

APPENDIX A

SCHEDULE OF ACCRETED VALUES FOR PREMIUM COMPOUND INTEREST BONDS

The approximate (rounded) accreted value (per \$5,000 of maturity amount) of the Premium Compound Interest Bond, (the "Compounded Amount") as of the date of delivery of the Bonds, and as of each Interest Payment Date thereafter through and including the maturity date, shall be as set forth in the table below. Such amount, as of any other date can be determined by straight-line interpolation between such values. The Compounded Amounts set forth below do not represent the initial principal amount plus accrued interest thereon, but have been calculated based upon the initial offering price, plus accrued and compounded interest at the initial yield to maturity.

COMPOUNDED AMOUNTS FOR PREMIUM COMPOUND INTEREST BONDS

(Per \$5,000 of Maturity Amount)

YIELD:	1.250%
<u>MATURITY DATE 9-1:</u>	<u>2012</u>
September 23, 2010	4,911.10
March 1, 2011	4,938.08
September 1, 2011	4,968.94
March 1, 2012	5,000.00

APPENDIX B
FINANCIAL STATEMENTS OF THE DISTRICT

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2009

THIS PAGE INTENTIONALLY LEFT BLANK

NORTHAMPTON MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2009

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-9
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET	10-15
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	16
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	17-18
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	19
NOTES TO BASIC FINANCIAL STATEMENTS	20-41
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	43
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-SPECIAL REVENUE FUND	44
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to basic financial statements)	
SERVICES AND RATES	46-48
GENERAL FUND EXPENDITURES	49-51
INVESTMENTS	52
TAXES LEVIED AND RECEIVABLE	53-54
LONG-TERM DEBT SERVICE REQUIREMENTS	55-63
CHANGE IN LONG-TERM BOND DEBT	64-66
COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	67-70
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	71-73

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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

7801 N. Capital of Texas Hwy.
Suite 350
Austin, Texas 78731-1169
(512) 418-2358
Fax: (512) 340-0604
www.mgsbpllc.com

Board of Directors
Northampton Municipal
Utility District
Harris County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Northampton Municipal Utility District (the "District"), as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

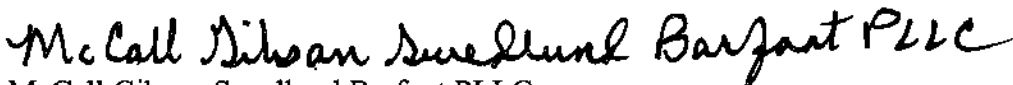
We have conducted our audit in accordance with auditing standards generally accepted as promulgated within the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Northampton Municipal
Utility District

The Management's Discussion and Analysis on pages 3 through 9 and the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Fund on pages 43 and 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

May 17, 2010

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Our discussion and analysis of Northampton Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2009. Please read it in conjunction with the District's financial statements, which begin on page 10.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two (2) financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of the government-wide statements is the Statement of Net Assets. This information is found in the Statement of Net Assets column on pages 10 through 15. The Statement of Net Assets is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on pages 17 and 18 reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has four (4) governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Special Revenue Fund accounts for the financial activities of the jointly-owned wastewater treatment plant. The Debt Service Fund accounts for ad valorem taxes and financial resources accumulated for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources segregated for acquisition or construction of facilities and related costs.

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

Since the government-wide focus includes the long-term view, comparisons between these two (2) perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets on page 16 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 19 explain the differences between the two (2) presentations and assist in understanding the differences between these two (2) perspectives.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20 through 41 in this report.

OTHER INFORMATION

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$3,760,537 as of December 31, 2009.

