Directors the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.

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

D. The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5th year anniversary of each issue.

   In compliance with this covenant, the 5th year arbitrage rebate reports were completed for the Series 2006 bond issue and the Series 2006 Park bond issue; and the final arbitrage rebate reports were completed for the Series 1993 refunding bond issue, the Series 1993-A bond issue and the Series 1998 bond issue. The reports reflect that the District did not have a rebate obligation to the federal government on these issues.

E. In accordance with the Series 2010 bond order, a portion of the bond proceeds was deposited into the Debt Service Fund and reserved for the payment of bond interests during the construction period. The bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

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

E. (Continued)

Bond Interest Reserve – January 1, 2011	$ 121,255
Less: Interest Paid – Series 2010	121,255
Bond Interest Reserve – December 31, 2011	$ -0-

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's bank deposits was $5,302,012 and the bank balance was $5,622,490. Of the bank balance, $2,560,655 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at December 31, 2011, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 164,703	$ 240,000	$ 404,703
SPECIAL REVENUE FUND	59,172		59,172
DEBT SERVICE FUND	698,867	1,155,000	1,853,867
CAPITAL PROJECTS FUND	2,984,270		2,984,270
TOTAL DEPOSITS	$ 3,907,012	$ 1,395,000	$ 5,302,012

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

All investments are recorded at cost, which the District considers to be fair value. As of December 31, 2011, the District had the following investments and maturities:

		Maturities in Years			
Fund and Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
GENERAL FUND -					
Certificates of Deposit	$ 240,000	$ 240,000	$	$	$

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

		Maturities in Years			
Fund and Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
DEBT SERVICE FUND -					
Certificates of Deposit	$ 1,155,000	$ 1,155,000	$ -0-	$ -0-	$ -0-
TOTAL INVESTMENTS	$ 1,395,000	$ 1,395,000	$ -0-	$ -0-	$ -0-

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2011, the District manages credit risk by investing in certifcates of deposit with balances below FDIC coverage.

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

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011:

	January 1, 2011	Additions	Decreases	December 31, 2011
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 1,284,617	$	$	$ 1,284,617
Construction in Progress	3,935,502	4,163,315	5,197,628	2,901,189
Total Capital Assets Not Being Depreciated	$ 5,220,119	$ 4,163,315	$ 5,197,628	$ 4,185,806
Capital Assets Subject to Depreciation				
Meeting and Recreation Facilities	$ 3,450,792	$ 189,666	$	$ 3,640,458
Water System	5,936,847	286,340		6,223,187
Wastewater System	4,789,866	4,721,622		9,511,488
Drainage	1,345,928			1,345,928
Equipment	112,207		12,815	99,392
Total Capital Assets Subject to Depreciation	$ 15,635,640	$ 5,197,628	$ 12,815	$ 20,820,453

NOTE 6. CAPITAL ASSETS (Continued)

	January 1, 2011	Additions	Decreases	December 31, 2011
Less Accumulated Depreciation				
Meeting and Recreation Facilities	$ 1,182,718	$ 184,280	$	$ 1,366,998
Water System	2,852,581	182,367		3,034,948
Wastewater System	2,691,154	244,836		2,935,990
Drainage	201,342	29,910		231,252
Equipment	65,005	11,524	12,815	63,714
Total Accumulated Depreciation	$ 6,992,800	$ 652,917	$ 12,815	$ 7,632,902
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 8,642,840	$ 4,544,711	$ -0-	$ 13,187,551
Total Capital Assets, Net of Accumulated Depreciation	$ 13,862,959	$ 8,708,026	$ 5,197,628	$ 17,373,357

NOTE 7. MAINTENANCE TAX

The voters of the District have approved the levy and collection of a maintenance tax not to exceed $0.25 per $100 of assessed valuation of taxable property within the District. During the year ended December 31, 2011, the District levied an ad valorem maintenance tax at the rate of $0.25 per $100 of assessed valuation, which resulted in a tax levy of $843,371 on the adjusted taxable valuation of $337,348,466 for the 2011 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system.

NOTE 8. WATER SUPPLY AGREEMENTS

<u>Encanto Real Utility District</u>

On September 24, 1985, the District entered into an agreement with Encanto Real Utility District ("Encanto") to provide emergency water supply services. All necessary costs of constructing the interconnect, including a two-way meter for the purpose of measuring the water provided, shall be borne by Encanto. Each district is responsible for maintaining the respective interconnect lines within their boundaries. The charge for service to either district is $0.75 per thousand gallons of water delivered. On December 20, 2011, the agreement was amended to increase the rate to $1.25 per thousand gallons. The agreement shall be in force until September 24, 2020.

The agreement was amended on August 21, 2000, to add an amount equal to the quantity of water delivered times the North Harris County Regional Water Authority's well pumpage fee rate in effect at the time of delivery. This amendment became effective for water supplied on or after January 1, 2000.

NOTE 8. WATER SUPPLY AGREEMENTS (Continued)

Oakmont Public Utility District

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

Effective March 17, 2003, the District entered into an Interim Water Supply Agreement with Oakmont whereby the District agreed to lease interim water supply to serve up to 400 equivalent single family connections within Oakmont. Oakmont committed under the agreement to file a bond application containing funds sufficient to construct its own water plant when at least 325 lots are developed within Oakmont. The First Amendment to the Interim Water Supply Agreement was entered into effective June 5, 2006, whereby the District agreed to lease Oakmont additional water supply capacity sufficient to serve an additional 125 equivalent single family connections until such time as Oakmont's water plant is operational. The Second Amendment to the Interim Water Supply Agreement was entered into effective May 10, 2007, whereby deleting the requirement for Oakmont to file a bond application containing funds sufficient to construct its own water plant. Oakmont's water plant became operational in February of 2009. The District bills Oakmont on a monthly basis for water used. During the current fiscal year, the District billed Oakmont $7,541 for water used plus $7,998 for regional water authority fees.

NOTE 9. WASTEWATER TREATMENT CONTRACTS

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

On July 2, 1984, the District entered into an agreement, and an amended agreement, with Oakmont Public Utility District ("Oakmont") whereby the District agreed to expand the capacity in its existing permanent sewage treatment plant to provide 232,220 gallons per day capacity to Oakmont. Each district agreed to pay its share of construction costs for expanding the plant

NOTE 9. WASTEWATER TREATMENT CONTRACTS (Continued)

based upon its pro-rata share of reserved capacity in the total capacity in the expansion. On June 15, 1993, the districts entered into a waste disposal contract whereby Oakmont agreed to sell the District an additional 97,220 gpd capacity in the permanent wastewater treatment plant for $279,994. The First Amendment to the contract was entered into as of October 8, 2009, to provide for the capacity owned by each participant after the completion of the 400,000 gallon per day expansion.

The District exercises oversight responsibility for the operations of the plant. Fixed operational costs such as electricity, property insurance, permit renewal fees and costs, capital costs and laboratory testing fees are allocated based upon each district's pro-rata share of reserved capacity. All other costs of operations are allocated based upon the volume of wastewater delivered to the plant for treatment (measured according to the total water usage by each district as calculated based upon meter readings). Billings are issued on a monthly basis. During the current fiscal year, the District recorded $299,627 as its share of the operating cost of the plant.

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

On June 19, 2006, the District agreed to lease Oakmont an additional 30,555 gallons per day of wastewater treatment capacity to serve an additional 97 equivalent single family connections until such time as the plant was expanded by Oakmont. The expansion of the plant has now commenced. On May 8, 2008, the lease agreement was amended and restated to lease 120,645 gpd of wastewater treatment capacity to Oakmont until the expansion is complete and operational. Oakmont shall pay a monthly lease payment to the District in the sum of $2,718. In addition to the monthly lease payment, Oakmont shall pay the monthly operating charge attributable to the leased capacity. The fees commenced in May of 2008. During the current fiscal year, the District recorded revenue of $16,308 related to this lease, which is included in revenues for wastewater services. Northampton's wastewater treatment plant expansion was completed on June 30, 2011. The lease agreement between the District and Oakmont is no longer in effect.

The plant was expanded from 750,000 gallons per day to 1,150,000 gallons per day. Oakmont's share (65.57%) of the current year costs was $693,256. Klein's share (1.66%) is $71,931.

	Owned Capacity in Gallons Per Day	Owned Capacity Percentage
Northampton Municipal Utility District	640,000	55.65
Klein Independent School District	75,000	6.52
Oakmont Public Utility District	435,000	37.83
TOTAL	1,150,000	100.00

NOTE 9. WASTEWATER TREATMENT CONTRACTS (Continued)

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

	Northampton Municipal Utility District	Oakmont Public Utility District	Total
Due (to) from Participants at January 1, 2011	$ 26,982	$ 20,812	$ 47,794
Operating Costs	299,627	113,210	412,837
Receipts and Credits	(306,660)	(116,037)	(422,697)
Change in Reserve	(13,800)	7,400	(6,400)
Due (to) from Participants at December 31, 2011	$ 6,149	$ 25,385	$ 31,534
Two Month Reserve	$ 34,200	$ 28,000	$ 62,200

NOTE 10. ESCROW REQUIREMENTS

In compliance with the Commission's order dated May 2, 2006, the District placed $1,375,030 from the Series 2006 Bond proceeds into an escrow account. On August 21, 2006, the Commission approved the release of $75,000 from escrow for financial advisor fees. On June 16, 2009, the Commission approved the release of $58,080 from escrow to partially reimburse Oakmont Public Utility District for costs associated with the existing water line interconnect. The Commission also approved a change in project scope of $437,020 to fund the District's water well no. 2 project and the balance of the costs associated with the existing water line interconnect. On October 29, 2009, the Commission approved the release of $1,236,950 from escrow: $1,064,800 for wastewater treatment plant modifications and improvements and $172,150 for the Ditch M-102 channel improvements. At December 31, 2011, $5,000 of surplus funds is required to remain in escrow.

In compliance with the Commission's order dated July 21, 2006, the District placed $1,488,675 from the Series 2006 Park Bond proceeds into an escrow account. On February 26, 2007, the Commission approved the release of $44,375 from escrow for legal fees. On November 12, 2008, the Commission approved the release of $150,000 from escrow for land acquisition for a general expansion of the District's Inway recreational facility which includes additional parking, greenspace, trails, etc. On July 15, 2010, the Commission approved the release of $291,500 for Inway Park Improvements, and a change in project scope to reallocate $40,610 to finance a portion of the Inway Park Improvements. Based upon this escrow approval, as well as amounts previously approved, $962,190 remains in escrow from the 2006 Park Bonds. See Note 19.

The total escrow requirement at December 31, 2011, is $967,190.