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

The following is a comparative analysis of the Statement of Net Assets as of December 31, 2009, and December 31, 2008:

	<u>Summary of Changes in the Statement of Net Assets</u>		
	<u>2009</u>	<u>2008</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 10,638,257	\$10,350,570	\$ 287,687
Capital Assets (Net of Accumulated Depreciation)	<u>10,357,633</u>	<u>9,918,847</u>	<u>438,786</u>
Total Assets	<u>\$ 20,995,890</u>	<u>\$20,269,417</u>	<u>\$ 726,473</u>
Long-Term Liabilities	\$ 13,080,000	\$13,720,000	\$ 640,000
Other Liabilities	<u>4,155,363</u>	<u>3,360,590</u>	<u>(794,763)</u>
Total Liabilities	<u>\$ 17,235,353</u>	<u>\$17,080,590</u>	<u>\$ (154,763)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ (136,438)	\$ (500,489)	\$ 364,051
Restricted	2,337,490	2,291,032	46,458
Unrestricted	<u>1,559,485</u>	<u>1,398,284</u>	<u>161,201</u>
Total Net Assets	<u>\$ 3,760,537</u>	<u>\$ 3,188,827</u>	<u>\$ 571,710</u>

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the District's operations for the years ended December 31, 2009, and December 31, 2008. The District's net assets increased by \$571,710, accounting for a 17.93% growth in net assets.

	<u>Summary of Changes in the Statement of Activities</u>		
	2009	2008	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,127,932	\$ 2,069,798	\$ 58,134
Charges for Services	2,213,139	2,142,909	70,230
Capital Contributions	267,043	150,788	116,255
Grant Revenues		33,267	(33,267)
Other Revenues	<u>150,571</u>	<u>303,570</u>	<u>(152,999)</u>
Total Revenues	\$ 4,758,685	\$ 4,700,332	\$ 58,353
Expenses for Services	<u>(4,186,975)</u>	<u>(4,190,233)</u>	<u>(3,258)</u>
Change in Net Assets	\$ 571,710	\$ 510,099	\$ 61,611
Net Assets, Beginning of Year	<u>3,188,827</u>	<u>2,678,728</u>	<u>510,099</u>
Net Assets, End of Year	<u>\$ 3,760,537</u>	<u>\$ 3,188,827</u>	<u>\$ 571,710</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2009, were \$6,778,671, a decrease of \$570,982 from the prior year.

The General Fund fund balance increased by \$73,648 primarily due to transfers from the Capital Projects Fund to reimburse the General Fund for capital outlay paid in previous years.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS (Continued)

The Debt Service Fund fund balance increased by \$2,163, primarily due to an increase in property tax revenues and bond principal payments during the current fiscal year.

The Capital Projects Fund fund balance decreased by \$646,793, primarily due to the construction of projects included in prior bond issues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$40,492 less than budgeted revenues. Actual expenditures were \$842,350 less than budgeted expenditures. See page 43 for budget and actual comparison.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2009, amounts to \$10,357,633 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment as well as the water, wastewater and drainage systems and recreation facilities.

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

Completed Projects:

Water Well No. 2 Rework	\$ 230,114
Ditch M-102 Improvements	255,463
Equipment	5,810
Bleach System at Water Plant No. 2	9,725
Liquid vacuum at Water Plant No. 1	<u>18,300</u>
Total Completed Projects	<u>\$ 519,412</u>

Construction in Progress:

New Park Facilities	\$ 175,715
Wastewater Treatment Plant Expansion	678,836
Northcrest Park Building	59,783
Inway Center Modifications	<u>161,819</u>
Total Construction in Progress	<u>\$ 1,076,153</u>

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End Net of Accumulated Depreciation			
	2009	2008	Net Increase (Decrease)
Capital Assets Not Subject to Depreciation:			
Land and Land Improvements	\$ 1,284,617	\$ 1,375,803	\$ (91,186)
Construction in Progress	1,076,153	684,952	391,201
Capital Assets Subject to Depreciation:			
Meeting and Recreation Facilities	1,363,889	1,443,394	(79,505)
Water System	3,244,949	3,157,174	87,775
Wastewater System	2,198,789	2,298,866	(100,077)
Drainage System	1,174,495	945,411	229,084
Equipment	<u>14,741</u>	<u>13,247</u>	<u>1,494</u>
Total Net Capital Assets	<u>\$ 10,357,633</u>	<u>\$ 9,918,847</u>	<u>\$ 438,786</u>

Additional information on the District's capital assets can be found in Note 6 on page 33 of this report.

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total debt payable of \$13,720,000.

The changes in the debt position of the District during the fiscal year ended December 31, 2009, is summarized as follows:

Bond Debt Payable, January 1, 2009	\$ 14,325,000
Less: Bond Principal Paid	<u>605,000</u>
Bond Debt Payable, December 31, 2009	<u>\$ 13,720,000</u>

At the beginning of the current fiscal year, the District's bonds carried an underlying rating of "Baa1." At December 31, 2009, the underlying rating was "BBB+."

The District's Series 1993 Bonds, Series 1993-A Bonds, Series 2001 Bonds and Series 2003 Bonds all carry an insured rating from Standard & Poor's Ratings Services ("S&P") by virtue of bond insurance issued by Ambac Financial Group, Inc. ("Ambac"). Series 1998 Bonds and Series 2006 Park Bonds both carry an insured rating from S&P by virtue of bond insurance issued by Assured Guaranty Corporation ("Assured"). Series 1999 Bonds and Series 2006 Bonds carry an insured rating from S&P by virtue of bond insurance issued by Financial Guaranty Insurance Company ("FGIC") and by National Public Finance Guaranty Corporation ("NPFGC"), respectively. Credit enhanced ratings provided through bond policies are subject to change based on the rating of the bond insurance company.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

LONG-TERM DEBT ACTIVITY

At the beginning of the current fiscal year, the insured rating for Ambac and NPFGC was "Baa1"; the insured rating for FGIC was "B1"; and the insured rating for Assured was "Aa3". At December 31, 2009, the insured rating for Ambac was "CC"; the insured rating for NPFGC was "Baa1"; the insured rating for FGIC was "CC"; and the insured rating for Assured was "AAA".

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

THIS PAGE INTENTIONALLY LEFT BLANK

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2009

	General Fund	Special Revenue Fund
ASSETS		
Cash, Note 5	\$ 536,186	\$ 36,723
Investments, Note 5	730,000	
Receivables:		
Property Taxes	725,749	
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$15,000)	123,198	
Accrued Interest	1,699	
Builder Damages	4,012	
Other	2,545	
Due from Other Funds, Note 17	147,327	22,459
Prepaid Costs	9,695	
Due from Other Governmental Units	20,666	22,916
Advanced for Wastewater Treatment Plant Operations, Note 10	47,800	
Unamortized Bond Discount		
Unamortized Bond Issuance Costs		
Land, Note 6		
Construction in Progress, Note 6		
Capital Assets (Net of Accumulated Depreciation), Note 6		
TOTAL ASSETS	<u>\$ 2,348,877</u>	<u>\$ 82,098</u>

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$ 1,390,985	\$ 3,504,768	\$ 5,468,662	\$	\$ 5,468,662
735,000	1,105,956	2,570,956		2,570,956
1,045,078		1,770,827		1,770,827
9,588		9,588		9,588
		123,198		123,198
3,298		4,997		4,997
		4,012		4,012
		2,545		2,545
		169,786	(169,786)	
		9,695		9,695
	78,703	122,285	99,411	221,696
		47,800	(47,800)	
			148,009	148,009
			304,072	304,072
			1,284,617	1,284,617
			1,076,153	1,076,153
			<u>7,996,863</u>	<u>7,996,863</u>
<u>\$ 3,183,949</u>	<u>\$ 4,689,427</u>	<u>\$ 10,304,351</u>	<u>\$ 10,691,539</u>	<u>\$ 20,995,890</u>

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

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>
LIABILITIES		
Accounts Payable	\$ 100,900	\$ 20,798
Accrued Interest Payable		
Due to Other Governmental Units	86,820	
Due to Developer, Note 15		
Retainage Payable		
Due to Other Funds, Note 17	22,459	
Advances for Wastewater Treatment Plant Operations, Note 10		61,300
Due to Homeowners Association	1,193	
Security Deposits	124,845	
Deferred Revenues:		
Property Taxes	870,304	
Penalty and Interest on Delinquent Taxes		
User Fees	900	
Long-Term Liabilities:		
Bonds Payable Due Within One Year, Note 3		
Bonds Payable Due After One Year, Note 3		
TOTAL LIABILITIES	<u>\$ 1,207,421</u>	<u>\$ 82,098</u>