NOTE 11. DEFINED CONTRIBUTION PLAN

The District has established a SIMPLE Individual Retirement Account ("IRA") plan for its employees. The plan became effective April 1, 2000, and is currently managed by AIM Management. Eligible employees may contribute up to the maximum amount allowed by the Internal Revenue Service for any calendar year through salary reduction elections. For each calendar year, the District will contribute a matching contribution to each eligible employee's IRA account equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. All contributions to the plan are immediately vested with the employee. For the year ended December 31, 2011, the eligible employees contributed $10,775 to the plan and the District contributed $4,941.

NOTE 12. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

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

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The fee for 2011 is $1.75 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of $847,613 for fees assessed by the Authority during the current fiscal year. The District collects fees from its customers as a part of its monthly billings to cover this regulatory assessment.

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

On December 8, 2006, the District entered into an agreement with Oakmont Public Utility District ("Oakmont") to manage the Oakmont recreational facilities. Oakmont pays the District a monthly management fee of $5,000. This monthly fee may change upon execution of a mutually approved amendment to the agreement. Oakmont shall impose and collect the same recreation fee set by the District and shall make the recreation fee mandatory for each occupied resident in Oakmont. Oakmont will furnish all consumable supplies needed to operate the facilities. The District will furnish all equipment, tools, appliances and labor necessary for proper maintenance and repairs. The term of this agreement is for one year, subject to renewal. On October 13, 2007, the agreement was amended to extend the term of the agreement for one

NOTE 13. AGREEMENT FOR MANAGEMENT AND OPERATION OF OAKMONT PARKS AND RECREATIONAL FACILITIES (Continued)

year, and to provide for automatic renewal of the agreement on the effective date for successive one year terms unless terminated earlier by written notice of either party at least 60 days prior to the anniversary of the effective date. During the current fiscal year, the District recorded $65,000 of revenue related to this agreement.

Subsequent to year end, on January 1, 2012, this agreement was amended to increase the monthly management fee to $5,867.

NOTE 14. UNREIMBURSED COSTS

In 2005, the District reimbursed Peramco, Inc. for various projects from Series 2003 Bonds. The amount of funds approved for this reimbursement was not sufficient; therefore the District owes Peramco, Inc. an additional $41,821 for unpaid developer interest. This amount was paid subsequent to year-end from the General Fund.

NOTE 15. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The District participates in the Texas Municipal League Intergovernmental Risk Pool ("TML") to provide automobile liability, automobile physical damage coverage and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. During 2011, the District contributed a net of $14,378 to TML for this insurance coverage. The District purchased commercial insurance for all other coverage. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 16. INTERFUND PAYABLES AND RECEIVABLES

The Debt Service Fund (Tax Account) owes the General Fund $1,777 for maintenance tax collections. The Debt Service Fund owes the General Fund $13,550 for arbitrage related costs. The General Fund fund owes the Special Revenues Fund $6,149 for wastewater treatment plant operations.

NOTE 17. USE OF SURPLUS FUNDS

Under the rules of the Commission, specifically 30 TAC §293.83(C)(3), the District meets the requirements to use surplus funds for certain projects without further Commission approval. The District used $286,340 of surplus Capital Projects Funds for the recoating project at Water Plant Nos. 1 and 2: $132,264 in 2010 and $154,076 in 2011. The project was completed during the current fiscal year.

NOTE 18. ENFORCEMENT ACTION

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

NOTE 19. SUBSEQUENT EVENT

On January 26, 2012, subsequent to year end, the Commission approved the release of $464,286 from escrow: $269,500 plus $81,357 for Northcrest Park Improvements and $113,429 for West Park Improvements. A change in project scope was approved by the Commission to reallocate $81,357 from West Park Improvements to the Northcrest Park Improvements. Based upon this escrow approval, $497,904 will remain in escrow from the 2006 Park Bonds.

NOTE 12. PENDING BOND APPLICATION

On December 27, 2011, the District submitted an application to the Commission for approval to issue $2,175,000 of bonds. Proceeds will be used for the Gosling Road utility extension project; and to fund the first year of interest payments on the bonds and costs related to issuing the bonds.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2011

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 850,000	$ 845,835	$ (4,165)
Water Service	600,000	651,036	51,036
Wastewater Service	896,616	879,248	(17,368)
Penalty and Interest	27,000	28,356	1,356
Tap Connection and Inspection Fees		10,500	10,500
Facility Use Fees	87,420	111,381	23,961
Regional Water Authority Fees	615,000	826,349	211,349
Investment Revenues	9,000	3,917	(5,083)
Miscellaneous Revenues	67,400	177,939	110,539
TOTAL REVENUES	$ 3,152,436	$ 3,534,561	$ 382,125
EXPENDITURES			
Service Operations:			
Professional Fees	$ 178,100	$ 215,763	$ (37,663)
Contracted Services	596,160	595,775	385
Purchased Wastewater Service	287,725	299,627	(11,902)
Utilities	112,560	128,970	(16,410)
Repairs and Maintenance	231,000	231,620	(620)
Regional Water Authority Assessments	630,000	847,613	(217,613)
Parks and Recreation	964,000	932,341	31,659
Other	159,060	169,458	(10,398)
Capital Outlay:			
Parks and Recreation	184,690	374,603	(189,913)
Other		212,490	(212,490)
TOTAL EXPENDITURES	$ 3,343,295	$ 4,008,260	$ (664,965)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (190,859)	$ (473,699)	$ (282,840)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	$ 191,965	$ -0-	$ (191,965)
NET CHANGE IN FUND BALANCE	$ 1,106	$ (473,699)	$ (474,805)
FUND BALANCE – JANUARY 1, 2011	661,102	661,102	
FUND BALANCE – DECEMBER 31, 2011	$ 662,208	$ 187,403	$ (474,805)

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL SPECIAL REVENUE FUND – WASTEWATER TREATMENT PLANT FOR THE YEAR ENDED DECEMBER 31, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Wastewater Service	$ 411,040	$ 412,837	$ 1,797
Investment Revenues			
TOTAL REVENUES	$ 411,040	$ 412,837	$ 1,797
EXPENDITURES			
Service Operations:			
Professional Fees	$ 6,300	$ 28,416	$ (22,116)
Contracted Services	45,580	44,416	1,164
Utilities	76,960	48,089	28,871
Repairs and Maintenance	60,000	84,039	(24,039)
Other	222,200	207,877	14,323
TOTAL EXPENDITURES	$ 411,040	$ 412,837	$ (1,797)
NET CHANGE IN FUND BALANCE	$ -0-	$ -0-	$ -0-
FUND BALANCE – JANUARY 1, 2011			
FUND BALANCE – DECEMBER 31, 2011	$ -0-	$ -0-	$ -0-

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

DECEMBER 31, 2011

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved December 21, 2009.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 20.00	10,000	N	$ 0.80	10,001 to 19,999
				$ 0.90	20,000 to 29,999
				$ 1.10	30,000 to 49,999
				$ 1.25	50,000 to 74,999
				$ 5.00	75,000 and over
WASTEWATER:	$ 43.23 *		Y		
SURCHARGE:					
Regional Water Authority Fees				$ 1.93	1,000 and over

District employs winter averaging for wastewater usage? ____ Yes X No

Total monthly charges per 10,000 gallons usage: Water: $20.00 Wastewater: $43.23 Surcharge: $19.30 Total: $82.53

* Includes garbage fee of $20.88 and recycling fee of $3.00.

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2011

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	1,616	1,601	x 1.0	1,601
1"	80	80	x 2.5	200
1½"	1	1	x 5.0	5
2"	10	10	x 8.0	80
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	1,707	1,692		1,886
Total Wastewater Connections	1,663	1,648	x 1.0	1,648

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

Gallons pumped into system:	458,938,000	Water Accountability Ratio: 92.01% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	417,216,000	
Gallons sold to Oakmont Public Utility District	5,067,000	

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Does the District have Debt Service standby fees? Yes ___ No _X_

Does the District have Operation and Maintenance standby fees? Yes ___ No _X_

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes _X_ No ___

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ___ Partly ___ Not at all _X_

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

Entirely _X_ Partly ___ Not at all ___

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ___ No _X_

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011

PERSONNEL EXPENDITURES (Including Benefits)	$	-0-
PROFESSIONAL FEES:		
Auditing	$	20,000
Legal		109,583
Engineering		86,180
TOTAL PROFESSIONAL FEES	$	215,763
PURCHASED SERVICES FOR RESALE:		
Purchased Wastewater Service	$	299,627
CONTRACTED SERVICES:		
Bookkeeping	$	23,315
Operations and Billing		82,818
TOTAL CONTRACTED SERVICES	$	106,133
UTILITIES:		
Electricity	$	125,072
Telephone		3,898
TOTAL UTILITIES	$	128,970
REPAIRS AND MAINTENANCE	$	231,620

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011

ADMINISTRATIVE EXPENDITURES:		
Community Education	$	5,347
Director Fees		23,400
Dues and Registration Fees		1,870
Insurance		40,135
Office Supplies and Postage		5,020
Travel and Meetings		7,154
Website		1,293
Other		9,907
TOTAL ADMINISTRATIVE EXPENDITURES	$	94,126
CAPITAL OUTLAY:		
Capitalized Assets	$	212,490
Expenditures not Capitalized		
TOTAL CAPITAL OUTLAY	$	212,490
TAP CONNECTION EXPENDITURES	$	3,681
SOLID WASTE DISPOSAL	$	489,642
FIRE FIGHTING	$	-0-
PARKS AND RECREATION:		
Capital Outlay	$	374,603
Contract Services		720
Personnel (Including Benefits)		715,846
Repairs and Maintenance		152,951
Furniture and Fixtures		244
Truck		5,903
Utilities		56,677
TOTAL PARKS AND RECREATION	$	1,306,944
SECURITY	$	-0-

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011

OTHER EXPENDITURES:	
Chemicals	$ 37,795
Inspection Fees	172
Laboratory Fees	14,493
Permit Fees	2,119
Reconnection Fees	9,540
Regional Water Authority Assessments	847,613
TCEQ Regulatory Assessment	7,532
TOTAL OTHER EXPENDITURES	$ 919,264
TOTAL EXPENDITURES	$ 4,008,260

Number of persons employed by the District 14 Full-Time 2 Part-Time*

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

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
INVESTMENTS
DECEMBER 31, 2011

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Certificate of Deposit	1002035780	0.700%	04/17/12	$ 240,000	$ 331
DEBT SERVICE FUND					
Certificate of Deposit	210412	0.350%	02/27/12	$ 245,000	$ 291
Certificate of Deposit	3116001910	0.350%	02/27/12	245,000	292
Certificate of Deposit	5001557	0.500%	02/27/12	245,000	416
Certificate of Deposit	3300041535	0.750%	02/27/12	245,000	624
Certificate of Deposit	6112171	0.500%	02/27/12	175,000	295
TOTAL DEBT SERVICE FUND				$ 1,155,000	$ 1,918
TOTAL - ALL FUNDS				$ 1,395,000	$ 2,249