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$	\$ 248,899	\$ 370,597	\$	\$ 370,597
			210,519	210,519
	550,019	636,839		636,839
			41,821	41,821
	27,090	27,090		27,090
147,327		169,786	(169,786)	
		61,300	(47,800)	13,500
		1,193		1,193
		124,845		124,845
1,253,238		2,123,542	(35,493)	2,088,049
9,588		9,588	(9,588)	
		900		900
			640,000	640,000
			<u>13,080,000</u>	<u>13,080,000</u>
<u>\$ 1,410,153</u>	<u>\$ 826,008</u>	<u>\$ 3,525,680</u>	<u>\$ 13,709,673</u>	<u>\$ 17,235,353</u>

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

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>
FUND BALANCES/NET ASSETS		
FUND BALANCES		
Reserved for Authorized Construction:		
Bond Proceeds	\$	\$
Net Investment Revenues		
Reserved for Debt Service		
Reserved for Regional Wastewater Treatment Plant		
Operations, Note 10	47,800	
Reserved for Prepaid Costs	9,695	
Unreserved – Undesignated	<u>1,083,961</u>	<u> </u>
TOTAL FUND BALANCES	<u>\$ 1,141,456</u>	<u>\$ -0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,348,877</u>	<u>\$ 82,098</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Restricted for:		
Capital Projects		
Debt Service		
Unrestricted		
TOTAL NET ASSETS		

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$	\$ 3,119,741	\$ 3,119,741	\$ (3,119,741)	\$
	743,678	743,678	(743,678)	
1,773,796		1,773,796	(1,773,796)	
		47,800	(47,800)	
		9,695	(9,695)	
		<u>1,083,961</u>	<u>(1,083,961)</u>	
<u>\$ 1,773,796</u>	<u>\$ 3,863,419</u>	<u>\$ 6,778,671</u>	<u>\$ (6,778,671)</u>	<u>\$ -0-</u>
<u>\$ 3,183,949</u>	<u>\$ 4,689,427</u>	<u>\$ 10,304,351</u>		
			\$ (136,438)	\$ (136,438)
			743,678	743,678
			1,593,812	1,593,812
			<u>1,559,485</u>	<u>1,559,485</u>
			<u>\$ 3,760,537</u>	<u>\$ 3,760,537</u>

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

NORTHHAMPTON MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2009

Total Fund Balances – Governmental Funds	\$ 6,778,671
------------------------------------------	--------------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Oakmont's share of eminent domain costs for Ditch M-102 is recorded as a receivable in the Statement of Net Assets. Payment is expected from a future bond sale.	99,411
------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------

Unamortized bond discounts and bond issuance costs in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	452,081
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

Land used in governmental activities is not a financial resource and therefore is not reported as an asset in the governmental funds.	1,284,617
---------------------------------------------------------------------------------------------------------------------------------------	-----------

Construction in progress in governmental activities is not a financial resource and therefore is not reported as an asset in the governmental funds.	1,076,153
------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	7,996,863
------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported as a liability in the governmental funds.	(210,519)
---------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

The amount Due to Developer cannot be paid without approval from the Commission and therefore is not reported as a liability in the governmental funds.	(41,821)
---------------------------------------------------------------------------------------------------------------------------------------------------------	----------

Deferred tax revenues for the 2008 and prior tax levies became part of recognized revenues in the governmental activities of the District.	35,493
--------------------------------------------------------------------------------------------------------------------------------------------	--------

Deferred penalty and interest revenues on delinquent property taxes for 2008 and prior tax levies became part of recognized revenues in the governmental activities of the District.	9,588
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------

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

Bonds Payable Within One Year	\$ (640,000)	
Bonds Payable After One Year	<u>(13,080,000)</u>	<u>(13,720,000)</u>

Total Net Assets – Governmental Activities	<u>\$ 3,760,537</u>
--------------------------------------------	---------------------

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

THIS PAGE INTENTIONALLY LEFT BLANK

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Special Revenue Fund
REVENUES		
Property Taxes	\$ 868,847	\$
Water Service	622,158	
Wastewater Service	893,201	351,486
Penalty and Interest	28,513	
Facility Use Fees	70,766	
Regional Water Authority Fees	499,473	
Capital Contributions, Note 10		
Investment Revenues	23,691	
Miscellaneous Revenues	65,895	
TOTAL REVENUES	<u>\$ 3,072,544</u>	<u>\$ 351,486</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 123,939	\$ 11,630
Contracted Services	571,072	43,796
Purchased Wastewater Service, Note 10	277,965	
Utilities	115,085	66,622
Repairs and Maintenance	253,345	49,669
Regional Water Authority Assessments, Note 13	563,196	
Parks and Recreation	778,344	
Depreciation, Note 6		
Other	171,251	179,769
Capital Outlay:		
Parks and Recreation	234,468	
Other Facilities	28,025	
Debt Service:		
Bond Principal		
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 3,116,690</u>	<u>\$ 351,486</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (44,146)</u>	<u>\$ -0-</u>
OTHER FINANCING SOURCES (USES)		
Transfers In (Out), Note 19	\$ 117,794	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 73,648	\$ -0-
CHANGE IN NET ASSETS		
FUND BALANCES/NET ASSETS – JANUARY 1, 2009	1,067,808	
FUND BALANCES/NET ASSETS – DECEMBER 31, 2009	<u>\$ 1,141,456</u>	<u>\$ -0-</u>

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 1,251,128	\$	\$ 2,119,975	\$ 7,957	\$ 2,127,932
		622,158		622,158
		1,244,687	(277,965)	966,722
21,606		50,119	3,901	54,020
		70,766		70,766
		499,473		499,473
	267,043	267,043		267,043
34,910	25,791	84,392		84,392
284		66,179		66,179
<u>\$ 1,307,928</u>	<u>\$ 292,834</u>	<u>\$ 5,024,792</u>	<u>\$ (266,107)</u>	<u>\$ 4,758,685</u>
\$ 6,284	\$ 12,668	\$ 154,521	\$	\$ 154,521
44,130		658,998		658,998
		277,965	(277,965)	
		181,707		181,707
	160,859	463,873		463,873
		563,196		563,196
		778,344		778,344
			380,641	380,641
3,730	184	354,934	(8,225)	346,709
		234,468	(234,468)	
	648,122	676,147	(676,147)	
605,000		605,000	(605,000)	
<u>646,621</u>		<u>646,621</u>	<u>12,365</u>	<u>658,986</u>
<u>\$ 1,305,765</u>	<u>\$ 821,833</u>	<u>\$ 5,595,774</u>	<u>\$ (1,408,799)</u>	<u>\$ 4,186,975</u>
<u>\$ 2,163</u>	<u>\$ (528,999)</u>	<u>\$ (570,982)</u>	<u>\$ 1,142,692</u>	<u>\$ 571,710</u>
<u>\$ -0-</u>	<u>\$ (117,794)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ 2,163	\$ (646,793)	\$ (570,982)	\$ 570,982	\$
			571,710	571,710
<u>1,771,633</u>	<u>4,510,212</u>	<u>7,349,653</u>	<u>(4,160,826)</u>	<u>3,188,827</u>
<u>\$ 1,773,796</u>	<u>\$ 3,863,419</u>	<u>\$ 6,778,671</u>	<u>\$ (3,018,134)</u>	<u>\$ 3,760,537</u>