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2011

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE –				
JANUARY 1, 2011	$ 714,802		$1,029,315	
Adjustments to Beginning Balance	1,000	$ 715,802	1,436	$ 1,030,751
Original 2011 Tax Levy	$ 823,878		$1,186,385	
Adjustment to 2011 Tax Levy	19,493	843,371	28,070	1,214,455
TOTAL TO BE ACCOUNTED FOR		$1,599,173		$ 2,245,206
TAX COLLECTIONS:				
Prior Years	$ 702,358		$1,011,392	
Current Year	131,057	833,415	188,723	1,200,115
TAXES RECEIVABLE –				
DECEMBER 31, 2011		$ 725,758		$ 1,045,091
TAXES RECEIVABLE BY YEAR:				
2011		$ 712,314		$ 1,025,732
2010		3,580		5,154
2009		2,722		3,920
2008		2,645		3,808
2007		1,738		2,503
2006		1,441		2,075
2005		952		1,372
2004		366		527
TOTAL TAXES RECEIVABLE BY YEAR		$ 725,758		$ 1,045,091

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010	2009	2008
PROPERTY VALUATIONS				
Land	$ 57,068,920	$ 57,007,269	$ 57,064,887	$ 54,079,105
Improvements	303,903,043	304,376,224	298,359,854	300,522,735
Personal Property	5,532,249	4,979,174	6,014,401	3,863,242
Exemptions	(29,155,746)	(28,321,466)	(19,135,952)	(15,887,326)
TOTAL PROPERTY VALUATIONS	$ 337,348,466	$ 338,041,201	$ 342,303,190	$ 342,577,756
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.36000	$ 0.36000	$ 0.36000	$ 0.36000
Maintenance***	0.25000	0.25000	0.25000	0.25000
TOTAL TAX RATES PER $100 VALUATION	$ 0.61000	$ 0.61000	$ 0.61000	$ 0.61000
ADJUSTED TAX LEVY*	$ 2,057,826	$ 2,062,052	$ 2,088,049	$ 2,089,724
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	15.54% **	99.58%	99.68%	99.69%

* 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 collection.

*** Maintenance Tax – Maximum tax rate of $0.25 per $100 of assessed valuation approved by voters.

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2011

	SERIES - 1999		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	$ 145,000	$ 3,190	$ 148,190
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
TOTAL	$ 145,000	$ 3,190	$ 148,190

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2011

	SERIES - 2006		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	$ 120,000	$ 151,633	$ 271,633
2013	125,000	145,201	270,201
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			
TOTAL	$ 3,680,000	$ 1,641,292	$ 5,321,292

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2011

	PARK SERIES - 2006		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	$ 55,000	$ 64,995	$ 119,995
2013	55,000	61,970	116,970
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			
TOTAL	$ 1,630,000	$ 713,643	$ 2,343,643

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2011

	SERIES - 2010		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	$ 25,000	$ 189,494	$ 214,494
2013	25,000	188,744	213,744
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
TOTAL	$ 3,975,000	$ 3,614,778	$ 7,589,778

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2011

	REFUNDING SERIES - 2010		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	$ 225,000	$ 468,600	$ 693,600
2013	610,000	232,500	842,500
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			
TOTAL	$ 6,925,000	$ 2,218,450	$ 9,143,450

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2011

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2012	$ 570,000	$ 877,912	$ 1,447,912
2013	815,000	628,415	1,443,415
2014	830,000	603,072	1,433,072
2015	865,000	574,009	1,439,009
2016	695,000	546,535	1,241,535
2017	720,000	520,784	1,240,784
2018	740,000	492,923	1,232,923
2019	640,000	465,210	1,105,210
2020	670,000	438,650	1,108,650
2021	700,000	410,882	1,110,882
2022	730,000	381,842	1,111,842
2023	765,000	351,429	1,116,429
2024	800,000	319,607	1,119,607
2025	840,000	286,388	1,126,388
2026	695,000	255,375	950,375
2027	720,000	226,762	946,762
2028	560,000	200,444	760,444
2029	590,000	176,071	766,071
2030	615,000	150,331	765,331
2031	645,000	121,478	766,478
2032	680,000	89,181	769,181
2033	715,000	55,178	770,178
2034	755,000	18,875	773,875
TOTAL	$ 16,355,000	$ 8,191,353	$ 24,546,353

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2011

Description	Original Debt Issued	Debt Outstanding January 1, 2011
Northampton Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds – Series 1993	$ 3,275,000	$ 70,000
Northampton Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds – Series 1993-A	1,900,000	130,000
Northampton Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds – Series 1998	1,890,000	150,000
Northampton Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds – Series 1999	1,760,000	290,000
Northampton Municipal Utility District Waterworks and Sewer System Unlimited Tax Bonds – Series 2006	4,000,000	3,795,000
Northampton Municipal Utility District Unlimited Tax Park Bonds – Series 2006	1,775,000	1,680,000
Northampton Municipal Utility District Unlimited Tax Bonds – Series 2010	4,000,000	4,000,000
Northampton Municipal Utility District Unlimited Tax Refunding Bonds – Series 2010	6,965,000	6,965,000
TOTAL	$ 25,565,000 (1)	$ 17,080,000

(1) The District has fully retired Series 1985 bonds totaling $1,530,000, Series 1968 bonds totaling $1,400,000, Series 1970 bonds totaling $800,000, Series 1972 bonds totaling $800,000, Series 1989 bonds totaling $970,000 and Series 1991 bonds totaling $2,135,000, Series 1993 refunding bonds totaling $3,275,000, Series 1993A bonds totaling $1,900,000, and Series 1998 refunding bonds totaling $1,890,000, Series 2001 bonds totaling $1,505,000 and Series 2003 bonds totaling $2,990,000. The District sold $3,275,000 of Series 1993 refunding bonds to replace $3,275,000 of original issue bonds. The District sold $1,890,000 of Series 1998 refunding bonds to replace $1,685,000 of original issue bonds. The District sold $6,965,000 of Series 2010 refunding bonds to replace $6,965,000 of original issue bonds.

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

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Debt Outstanding	
Bonds Sold	Principal	Interest	December 31, 2011	Paying Agent
$	$ 70,000	$ 1,960	$	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	130,000	3,250		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	150,000	3,525		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	145,000	9,534	145,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	115,000	157,945	3,680,000	Wells Fargo Bank, N.A. Houston, TX
	50,000	68,145	1,630,000	Wells Fargo Bank, N.A. Houston, TX
	25,000	190,244	3,975,000	Wells Fargo Bank, N.A. Houston, TX
	40,000	224,370	6,925,000	Wells Fargo Bank, N.A. Houston, TX
$ -0-	$ 725,000	$ 658,973	$ 16,355,000	

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2011

	Tax and Revenue Bonds	Tax Bonds and Refunding Bonds**	Park Bonds
Bond Authority:			
Authorized by Voters*	$ 10,600,000	$ 16,700,000	$ 1,775,000
Amount Issued	10,600,000	13,395,000	1,775,000
Remaining to be Issued	$ -0-	$ 3,305,000	$ -0-

* Total authorized amount after February 2, 2002 bond election. Park bonds were authorized after May 7, 2005 bond election.

** Refunding bond authorization is inclusive of tax and tax and revenue bonds authorized and remaining to be issued.

Debt Service Fund cash and investment balances as of December 31, 2011: $ 1,853,867

Average annual debt service payment (principal and interest) for remaining term of all bond debt: $ 1,067,233

See accompanying independent auditor's report.

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

	Amounts		
	2011	2010	2009
REVENUES			
Property Taxes	$ 845,835	$ 856,413	$ 868,847
Water Service	651,036	551,572	622,158
Wastewater Service	879,248	897,145	893,201
Penalty and Interest	28,356	29,529	28,513
Tap Connection and Inspection Fees	10,500	950	
Facility Use Fees	111,381	111,850	70,766
Regional Water Authority Fees	826,349	593,195	499,473
Capital Contributions			
Investment Revenues	3,917	8,488	23,691
Grant Revenues			
Miscellaneous Revenues	177,939	67,206	65,895
TOTAL REVENUES	$ 3,534,561	$ 3,116,348	$ 3,072,544
EXPENDITURES			
Professional Fees	$ 215,763	$ 163,074	$ 123,939
Contracted Services	595,775	591,523	571,072
Purchased Wastewater Service	299,627	393,127	277,965
Utilities	128,970	104,400	115,085
Repairs and Maintenance	231,620	290,063	253,345
Regional Water Authority Assessments	847,613	599,260	563,196
Parks and Recreation	932,341	923,763	778,344
Other	169,458	141,661	171,251
Capital Outlay:			
Parks and Recreation	374,603	525,434	234,468
Other Facilities	212,490		28,025
Note Principal			
Note Interest			
TOTAL EXPENDITURES	$ 4,008,260	$ 3,732,305	$ 3,116,690
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (473,699)	$ (615,957)	$ (44,146)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	$ -0-	$ 135,603	$ 117,794
NET CHANGE IN FUND BALANCE	$ (473,699)	$ (480,354)	$ 73,648
BEGINNING FUND BALANCE	661,102	1,141,456	1,067,808
ENDING FUND BALANCE	$ 187,403	$ 661,102	$ 1,141,456

See accompanying independent auditor's report.

2008	2007	Percent of Total Revenues 2011	2010	2009	2008	2007
$ 853,556	$ 795,919	23.8%	27.5%	28.3%	28.0%	28.4%
678,839	595,215	18.4	17.7	20.2	22.3	21.3
855,684	802,034	24.9	28.8	29.1	28.1	28.7
21,383	23,583	0.8	0.9	0.9	0.7	0.8
3,950	5,975	0.3			0.1	0.2
91,047	99,030	3.2	3.6	2.3	3.0	5.7
394,906	258,958	23.4	19.0	16.3	13.0	9.3
10,082					0.3	
54,346	71,754	0.1	0.3	0.8	1.8	2.5
13,295					0.4	
71,376	146,780	5.1	2.2	2.1	2.3	3.1
$ 3,048,464	$ 2,799,248	100.0%	100.0%	100.0%	100.0%	100.0%
$ 205,089	$ 218,581	6.0%	5.2%	4.0%	6.7%	6.6%
543,530	516,317	16.9	19.0	18.6	17.8	18.4
277,613	290,702	8.5	12.6	9.1	9.1	10.4
179,397	108,413	3.6	3.4	3.7	5.9	3.9
361,198	173,905	6.6	9.3	8.3	11.9	6.2
429,497	302,647	24.0	19.2	18.3	14.1	10.8
771,595	683,951	26.4	29.6	25.3	25.3	24.9
162,166	137,461	4.8	4.6	5.6	5.3	4.9
2,109	122,360	10.6	16.9	7.6	0.1	4.4
174,492	17,132	6.0		0.9	5.7	1.2
	67,500					2.4
	3,462					0.1
$ 3,106,686	$ 2,642,431	113.4%	119.8%	101.4%	101.9%	94.2%
$ (58,222)	$ 156,817	(13.4)%	(19.8)%	(1.4)%	(1.9)%	5.8%
$ -0-	$ 211,109					
$ (58,222)	$ 367,926					
1,126,030	758,104					
$ 1,067,808	$ 1,126,030					

See accompanying independent auditor's report.