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

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Net Change in Fund Balances - Governmental Funds	\$ (570,982)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report property tax revenues when collected. However, in the Statement of Activities, revenues are recorded in the accounting period for which the taxes are levied.	7,957
Governmental funds do not account for tax penalty and interest when collected. However, in the Statement of Activities, revenues are recorded when the penalty and interest are assessed.	3,901
Governmental funds do not account for depreciation. However, in the Statement of Activities, capital assets are depreciated and depreciation expense is recorded.	(380,641)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Assets, capital assets are increased by new purchases and the Statement of Activities is not effected.	918,840
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Assets, bond principal payments decrease long-term liabilities and the Statement of Activities is not affected.	605,000
Governmental funds report interest payments on bonds as expenditures in the year paid. However, in the Statement of Activities, interest is accrued on bonds through fiscal year end and the current portion of amortized bond discounts and bond issuance costs is added to bond interest expense.	<u>(12,365)</u>
Change in Net Assets - Governmental Activities	<u>\$ 571,710</u>

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

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1. CREATION OF DISTRICT

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The District was created as an independent municipality. The District does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the District's basic financial statements. The District has entered into a joint venture agreement with Oakmont Public Utility District for the expansion and operation of a wastewater treatment plant. The District has oversight responsibility for the wastewater treatment plant. Additional disclosure is provided in Note 10.

Financial Statement Presentation

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34-Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

GASB Statement No. 34 established standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three (3) components: Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

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

Fund Financial Statements

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

Governmental Funds

The District has four (4) governmental funds and considers these funds to be major funds.

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

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

Debt Service Fund - To account for ad valorem taxes and financial resources accumulated for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources segregated for acquisition or construction of facilities and related costs.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include the 2008 tax levy collections during the period October 1, 2008, to December 31, 2009, and taxes collected from January 1, 2009, to December 31, 2009, for the 2007 and prior tax levies. The 2009 tax levy has been fully deferred.

Amounts transferred from one (1) fund to another fund are reported as an other financing source or use. Loans by one (1) fund to another fund and amounts paid by one (1) fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and a useful life of at least two (2) years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

Budgeting

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

Pensions

Payments are made into the social security system for the employees. See Note 12 for the District's defined contribution plan.

Measurement Focus

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

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

Reserved:

To indicate fund equity which is legally segregated for a specific future use.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Unreserved:

Designated - To indicate fund equity for which the District has made tentative plans.

Undesignated - To indicate fund equity which is available for use in future periods.

Accounting Estimates

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

NOTE 3. BONDS PAYABLE

	Refunding Series 1993	Series 1993-A
Amount Outstanding - December 31, 2009	\$ 385,000	\$ 870,000
Interest Rates	5.600% - 5.700%	4.750% - 5.000%
Maturity Dates - Serially Beginning/Ending	March 1, 2010/2014	March 1, 2010/2015
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	March 1, 2002*	March 1, 2003**

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

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

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3. BONDS PAYABLE (Continued)

	Refunding Series 1998	Series 1999
Amount Outstanding - December 31, 2009	\$ 1,015,000	\$ 1,325,000
Interest Rates	4.650% - 4.875%	4.250% - 4.500%
Maturity Dates - Serially Beginning/Ending	March 1, 2010/2015	March 1, 2010/2018
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	March 1, 2007*	March 1, 2007*
	Series 2001	Series 2003
Amount Outstanding - December 31, 2009	\$ 1,505,000	\$ 2,990,000
Interest Rates	5.000% - 5.100%	4.500% - 5.750%
Maturity Dates - Serially Beginning/Ending	March 1, 2015/2022, 2025	March 1, 2016/2019, 2025, 2027
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	March 1, 2009**	March 1, 2011**

* 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 day 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 2001 term bonds maturing on March 1, 2025, are subject to mandatory redemption by lot or other customary random selection method beginning March 1, 2023. The Series 2003 term bonds maturing on March 1, 2025, and March 1, 2027, are subject to mandatory redemption beginning March 1, 2020, and March 1, 2026, respectively.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3. BONDS PAYABLE (Continued)

	Series 2006	Park Series 2006
Amount Outstanding - December 31, 2009	\$ 3,900,000	\$ 1,730,000
Interest Rates	4.000% - 5.500%	3.900% - 6.000%
Maturity Dates – Serially Beginning/Ending	March 1, 2010/2016, 2018, 2020, 2022, 2024, 2026, 2028, 2030	March 1, 2010/2015, 2018, 2021, 2024, 2027, 2030
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	March 1, 2015*	March 1, 2015*

- * 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, 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.

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2009:

Bond Debt Payable - January 1, 2009	\$ 14,325,000
Less: Bond Principal Retirement	
Series 1993 Refunding	\$ 65,000
Series 1993-A	115,000
Series 1998 Refunding	135,000
Series 1999	145,000
Series 2006	100,000
Series 2006 Parks	45,000
	<u>605,000</u>
Bond Debt Payable - December 31, 2009	<u>\$ 13,720,000</u>
Bond Debt Payable -	
Due Within One Year	\$ 640,000
Due After One Year	<u>13,080,000</u>
Bond Debt Payable - December 31, 2009	<u>\$ 13,720,000</u>

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3. BONDS PAYABLE (Continued)

Original Bonds Voted	\$ 21,800,000	*
New Bonds Voted	5,500,000	**
Park Bonds Voted	<u>1,775,000</u>	***
Total Bonds Authorized	<u>\$ 29,075,000</u>	
Original Bonds Approved	<u>\$ 21,565,000</u>	
Original Bonds Issued	\$ 19,790,000	
Park Bonds Issued	1,775,000	
Refunding Bonds Issued (\$5,165,000)		
Net of Bonds Refunded (\$4,960,000)	<u>205,000</u>	
Total Bonds Issued	<u>\$ 21,770,000</u>	

* 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.

As of December 31, 2009, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2010	640,000	615,633	1,255,633
2011	660,000	583,156	1,243,156
2012	700,000	549,059	1,249,059
2013	735,000	513,220	1,248,220
2014	765,000	476,123	1,241,123
2015-2019	3,430,000	1,862,562	5,292,562
2020-2024	3,425,000	1,118,717	4,543,717
2025-2029	2,940,000	347,464	3,287,464
2030	<u>425,000</u>	<u>8,500</u>	<u>433,500</u>
	<u>\$ 13,720,000</u>	<u>\$ 6,074,434</u>	<u>\$ 19,794,434</u>

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3. BONDS PAYABLE (Continued)

The Series 1993, 1993-A, 1998 and 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. The Series 2001 and subsequent bonds are payable solely from ad valorem taxes.

During the year ended December 31, 2009, 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 \$1,232,291 on the adjusted taxable valuation of \$342,303,190 for the 2009 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 Series 1998 and prior bond orders state that 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 \$11,096,000 and boiler and machinery coverage of \$11,096,000. 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.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

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

- C. The Series 1998 and subsequent bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information repository and the state information depository. This information, along with the audited annual financial statements, is to be provided within six (6) months after the end of each fiscal year.
- D. For the Series 1993 refunding bond issue, the Series 1993-A bond issue, the Series 1998 bond issue, the Series 2006 bond issue and the Series 2006 park bond issue, 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 the 5th year anniversary of each issue.

In compliance with this covenant, the 10th year arbitrage rebate reports were completed for the Series 1993-A bond issue and the Series 1998 bond issue; and the 15th year arbitrage rebate report was completed for the Series 1993 refunding bond issue. The reports reflect that the District did not have a rebate obligation to the federal government on these issues.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's bank deposits was \$6,933,662 and the bank balance was \$6,889,245. Of the bank balance, \$2,397,812 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.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at December 31, 2009, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 536,186	\$ 730,000	\$ 1,266,186
SPECIAL REVENUE FUND	36,723		36,723
DEBT SERVICE FUND	1,390,985	735,000	2,125,985
CAPITAL PROJECTS FUND	<u>3,504,768</u>	<u> </u>	<u>3,504,768</u>
TOTAL DEPOSITS	<u>\$ 5,468,662</u>	<u>\$ 1,465,000</u>	<u>\$ 6,933,662</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, 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, (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