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

	Amounts		
	2011	2010	2009
REVENUES			
Property Taxes	$ 1,217,998	$1,233,233	$1,251,128
Penalty and Interest	18,678	25,990	21,606
Investment Revenues	11,130	14,818	34,910
Miscellaneous Revenues		348	284
TOTAL REVENUES	$ 1,247,806	$1,274,389	$1,307,928
EXPENDITURES			
Tax Collection Expenditures	$ 66,253	$ 52,131	$ 49,722
Debt Service Principal	725,000	640,000	605,000
Debt Service Interest and Fees	661,853	690,317	651,043
TOTAL EXPENDITURES	$ 1,453,106	$1,382,448	$1,305,765
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (205,300)	$(108,059)	$ 2,163
OTHER FINANCING SOURCES (USES)			
Refunding Bonds Issued	$	$6,965,000	$
Long-Term Debt Issued		190,619	
Bond Discounts		(143,738)	
Bond Premiums		476,472	
Payment to Refunded Bond Escrow Agent		(7,046,578)	
Issuance Costs of Refunding Bonds		(250,485)	
OTHER FINANCING SOURCES (USES)	$ -0-	$ 191,290	$ -0-
NET CHANGE IN FUND BALANCE	$ (205,300)	$ 83,231	$ 2,163
BEGINNING FUND BALANCE	1,857,027	1,773,796	1,771,633
ENDING FUND BALANCE	$ 1,651,727	$1,857,027	$1,773,796
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,692	1,693	1,686
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,648	1,650	1,643

See accompanying independent auditor's report.

		Percent of Total Revenues				
2008	2007	2011	2010	2009	2008	2007
$ 1,229,121	$ 1,146,123	97.6%	96.8%	95.6%	92.2%	90.9%
36,943	26,459	1.5	2.0	1.7	2.8	2.1
67,377	82,763	0.9	1.2	2.7	5.0	6.5
223	5,902					0.5
$ 1,333,664	$ 1,261,247	100.0%	100.0%	100.0%	100.0%	100.0%
$ 80,929	$ 44,880	5.4%	4.1%	3.7%	6.1%	3.6%
435,000	425,000	58.1	50.2	46.3	32.6	33.7
676,271	688,420	53.0	54.2	49.8	50.7	54.6
$ 1,192,200	$ 1,158,300	116.5%	108.5%	99.8%	89.4%	91.9%
$ 141,464	$ 102,947	(16.5)%	(8.5)%	0.2%	10.6%	8.1%
$	$					
$ -0-	$ -0-					
$ 141,464	$ 102,947					
1,630,169	1,527,222					
$ 1,771,633	$ 1,630,169					
1,690	1,686					
1,647	1,643					

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2011

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 December 31, 2011	Expense Reimbursements for the year ended December 31, 2011	Title
E. C. Thomas	05/10 05/14 (Elected)	$ 3,150	$ -0-	President
William Black	05/08 05/12 (Elected)	$ 7,200	$ 1,106	1st Vice President
Paul Schneider	05/10 05/14 (Elected)	$ 3,600	$ -0-	2nd Vice President
Joyce Nelsen	05/08 05/12 (Elected)	$ 4,500	$ 992	Secretary
John A. Braden	05/08 05/12 (Elected)	$ 4,950	$ 548	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 27, 2010.

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, 2011

Key Personnel:	Date Hired	Fees for the year ended December 31, 2011	Title
Jim Sheffield 6012-A Root Road Spring, TX 77389	09/29/03	$ 103,099	General Manager
Consultants:			
Bacon & Wallace, L.L.P. 6363 Woodway, Suite 800 Houston, TX 77057	01/01/01	$ 109,583	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	12/16/91	$ 21,400	Auditor
Cindy Schmidt P.O. Box 80 Tomball, TX 77377	01/15/90	$ 26,540	Bookkeeper
Harris County Appraisal District 13013 Northwest Freeway Houston, TX 77040-6305	Legislative Action	$ 17,388	Central Appraisal District
Perdue Brandon Fielder Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, TX 77008	10/21/96	$ 6,314	Delinquent Tax Attorney
Jones & Carter, Inc. 8701 New Trails Drive, Suite 200 The Woodlands, TX 77381	12/04/79	$ 543,566	Engineer

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2011

Consultants:	Date Hired	Fees for the year ended December 31, 2011	Title
RBC Capital Markets 1001 Fannin, Suite 1200 Houston, TX 77002	11/20/89	$ -0-	Financial Advisor
Hays Utility South Corporation P.O. Box 2569 Spring, TX 77383	10/14/70	$ 584,545	Operator
Esther Flores c/o Tax Tech, Inc. 873 Dulles Avenue, Suite A Stafford, TX 77477-5710	06/17/91	$ 24,171	Tax Assessor/ Collector
North Harris County Regional Water Authority 3648 FM 1960 West, Suite 110 Houston, TX 77068	Legislative Action	$ 847,613	Regional Water Authority

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY® MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

OFFICIAL STATEMENT DATED AUGUST 18, 2010

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

The 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: Moody's Investors Service, Inc....................... "Aa3" (negative outlook)
See "BOND INSURANCE" and "MUNICIPAL BOND RATING"

$6,965,000

NORTHAMPTON MUNICIPAL UTILITY DISTRICT

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

UNLIMITED TAX REFUNDING BONDS, SERIES 2010

Dated: September 1, 2010 Due: March 1, as shown below

The $6,965,000 Northampton Municipal Utility District Unlimited Tax Refunding Bonds, Series 2010 (the "Bonds") are obligations of Northampton Municipal Utility District (the "District") and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, Texas, or the City of Houston, Texas, is pledged to the payment of the principal of or interest on the Bonds.

The Bonds include both Current Interest Bonds and Premium Compound Interest Bonds, as set forth below. Interest on the Current Interest Bonds scheduled to mature on March 1, 2011 and March 1, 2013 through March 1, 2027, inclusive, will accrue from September 1, 2010, and will be payable March 1 and September 1 of each year ("Interest Payment Date"), commencing March 1, 2011. Interest on the Premium Compound Interest Bonds scheduled to mature on March 1, 2012 will accrue from the date of delivery, will be compounded on March 1 and September 1 of each year, commencing March 1, 2011, and will be payable only upon maturity. Principal of the Bonds, together with accrued interest on the Premium Compound Interest Bond is payable to the registered owner(s) of the Bonds (the "Bondholder(s)") at Wells Fargo Bank, N.A., Houston, Texas (sometimes hereinafter called the "Paying Agent" or the "Registrar"), upon surrender of the Bonds for payment at maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent and a Bondholder, interest on the Current Interest Bonds, together with mandatory redemption payments on any term bond, except at maturity, 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 Current Interest Bonds will be issued only in fully registered form in the denomination of $5,000 of principal amount, or any integral multiple thereof. The Premium Compound Interest Bonds will be issued in denominations of $5,000, or integral multiples thereof, of maturity amount, including principal and accrued and compounded interest. See "APPENDIX A - Schedule of Accreted Values for Premium Compound Interest Bonds."

The Current Interest Bonds scheduled to mature on and after March 1, 2019, are subject to redemption, in whole or, from time to time, in part, prior to their scheduled maturities, on March 1, 2018, or on any date thereafter. Upon redemption, the Current Interest Bonds will be payable at a price equal to the principal amount of the Current Interest Bonds or portions thereof so called for redemption, plus accrued interest to the date for redemption. If less than all of the Current Interest Bonds are redeemed at any time, the District shall determine the maturity or maturities and the amounts thereof to be redeemed in integral multiples of $5,000 in principal amount, and if less than all of the Current Interest Bonds within a maturity are to be redeemed, the Registrar shall select by lot or other customary method of random selection the Current Interest Bonds within such maturity to be redeemed. See "THE BONDS - Optional Redemption."

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

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

See Inside Cover Page for Maturity and Pricing Schedule

The proceeds of the Bonds will be used to advance and currently refund portions of the District's outstanding bonds and pay certain costs of issuance associated with the Bonds. The Bonds are issued pursuant to an order of the District authorizing the issuance of the Bonds, Article XVI, Section 59 of the Texas Constitution, the laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, and Section 1207, Texas Government Code, as amended. Following the issuance of the Bonds, $3,305,000 in principal amount of unlimited tax bonds authorized by the District's voters will remain unissued. See "THE BONDS - Issuance of Additional Debt." The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment."

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the Underwriter (defined herein), subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Bacon & Wallace, L.L.P., Houston, Texas, Bond Counsel, and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas. Delivery of the Bonds is expected through DTC on or about September 23, 2010.

RBC CAPITAL MARKETS

AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

$6,965,000 Unlimited Tax Refunding Bonds, Series 2010

$6,740,000 Current Interest Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)
2011	$ 40,000	2.000%	0.600%	2020(b)	$365,000	4.000%	3.220%
***	***	***	***	2021(b)	380,000	4.000	3.420
2013	610,000	2.000	1.220	2022(b)	400,000	4.000	3.520
2014	615,000	3.000	1.540	2023(b)	420,000	4.000	3.620
2015	640,000	3.000	1.970	2024(b)	440,000	4.000	3.720
2016	460,000	3.500	2.260	2025(b)	460,000	4.000	3.820
2017	470,000	3.500	2.620	2026(b)	300,000	4.000	3.920
2018	485,000	4.000	2.820	2027(b)	310,000	4.000	3.970
2019(b)	345,000	4.000	3.020				

$225,000 Premium Compound Interest Bonds (c)

Maturity (March 1)	Initial Principal Amount	Offering Price Per $5,000 Maturity	Offering Yield (a)	Total Maturity Amount
2012	$225,000	4,911.10	1.250%	$455,000

(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) Interest is compounded semiannually and is payable only at stated maturity.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

The Underwriter (hereinafter defined) has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("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 "BOND INSURANCE" and "APPENDIX C - Specimen Municipal Bond Insurance Policy".

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

RBC Capital Markets Corporation (referred to herein as the "Underwriter") has agreed to purchase the Bonds from the District for $7,297,734.15 (being the principal amount of the Current Interest Bonds, plus an original issue premium on the Current Interest Bonds of $254,562.25, plus proceeds from the Premium Compound Interest Bonds of $446,910.10, and less an underwriter's discount of $143,738.20), plus accrued interest on the Current Interest Bonds from September 1, 2010 to the date of delivery. The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased. Since the inception of the District, RBC Capital Markets Corporation has served as the financial advisor for the District; however, for the purposes of this transaction, RBC Capital Markets Corporation is not serving as financial advisor to the District and instead is serving solely as Underwriter of the Bonds.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in the Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The Underwriter previously served as the Financial Advisor to the District, which relationship has been terminated pursuant to Municipal Securities Rulemaking Board Rule G-23.

Prices and Marketability

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

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

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

No Material Adverse Change

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

Securities Laws

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

Delivery of Official Statements

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

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") will issue a separate Municipal Bond Insurance Policy for each series of the Bonds (each a "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the series of Bonds when due as set forth in the form of the Policy included as APPENDIX C 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. (Formerly Known As Financial Security Assurance Inc.)

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.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM's financial strength is rated "AAA" (negative outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). On February 24, 2010, Fitch, Inc. ("Fitch"), at the request of AGL, withdrew its "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price 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 May 17, 2010, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on AGM. At the same time, S&P continued its negative outlook on AGM. 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.

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

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, 2009, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which was filed by AGL with the SEC on August 9, 2010.

Capitalization of AGM

At June 30, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately $2,264,680,337 and its total net unearned premium reserve was approximately $2,259,557,420, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with 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, 2009 (which was filed by AGL with the SEC on March 1, 2010);

(ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010); and

(iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a), 13(c) or 15(d) of the Securities Exchange Act, 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. (formerly known as Financial Security Assurance Inc.): 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 "BOND INSURANCE – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" 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.

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 "BOND INSURANCE".

MUNICIPAL BOND RATING

Moody's Investors Service, Inc. ("Moody's") assigns long-term debt ratings with symbols "Aaa" (the highest rating) through "C" (the lowest rating). Moody's has assigned an underlying rating of "A1" to the Bonds. The Bonds are expected to receive an insured rating of "Aa3" (negative outlook) based upon the issuance of the 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 Moody's. The foregoing ratings express only the view of Moody'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 Moody'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 Moody's.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Northampton Municipal Utility District (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT - General" and "Description."
The Issue..	$6,965,000 Northampton Municipal Utility District Unlimited Tax Refunding Bonds, Series 2010, are dated September 1, 2010. The Current Interest Bonds mature on March 1, 2011 and March 1, 2013 through March 1, 2027, inclusive. The Premium Compound Interest Bonds mature on March 1, 2012. The Current Interest Bonds and the Premium Compound Interest Bonds are referred to herein as the Bonds. See "THE BONDS."
Payment of Interest..	Interest on the Current Interest Bonds accrues from September 1, 2010, and is payable March 1, 2011, and on each September 1 and March 1 thereafter until maturity or prior redemption. Interest on the Premium Compound Interest Bonds accrues from the date of delivery and compounds March 1, 2011 and each September 1 and March 1 thereafter until maturity and is payable only at maturity. See "THE BONDS - General."
Other Characteristics	The Current Interest Bonds are registered serial bonds in integral multiples of $5,000 within any one maturity. The Premium Compound Interest Bonds are fully registered and will be issued in denominations of $5,000 of maturity amount (which includes principal plus accrued and compounded interest to the scheduled maturity) each, or integral multiples thereof. See "THE BONDS - General."
Optional Redemption......................................	The Current Interest Bonds scheduled to mature on and after March 1, 2019, are subject to redemption, in whole or, from time to time, in part, prior to their scheduled maturities, on March 1, 2018, or on any date thereafter, at par plus accrued interest to the date fixed for redemption. If less than all of the Current Interest Bonds are redeemed at any time, the District shall determine the maturities and the amounts thereof to be redeemed in integral multiples of $5,000 in principal amounts, and if less than all of the Current Interest Bonds within a maturity are to be redeemed, the Registrar shall select by lot or other customary method of random selection the Current Interest Bonds within such maturity to be redeemed. The Premium Compound Interest Bonds are not subject to redemption prior to maturity. See "THE BONDS - Optional Redemption."
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	A portion of the proceeds of the Bonds will be applied to currently refund $615,000 in principal amount (the "Series 1993-A Refunded Bonds") of the District's $1,900,000 Waterworks & Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1993-A (the "Series 1993-A Bonds"), $245,000 in principal amount (the "Series 1993 Refunded Bonds") of the District's $3,275,000 Waterworks &

Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1993 (the "Series 1993 Refunding Bonds"), $720,000 in principal amount (the "Series 1998 Refunded Bonds") of the District's $1,890,000 Waterworks & Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1998 (the "Series 1998 Refunding Bonds"), $890,000 in principal amount (the "Series 1999 Refunded Bonds") of the District's $1,760,000 Waterworks & Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1999 (the "Series 1999 Bonds"), $1,505,000 in principal amount (the "Series 2001 Refunded Bonds") of the District's $1,505,000 Waterworks & Sewer System Unlimited Tax Bonds, Series 2001 (the "Series 2001 Bonds"), and $2,990,000 in principal amount (the "Series 2003 Refunded Bonds") of the $2,990,000 Waterworks and Sewer System Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"). The Series 1993-A Refunded Bonds, Series 1993 Refunded Bonds, Series 1998 Refunded Bonds, Series 1999 Refunded Bonds, Series 2001 Refunded Bonds, and Series 2003 Refunded Bonds are collectively referred to herein as the "Refunded Bonds." In addition, a portion of the proceeds of the Bonds will be used to pay the costs of issuance of the Bonds. See "PLAN OF FINANCING – Sources and Uses of Funds."

Remaining 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"); the Series 1993A Bonds, the Series 1999 Bonds, the Series 2001 Bonds, the Series 2003 Bonds, $4,000,000 Waterworks and Sewer System Unlimited Tax Refunding 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 the Series 1993 Refunding Bonds and the Series 1998 Refunding Bonds. Following the issuance of the Bonds, $10,115,000 principal amount of the bonds issued by the District will remain outstanding (the "Remaining Outstanding Bonds"). See "THE BONDS – Remaining Outstanding Bonds."

Payment Record.. The District has never defaulted in the timely payment of principal of and interest on its previously issued bonds.

Authority for Issuance .... The Bonds are issued pursuant to an order of the District authorizing the issuance of the bonds (the "Bond Order"), Article XVI, Section 59 of the Texas Constitution, the laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, and Section 1207, Texas Government Code, as amended. See "INVESTMENT CONSIDERATIONS - Future Debt" and "THE BONDS - Authority for Issuance," and "- Issuance of Additional Debt."

Authorized But Unissued Bonds	$3,305,000 principal amount of unlimited tax bonds remain authorized but unissued for water, sanitary sewer and drainage facilities to serve land within the District. See "THE BONDS - Authority for Issuance" and "- Issuance of Additional Debt."
Municipal Bond Insurance............................	Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM"). See "BOND INSURANCE."
Municipal Bond Rating	Moody's Investors Service, Inc. ("AGM")..... "Aa3" (negative outlook) See "MUNICIPAL BOND RATING."
Legal and Tax Opinions	Bacon & Wallace, L.L.P., Houston, Texas, Bond Counsel and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. See "LEGAL MATTERS."
Verification Agent...	Grant Thornton LLP, Certified Public Accountants. See "THE DISTRICT - Special Consultants Related to Issuance of the Bonds" and "VERIFICATION OF MATHEMATICAL CALCULATIONS."
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 1,429 acres located approximately 30 miles north of Houston's central business district and approximately 4 miles west of Interstate Highway 45. The District is bounded on the south by Root Road, on the east by the confluence of Spring and Willow Creeks, and is approximately one mile east of Kuykendahl Road. The District lies entirely within the extraterritorial jurisdiction of the City of Houston (the "City") and is located within Klein Independent School District. See "THE DISTRICT – Description."
Authority..	The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT – General."
Development..	Approximately 721 acres within the District have been developed as the residential subdivisions of Northampton, Sections 1, 2, 3, 4, 5 and 8 (aggregating 1,069 lots), Inway Forest (12 lots), Northampton Estates, Phases I-III (aggregating 250 lots), Northampton Forest, Sections I, II and III (aggregating 205 lots); The Terrace of Northampton Estates (11 lots); The Oaks of Northampton (27 lots); Woods of Northampton (39 lots) and Courts at Auburn Lakes (53 lots). As of July 1, 2010, there were 1,635 complete homes, 0 homes under construction, and 31 vacant developed lots. The District includes two office buildings; a Texaco gas station; three retail strip centers containing 3,000 square feet, 2,680 square feet and 9,500 square feet of which 100%, 100% and 80%, respectively, are leased; the Spring Volunteer Fire Department Station No. 2; recreational facilities which include two clubhouses, a workout facility, two swimming pools and a tennis court; and 21.5 acres of developed parks land. See "THE DISTRICT - Commercial and Other Development." The remaining acreage within the District consists of a country club and 18-hole golf course (a portion of which lies within the 100-year flood plain), approximately 344.4 undeveloped but developable acres and approximately 342 undevelopable acres.

	The undevelopable acreage is comprised of streets (44.6 acres), drainage easements (27.3 acres), permanent flood plain (244.5 acres) parks-recreational open spaces (21.5 acres) and pipeline easements (4.2 acres). See "THE DISTRICT - Status of Development."
Principal Landowner....................................	Houston Gosling Woodlands, L.P., a Texas limited liability partnership, whose general partner is Hunt Land Holdings, L.L.C., owns approximately 384.4 acres in the District. The acreage is comprised of approximately 135 acres that are undeveloped but developable and 249 acres that are undevelopable. The District can make no representations regarding the pace or type of development that may occur.

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2009 Assessed Valuation (100% of estimated market value as of January 1, 2009) See "TAX DATA" and "TAXING PROCEDURES."	$342,845,951 (a)
2010 Preliminary Valuation (100% of preliminary market value as of January 1, 2010) See "TAX DATA" and "TAXING PROCEDURES."	$343,611,591 (b)
Direct Debt: Remaining Outstanding Bonds	$ 10,115,000
The Bonds	6,965,000
Total	$ 17,080,000
Estimated Overlapping Debt	$ 22,705,269 (c)
Total Direct and Estimated Overlapping Debt	$ 39,785,269
Direct Debt Ratio	
: as a percentage of 2009 Assessed Valuation	4.98 %
: as a percentage of 2010 Preliminary Valuation	4.97 %
Direct and Estimated Overlapping Debt Ratio	
: as a percentage of 2009 Assessed Valuation	11.61 %
: as a percentage of 2010 Preliminary Valuation	11.58 %
Debt Service Fund Balance as of July 19, 2010 (unaudited)	$ 2,176,641 (d)
General Fund Balance as of July 19, 2010 (unaudited)	$ 763,709 (d)
2009 District Tax Rate Per $100 of Assessed Valuation	
Debt Service	$0.36
Maintenance	0.25
Total	$0.61
Average Percentage of Total Tax Collections (2000-2008)	99.80 %
Average Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds (2011-2034)	$ 1,081,040
Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds (2012)	$ 1,447,911
Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds (2011-2034) at 98% Tax Collections	
Based Upon 2009 Assessed Valuation	$0.33
Based Upon 2010 Preliminary Valuation	$0.33
Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds (2012) at 98% Tax Collections	
Based Upon 2009 Assessed Valuation	$0.44
Based Upon 2010 Preliminary Valuation	$0.43

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

(b) Provided by the Appraisal District as the preliminary value on January 1, 2010. Represents the preliminary determination of the taxable value in the District as of January 1, 2010. This preliminary value is subject to protest by the landowners. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value. No representation is made as to the variance in the certified value for 2010 and the preliminary value provided herein. HCAD does not include personal property in their preliminary values. This number includes $4,290,548 of personal property from the 2009 certified tax roll. See "TAX DATA – Analysis of Tax Base."

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

(d) 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. This amount includes $379,278 for the September 1, 2010 payment of the District's outstanding debt. In addition, accrued interest on the Bonds from the dated date of the Bonds to the date of closing will be deposited in this account.

$6,965,000
NORTHAMPTON MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX REFUNDING BONDS
SERIES 2010

INTRODUCTION

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

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

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

THE BONDS

General

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

The Bonds, dated September 1, 2010, include $6,740,000 Current Interest Bonds, which will mature on March 1 of the years and in the principal amounts, at the rates per annum, set forth on the cover page, and the $225,000 Premium Compound Interest Bonds, which will mature on March 1, 2012 together with accrued and compounded interest from the date of delivery. The Current Interest Bonds and the Premium Compound Interest Bonds are collectively referred to as the "Bonds." Principal of the Bonds will be payable at the corporate trust office of Wells Fargo Bank, N.A., Houston, Texas, (the "Registrar," "Paying Agent/Registrar" or "Paying Agent"), upon surrender of the Bonds for payment. Interest on the Current Interest Bonds accrues from September 1, 2010 (or the most recent interest payment date to which interest has been paid or duly provided for) and is payable March 1, 2011, and each September 1 and March 1 (each an "Interest Payment Date") thereafter until maturity or prior redemption. Interest on the Premium Compound Interest Bonds accrues from the date of delivery and compounds on March 1, 2011 and each September 1 and March 1 thereafter until maturity. Unless otherwise agreed between the Registrar and the owner(s) of the Bonds ("Bondholder(s)"), interest on the Current Interest Bonds is payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent 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"). Accrued and compounded interest on the Premium Compound Interest Bonds will be payable only at maturity. The Bonds are issued only in fully registered form. The Current Interest Bonds will be issued in the denomination of $5,000 principal amount, or integral multiples thereof. The Premium Compound Interest Bonds will be issued in amounts payable at maturity in the amount of $5,000 each, or integral multiples thereof, including both principal and accrued and compounded interest. See "APPENDIX A - Schedule of Accreted Values for Premium Compound Interest Bonds."

Book-Entry-Only System

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

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

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

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Assignments, Transfers, and Exchanges

The Bonds may be transferred, registered, and assigned only on the registration books of the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of delivery, any Bond may be transferred or exchanged upon its presentment and surrender at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer, exchange, or replace the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000, in the case of Current Interest Bonds, and $5,000 of maturity amounts, in the case of Premium Compound Interest Bonds, or any integral multiple thereof for any one maturity and for a like aggregate principal amount, or maturity amount, as the case may be, 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.

Remaining Outstanding Bonds

The District has previously issued the following waterworks and sewer system unlimited tax bonds, park unlimited tax bonds and unlimited tax refunding bonds:

Series	Original Principal Amount	Remaining Outstanding After the Refunding
Series 1968	$ 1,400,000	$ -0-
Series 1970	800,000	-0-
Series 1972	800,000	-0-
Series 1985	1,530,000	-0-
Series 1989	970,000	-0-
Series 1991	2,135,000	-0-
Series 1993(a)	3,275,000	70,000
Series 1993A	1,900,000	130,000
Series 1998(a)	1,890,000	150,000
Series 1999	1,760,000	290,000
Series 2001	1,505,000	-0-
Series 2003	2,990,000	-0-
Series 2006	4,000,000	3,785,000
Series 2006(b)	1,775,000	1,680,000
Series 2010	4,000,000	4,000,000
	$30,730,000	$10,115,000

(a) Refunding bonds.
(b) Park bonds.

Following the issuance of the Bonds, $10,115,000 principal amount of the bonds issued by the District will remain outstanding (the "Remaining Outstanding Bonds").

Authority for Issuance

The Bonds are issued pursuant to an order of the District authorizing the issuance of the bonds (the "Bond Order"), Article XVI, Section 59 of the Texas Constitution, the laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, and Section 1207, Texas Government Code, as amended. Following the issuance of the Bonds, $3,305,000 of the principal amount of unlimited tax bonds for facilities will remain authorized but unissued pursuant to such elections. See "- Issuance of Additional Debt" below.

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.

Optional Redemption

The District reserves the right, at its option, to redeem the Current Interest Bonds maturing on and after March 1, 2019 prior to their scheduled maturities, in whole or in part, on March 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Current Interest Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Current Interest Bonds are optionally redeemed at any time, the particular Current Interest 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 Current Interest Bonds within a maturity are to be redeemed, the Paying Agent/Registrar shall designate by method of random selection the Current Interest Bonds within such maturity to be redeemed. The Registered Owner of any Current Interest 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 Current Interest Bond so called for redemption and issuance of a new Current Interest Bond in the principal amount equal to the portion of such Current Interest Bond not redeemed.

The Premium Compound Interest Bonds are not subject to optional redemption.

Defeasance

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

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those 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. Following the issuance of the Bonds, the District will retain the right to issue the remaining $3,305,000 in unlimited tax bonds for facilities as authorized by District voters. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District.

Since the District has not financed all components of its System, the District anticipates issuing more bonds for such purpose as future development in the District necessitates. In the opinion of the District's Engineer, the remaining authorized but unissued bonds will be sufficient to complete water and sewer infrastructure for the existing development within the District. Additional funds will be needed to complete water and sewer infrastructure for future development, as well as a future water plant. Developing environmental regulations and conversion to surface water could also result in the need to finance additional improvements. If necessary, the District may hold a bond election to authorize additional bonds to pay for construction of the plant expansion or other improvements. Before issuing any additional bonds for facilities, the District would have to obtain approval of the TCEQ for the issuance of such bonds and the projects to be financed thereby.

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

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

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

Annexation and Consolidation

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

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

Strategic Partnership Agreements

Under Texas law, the District is authorized to enter into a strategic partnership agreement with the City of Houston to set forth the services that would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District, or any portion thereof, were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for limitations on the timing of annexation of the District by the City, the continuation of the District as a limited district following general purpose annexation by the City, the conversion of a limited purpose annexation to a general purpose annexation, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. Although the City has negotiated and entered into such an agreement with one or more other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District. However, 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.

The District may not be placed into bankruptcy involuntarily.

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.

PLAN OF FINANCING

Purpose and Authority for Issuance

A portion of the proceeds of the Bonds will be applied to currently refund $615,000 in principal amount (the "Series 1993-A Refunded Bonds") of the District's $1,900,000 Waterworks & Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1993-A (the "Series 1993-A Bonds"), $245,000 in principal amount (the "Series 1993 Refunded Bonds") of the District's $3,275,000 Waterworks & Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1993 (the "Series 1993 Refunding Bonds"), $720,000 in principal amount (the "Series 1998 Refunded Bonds") of the District's $1,890,000 Waterworks & Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1998 (the "Series 1998 Refunding Bonds"), $890,000 in principal amount (the "Series 1999 Refunded Bonds") of the District's $1,760,000 Waterworks & Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1999 (the "Series 1999 Bonds"), $1,505,000 in principal amount (the "Series 2001 Refunded Bonds") of the District's $1,505,000 Waterworks & Sewer System Unlimited Tax Bonds, Series 2001 (the "Series 2001 Bonds") and $2,990,000 in principal amount (the "Series 2003 Refunded Bonds") of the $2,990,000 Waterworks and Sewer System Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"). The Series 1993-A Refunded Bonds, Series 1993 Refunded Bonds, Series 1998 Refunded Bonds, Series 1999 Refunded Bonds, Series 2001 Refunded Bonds and Series 2003 Refunded Bonds are collectively referred to herein as the "Refunded Bonds." In addition, a portion of the proceeds of the Bonds will be used to pay the costs of issuance of the Bonds.

The principal amounts and maturity dates of the Refunded Bonds are set forth below:

Maturity Year	Series 1993-A Refunded Bonds Total Principal *(March 1)*	Maturity Year	Series 1993 Refunded Bonds Total Principal *(March 1)*	Maturity Year	Series 1998 Refunded Bonds Total Principal *(March 1)*
2012	$140,000	2012	$ 75,000	2012	$165,000
2013	150,000	2013	85,000	2013	175,000
2014	160,000	2014	85,000	2014	185,000
2015	165,000			2015	195,000
Total	$615,000	Total	$245,000	Total	$720,000
Redemption Date:	September 23, 2010	Redemption Date:	September 23, 2010	Redemption Date:	September 23, 2010

Maturity Year	Series 1999 Refunded Bonds Total Principal *(March 1)*	Maturity Year	Series 2001 Refunded Bonds Total Principal *(March 1)*	Maturity Year	Series 2003 Refunded Bonds Total Principal *(March 1)*
2013	$ 145,000	2015	$ 100,000	2016	$ 180,000
2014	145,000	2016	110,000	2017	190,000
2015	150,000	2017	115,000	2018	205,000
2016	150,000	2018	120,000	2019	215,000
2017	150,000	2019	125,000	***	***
2018	150,000	2020	135,000	2025 (b)	1,555,000
		2021	140,000	***	***
		2022	150,000	2027 (c)	645,000
		***	***		
		2025 (a)	510,000		
Total	$890,000	Total	$1,505,000	Total	$2,990,000
Redemption Date:	September 23, 2010	Redemption Date:	September 23, 2010	Redemption Date:	March 1, 2011

Aggregate Principal Amount of Refunded Bonds: $6,965,000

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

Amount	Redemption Date
$ 160,000	3/1/2023
170,000	3/1/2024
180,000	3/1/2025

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

Amount	Redemption Date
$ 225,000	3/1/2020
240,000	3/1/2021
250,000	3/1/2022
265,000	3/1/2023
280,000	3/1/2024
295,000	3/1/2025

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

Amount	Redemption Date
$ 315,000	3/1/2026
330,000	3/1/2027

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied as follows:

SOURCES OF FUNDS:	
Principal Amount of the Current Interest Bonds...........................	$6,740,000.00
Original Issue Premium on the Bonds	254,562.25
Proceeds from Premium Compound Interest Bonds	446,910.10
Accrued Interest on Bonds...	14,630.00
Total Sources of Funds	$7,456,102.35
USES OF FUNDS:	
Deposit to Escrow Fund for Payment of Refunded Bonds............	$3,986,914.12
Deposit for Purchase of Escrowed Obligations	3,059,665.00
Deposit of Accrued Interest to Debt Service Fund........................	14,630.00
Bond Insurance, Issuance Expenses and Underwriter's Discount .	394,893.23
Total Uses of Funds	$7,456,102.35

Escrow Agreement

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

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

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 XVI, 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, as amended. The District is subject to the continuing supervision of the TCEQ.

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

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

Description

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

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

The District is located in northwest Harris County approximately 30 miles north of downtown Houston and 4 miles west of Interstate Highway 45. 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 the confluence of Spring Creek and Willow Creek, on the south by Root Road, and is approximately 1 mile east of Kuykendahl Road.

Topography and Flood Hazards

Elevations within the District vary from approximately 116 feet msl to 148 feet msl. A majority of the land drains north from Root Road to Willow Creek. Approximately 409 acres of the District lie within the 100-year floodplain of Willow Creek, a substantial portion of which has been developed as a golf course. Courts at Auburn Lakes has a very small part of approximately 23 lots that back up to the golf course which are currently in the floodplain. In Northampton, Section 4 approximately 37 lots include a portion of the drainage ditch and therefore are partially located in the 100-year floodplain. No action is currently being taken by the District to remove the land currently in the 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	1st Vice President	Consultant	2012
W. Paul Schneider	2nd Vice President	Pharmacist	2014
Joyce Nelsen	Secretary	Realtor/Broker	2012
John A. Braden	Treasurer/Investment Officer	CPA	2012

The District employs a general manager and several full-time and part-time employees. The District has also contracted for utility system operating, bookkeeping, tax assessing services, annual auditing of its books, engineering and legal services 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 80 utility districts.

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

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

Auditor - The District employed McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, to audit its financial records for the fiscal year ended December 31, 2009, which have been included as "APPENDIX B".

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").

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.

Special Consultants Related to Issuance of the Bonds

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

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

Status of Development

Approximately 721 acres within the District have been developed as the residential subdivisions of Northampton, Sections 1, 2, 3, 4, 5 and 8 (aggregating 1,069 lots), Inway Forest (12 lots), Northampton Estates, Phases I-III (aggregating 250 lots), Northampton Forest, Sections I, II and III (aggregating 205 lots); The Terrace of Northampton Estates (11 lots); The Oaks of Northampton (27 lots); Woods of Northampton (39 lots) and Courts at Auburn Lakes (53 lots). As of July 1, 2010, there were 1,635 complete homes, 0 homes under construction, and 31 vacant developed lots. The District includes two office buildings; a Texaco gas station; three retail strip centers containing 3,000 square feet, 2,680 square feet and 9,500 square feet of which 100%, 100% and 80%, respectively, are leased; the Spring Volunteer Fire Department Station No. 2; recreational facilities which include two clubhouses, a workout facility, two swimming pools and a tennis court; and 21.5 acres of developed parks land. See "THE DISTRICT - Commercial and Other Development". The remaining acreage within the District consists of a country club and 18-hole golf course (a portion of which lies within the 100-year flood plain), approximately 344.4 undeveloped but developable acres and approximately 342 undevelopable acres. The undevelopable acreage is comprised of streets (44.6 acres), drainage easements (27.3 acres), permanent flood plain (244.5 acres) parks-recreational open spaces (21.5 acres) and pipeline easements (4.2 acres).

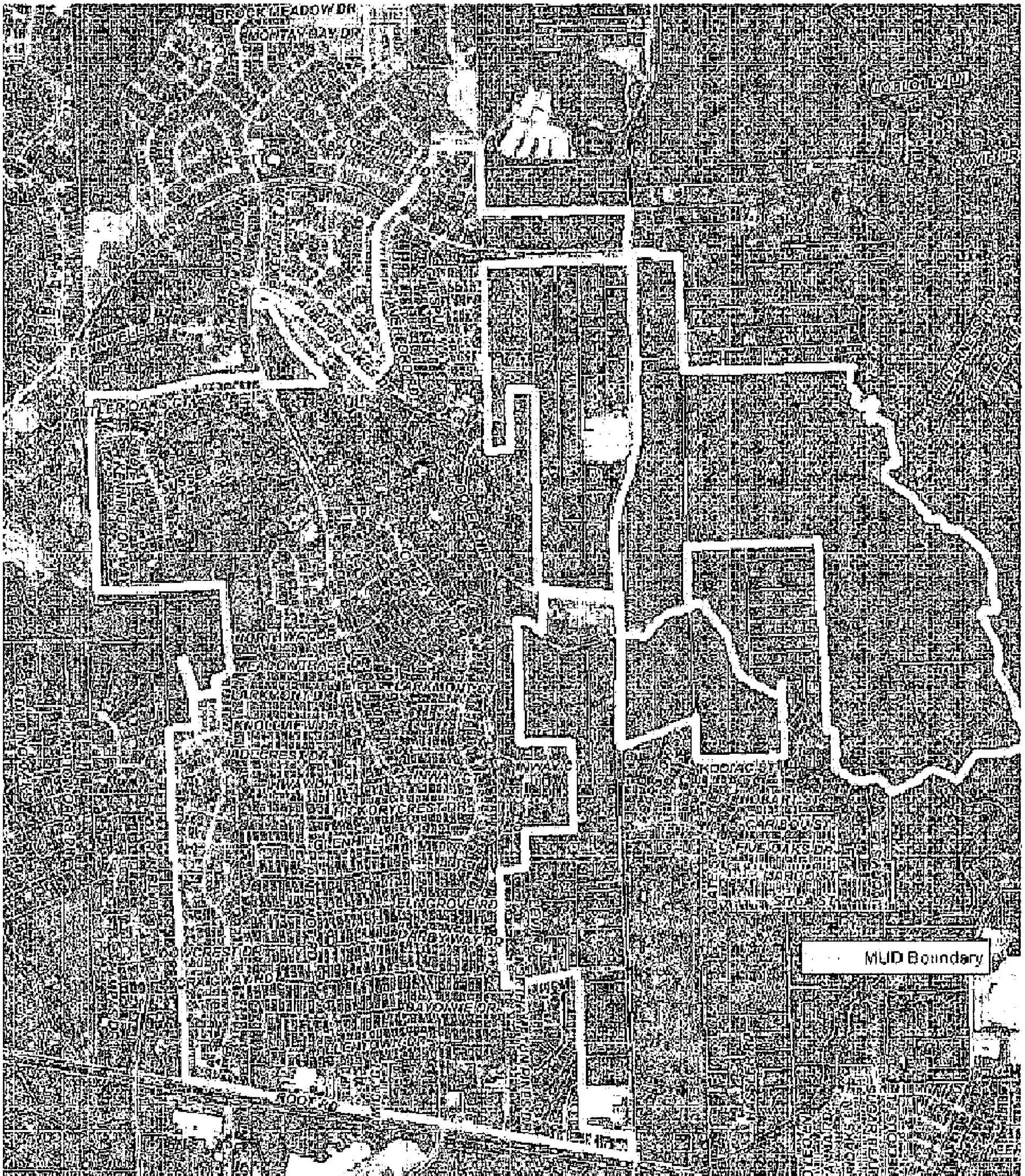
PRINCIPAL LANDOWNERS

Houston Gosling Woodlands, L.P., a Texas limited liability partnership, whose general partner is Hunt Land Holdings, L.L.C., owns approximately 384.4 acres in the District. The acreage is comprised of approximately 135 acres that are undeveloped but developable and 249 acres that are undevelopable. The District can make no representations regarding the pace or type of development that may occur.

PHOTOGRAPHS WITHIN THE DISTRICT
(taken March, 2010)

PHOTOGRAPHS WITHIN THE DISTRICT
(taken March, 2010)

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken February, 2010)



TAX DATA

General

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

Maintenance Tax

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

Tax Collection History

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

Tax Year	Assessed Valuation	Tax Rate/ $100 (a)	Adjusted Levy	% of Collection as of 6/30/10
2005	$308,893,732	$0.610000	$1,884,252	99.86%
2006	321,154,450	0.610000	1,959,042	99.81
2007	339,740,362	0.610000	2,072,416	99.78
2008	348,534,062	0.610000	2,126,058	99.30
2009	342,845,951	0.610000	2,091,360	97.97

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

Tax Rate Distribution

	2009	2008	2007	2006	2005
Debt Service	$0.36	$0.36	$0.36	$0.36	$0.36
Maintenance	0.25	0.25	0.25	0.25	0.25
Total	$0.61	$0.61	$0.61	$0.61	$0.61

Analysis of Tax Base

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

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

Principal Taxpayers

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

Taxpayer	Type of Property	Assessed Valuation 2009 Tax Roll
Willow Creek Golf Club Inc.	Land, Improvements & Personal Property	$2,644,383
Aurora Loan Service, LLC	Land & Improvements	1,324,000
Centerpoint Energy Houston	Personal Property	986,310
Homeowner	Land & Improvements	347,783
Homeowner	Land & Improvements	562,677
Homeowner	Land & Improvements	524,200
Homeowner	Land & Improvements	458,013
Homeowner	Land & Improvements	477,318
Homeowner	Land & Improvements	478,638
Homeowner	Land & Improvements	497,829
		$8,301,151
Percent of tax roll in said year		2.42%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2009 Assessed Valuation or the 2010 Preliminary Valuation. The foregoing further assumes collection of 98% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirements (2011-2034)	$1,081,040
Tax Rate of $0.33 on the 2009 Assessed Valuation ($342,845,951) produces	$1,108,764
Tax Rate of $0.33 on the 2010 Preliminary Valuation ($343,611,591) produces	$1,111,240
Maximum Debt Service Requirement (2012)	$1,447,911
Tax Rate of $0.44 on the 2009 Assessed Valuation ($342,845,951) produces	$1,478,352
Tax Rate of $0.43 on the 2010 Preliminary Valuation ($343,611,591) produces	$1,447,979

Estimated Overlapping Taxes

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

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

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

THE SYSTEM

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

- Water Facilities -

Proceeds of the Outstanding Bonds were used to finance construction of the District's existing water supply system which consists of 2 water plants including 3 water wells, ground storage tanks and hydropneumatic tanks and booster pump facilities. These water plants are sufficient to provide water supply to 2,090 equivalent single-family connections ("esfc") based upon 748 gallons per day ("gpd") per esfc. At full buildout, 2,491 esfc will be required to serve the District.

- Water Contracts with Other Districts -

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

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

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

- Wastewater Treatment -

Proceeds from the Outstanding Bonds were used to finance construction of the District's existing wastewater treatment system which consists of a 750,000 gallon per day ("gpd") treatment plant (the "Plant"). Ownership of this 750,000 gpd plant is allocated by written agreements among the District, Oakmont and Klein Independent School District. Pursuant to such agreements, the District is allocated 540,000 gpd, Oakmont Public Utility District is allocated 135,000 gpd, and Klein Independent School District is allocated 75,000 gpd of the plant capacity. The Plant is currently being expanded to 1.15 million gpd. Once completed, the District will have the right to use 640,000 gpd. Oakmont's allocation in the Plant will increase to 435,000 gpd. The District's share of such facility is sufficient to provide wastewater treatment service to approximately 2,032 esfc based on 315 gpd per esfc. Upon completion of the expansion, the Plant will be capable of serving 3,651 esfc. At full buildout, 2,491 esfc will be required to serve the District.

- Drainage Facilities -

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

- Floodplain -

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 floodplain.

DISTRICT DEBT

General

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

2009 Assessed Valuation	$342,845,951 (a)
(100% of estimated market value as of January 1, 2009) See "TAX DATA" and "TAXING PROCEDURES."	
2010 Preliminary Valuation	$343,611,591 (b)
(100% of preliminary market value as of January 1, 2010) See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt: Remaining Outstanding Bonds	$ 10,115,000
The Bonds	6,965,000
Total	$ 17,080,000
Estimated Overlapping Debt	$ 22,705,269 (c)
Total Direct and Estimated Overlapping Debt	$ 39,785,269
Direct Debt Ratio	
: as a percentage of 2009 Assessed Valuation	4.98 %
: as a percentage of 2010 Preliminary Valuation	4.97 %
Direct and Estimated Overlapping Debt Ratio	
: as a percentage of 2009 Assessed Valuation	11.61 %
: as a percentage of 2010 Preliminary Valuation	11.58 %
Debt Service Fund Balance as of July 19, 2010 (unaudited)	$ 2,176,641 (d)
General Fund Balance as of July 19, 2010 (unaudited)	$ 763,709 (d)
2009 District Tax Rate Per $100 of Assessed Valuation	
Debt Service	$0.36
Maintenance	0.25
Total	$0.61
Average Percentage of Total Tax Collections (2000-2008)	99.80 %
Average Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds (2011-2034)	$ 1,081,040
Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds (2012)	$ 1,447,911
Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds (2011-2034) at 98% Tax Collections	
Based Upon 2009 Assessed Valuation	$0.33
Based Upon 2010 Preliminary Valuation	$0.33
Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds (2012) at 98% Tax Collections	
Based Upon 2009 Assessed Valuation	$0.44
Based Upon 2010 Preliminary Valuation	$0.43

(a) As certified by the Harris County Appraisal District (the "Appraisal District"). All property located in the District is valued on the tax rolls by the Appraisal District at 100% of estimated market value as of January 1 of each year. The District's tax roll is certified by the Appraisal Review Board.
(b) Provided by the Appraisal District as the preliminary value on January 1, 2010. Represents the preliminary determination of the taxable value in the District as of January 1, 2010. This preliminary value is subject to protest by the landowners. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value. No representation is made as to the variance in the certified value for 2010 and the preliminary value provided herein. HCAD does not include personal property in their preliminary values. This number includes $4,290,548 of personal property from the 2009 certified tax roll. See "TAX DATA – Analysis of Tax Base."
(c) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."
(d) 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. This amount includes $379,278 for the September 1, 2010 payment of the District's outstanding debt. In addition, accrued interest on the Bonds from the dated date to the date of closing will be deposited in this account.

Debt Service Requirements

The following sets forth the actual debt service requirements for the Remaining Outstanding Bonds and the debt service requirement on the Bonds.

			The Bonds			
Year	Outstanding Bonds	Less: Refunded Bonds	Principal (Due March 1)	Interest	Premium Compound Interest Bonds	Total Debt Service Requirements
2011	$ 1,458,400	$ 338,798	$ 40,000	$ 239,000		$ 1,398,603
2012	1,463,553	709,241		238,600	$455,000	1,447,911
2013	1,461,965	861,050	610,000	232,500		1,443,415
2014	1,454,117	853,221	615,000	217,175		1,433,071
2015	1,460,088	859,429	640,000	198,350		1,439,009
2016	1,264,313	663,478	460,000	180,700		1,241,535
2017	1,262,139	655,780	470,000	164,425		1,240,784
2018	1,254,403	652,980	485,000	146,500		1,232,923
2019	1,128,808	498,498	345,000	129,900		1,105,210
2020	1,129,760	501,810	365,000	115,700		1,108,650
2021	1,134,090	504,008	380,000	100,800		1,110,883
2022	1,131,885	505,243	400,000	85,200		1,111,843
2023	1,138,020	510,390	420,000	68,800		1,116,430
2024	1,142,340	514,333	440,000	51,600		1,119,608
2025	1,149,858	517,070	460,000	33,600		1,126,388
2026	970,131	338,156	300,000	18,400		950,375
2027	968,400	337,838	310,000	6,200		946,763
2028	760,444					760,444
2029	766,072					766,072
2030	765,331					765,331
2031	766,478					766,478
2032	769,181					769,181
2033	770,178					770,178
2034	773,875					773,875
	$26,343,827	$9,821,320	$6,740,000	$2,227,450	$455,000	$25,944,957

Average Annual Requirements: (2011-2034) $1,081,040
Maximum Requirement: (2012) $1,447,911

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.

		Estimated Overlapping	
Taxing Jurisdiction	Debt as of July 31, 2010	Percent	Amount
Harris County	$2,870,506,620	0.12%	$ 3,432,226
Harris County Department of Education	8,160,000	0.14	11,209
Harris County Flood Control District	105,482,945	0.12	130,477
Klein Independent School District	649,230,000	2.60	16,869,004
Lone Star College System	548,975,000	0.29	1,589,443
Port of Houston Authority	544,664,397	0.12	672,911
Total Estimated Overlapping Debt			$22,705,269
The District			17,080,000(a)
Total Direct & Estimated Overlapping Debt			$39,785,269

(a) Includes the Bonds and excludes the Refunded Bonds.

Debt Ratios

	% of 2009 Assessed Valuation	% of 2010 Preliminary Valuation
Direct Debt	4.98%	4.97%
Direct and Estimated Overlapping Debt	11.61%	11.58%

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

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

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

General Residential Homestead Exemption

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

Valuation of Property for Taxation

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

District and Taxpayer Remedies

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

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

Rollback of Operation and Maintenance Tax Rate

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

Agricultural, Open Space, Timberland and Inventory Deferment

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

Tax Abatement

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

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

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

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

Maximum Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2009 Assessed Valuation, of property located within the District (see "TAX DATA") is $342,845,951 and the 2010 Preliminary Valuation is $343,611,591. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds will be $1,447,911 (2019) and the average annual debt service requirements will be $1,081,040 (2010-2030, inclusive). Assuming no increase to nor decrease from the 2009 Assessed Valuation, tax rates of $0.44 and $0.33, respectively, per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively, on the Bonds. Assuming no increase to nor decrease from the 2010 Preliminary Valuation, tax rates of $0.43 and $0.33, respectively, per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively, on the Bonds. See "TAX DATA - Tax Rate Calculations." The District levied a debt service tax rate of $0.36 per $100 of Assessed Valuation for the 2009 tax year. The District anticipates that future increases in taxable values which are expected to occur as a consequence of the construction of additional residential lots and homes will enable it to meet debt service requirements on the Bonds without increasing the tax rate for debt service purposes above the rate which the District currently levied for 2009. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners.

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."

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) issued by the applicable municipal bond insurance company (the "Bond Insurer") for such payments. However, in the event of any acceleration of the due date of such principal by reason of optional redemption, 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 optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent 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 "MUNICIPAL BOND 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 or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Future Debt

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

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

Continuing Compliance with Certain Covenants

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District. The District also will furnish the approving legal opinion of Bacon & Wallace, L.L.P., Houston, Texas, Bond Counsel ("Bond Counsel"), to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District. The District will also furnish the legal opinion of McCall, Parkhurst & Horton L.L.P., Special Tax Counsel to the District, to the effect that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and not subject to the alternative minimum tax on individuals or, except as described therein, corporations.

In addition to serving as Bond Counsel, Bacon & Wallace, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel and Special Tax Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

In capacity as Bond Counsel, Bacon & Wallace, L.L.P., has reviewed the information appearing in this Official Statement under the captions "THE BONDS (except for the information under the subheading "Book-Entry-Only System")," "PLAN OF FINANCING – Escrow Agreement," "TAXING PROCEDURES," "THE DISTRICT - Authority," and "THE DISTRICT - Management of the District - Counsel," "LEGAL MATTERS – Legal Opinions" (insofar as such section relates to the legal opinion of Bond Counsel)," and "CONTINUING DISCLOSURE OF INFORMATION" to determine whether such information fairly summarizes the procedures, law and documents referred to therein. In its capacity as Special Tax Counsel, McCall, Parkhurst & Horton L.L.P., has reviewed the information appearing in this Official Statement under the caption "LEGAL MATTERS – Legal Opinions" (insofar as such section relates to the legal opinion of Special Tax Counsel) and "TAX MATTERS" solely to determine whether such information fairly summarizes the law referred to therein. Such firms have not independently verified factual information contained in this Official Statement, nor have such firms 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 such firms' 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 other information contained herein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement nor has it 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-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.

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.

TAX MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel, will render the opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included 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, Special Tax 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, Special Tax Counsel will rely upon (a) the opinion of Bacon & Wallace, L.L.P., Bond Counsel that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally applicable ad valorem tax, (b) the District's federal tax certificate and (c) covenants of the District 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 Special Tax Counsel is conditioned on compliance by the District with such requirements, and Special Tax Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Special Tax Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Special Tax 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 Special Tax 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.

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 corporation 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.

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.

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 ($30,000,000 for calendar years 2009 and 2010) of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The Issuer 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 $30,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $30,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $30,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."**

VERIFICATION OF MATHEMATICAL CALCULATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the District relating to (a) computation of the adequacy of the maturing principal amounts of and interest on the Escrowed Obligations to be held by the Escrow Agent and certain available funds (if any) to pay, when due, the principal or redemption price of and interest on the Refunded Bonds, and (b) the computation of the yields on the Bonds and the Escrowed Obligations were verified by Grant Thornton L.L.P. The computations were independently verified by Grant Thornton L.L.P., based upon certain assumptions and information supplied by the Underwriter on behalf of the District, and the District. Grant Thornton L.L.P. has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

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 B." The District will update and provide this information within six months after the end of each fiscal year ending in or after 2010.

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

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

Material Event Notices

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

Availability of Information

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

OFFICIAL STATEMENT

General

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

Experts

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

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

Auditor

The District's audited financial statements for the year ended December 31, 2009 were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, Houston, Texas, and have been included herein as "APPENDIX B". McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

Certification as to Official Statement

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

Updating of Official Statement

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

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