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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, 2009, the District had the following investments and maturities:

Fund and Investment Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND -</u>					
Certificates of Deposit	\$ 730,000	\$ 730,000	\$	\$	\$
<u>DEBT SERVICE FUND -</u>					
Certificates of Deposit	735,000	735,000			
<u>CAPITAL PROJECTS</u>					
<u>FUND -</u>					
Money Market Mutual Fund	<u>1,105,956</u>	<u>1,105,956</u>			
TOTAL INVESTMENTS	<u>\$ 2,570,956</u>	<u>\$ 2,570,956</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2009, the District's investment in the money market mutual fund was rated "AAAm" by Standard & Poor's.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in the money market mutual fund to have a maturity of less than one (1) year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

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.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions (Continued)

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, 2009:

	<u>January 1, 2009</u>	<u>Additions</u>	<u>Decreases</u>	<u>December 31, 2009</u>
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,375,803	\$ 8,225	\$ 99,411	\$ 1,284,617
Construction in Progress	<u>684,952</u>	<u>910,613</u>	<u>519,412</u>	<u>1,076,153</u>
Total Capital Assets Not Being Depreciated	\$ 2,060,755	\$ 918,838	\$ 618,823	\$ 2,360,770
Capital Assets at Historical Cost Subject to Depreciation				
Meeting and Recreation Facilities	\$ 2,418,024	\$	\$	\$ 2,418,024
Water System	5,678,708	258,139		5,936,847
Wastewater System	4,789,866			4,789,866
Drainage	1,090,465	255,463		1,345,928
Equipment	<u>61,273</u>	<u>5,810</u>		<u>67,083</u>
Total Capital Assets at Historical Cost Subject to Depreciation	\$ 14,038,336	\$ 519,412	\$ -0-	\$ 14,557,748
Less Accumulated Depreciation				
Meeting and Recreation Facilities	\$ 974,630	\$ 79,505	\$	\$ 1,054,135
Water System	2,521,534	170,364		2,691,898
Wastewater System	2,491,000	100,077		2,591,077
Drainage	145,054	26,379		171,433
Equipment	<u>48,026</u>	<u>4,316</u>		<u>52,342</u>
Total Accumulated Depreciation	\$ 6,180,244	\$ 380,641	\$ -0-	\$ 6,560,885
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 7,858,092	\$ 138,771	\$ -0-	\$ 7,996,863
Total Capital Assets, Net of Accumulated Depreciation	\$ 9,918,847	\$ 1,057,609	\$ 618,823	\$ 10,357,633

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

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, 2009, 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 \$855,758 on the adjusted taxable valuation of \$342,303,190 for the 2009 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. DEVELOPER GUARANTEES

On December 17, 2001, the District entered into an agreement with The Hamptons on the Lake, Ltd., which guarantees to the District certain annual revenues from ad valorem taxes and tap fees that equal or exceed a portion of the debt service requirements incurred to purchase certain facilities within a certain 389-acre tract located east of Gosling Road, which was outside the boundaries of the District. The tract of land was annexed into the District in 2002. On May 24, 2006, the District entered into a similar agreement with The Gates of Northampton, L.P. for development of an 11.481-acre tract, which tract was annexed on November 20, 2006. Each guarantee begins following the year in which the District acquires the facilities, and extends for a period of five (5) years from the date of the first annual guarantee calculation. No development has occurred on either property to trigger this guarantee calculation.

NOTE 9. WATER SUPPLY AGREEMENTS

Encanto Real Utility District

On September 24, 1985, the District entered into an agreement with Encanto Real Utility District ("Encanto") to provide emergency water supply services. All necessary costs of constructing the interconnect, including a two-way meter for the purpose of measuring the water provided, shall be borne by Encanto. Each district is responsible for maintaining the respective interconnect lines within their boundaries. The charge for service to either district is \$0.75 per thousand gallons of water delivered. 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. During the current fiscal year, the District provided no water to Encanto.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 9. 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% 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 twenty (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 \$5,310 for water used plus \$6,867 for regional water authority fees. At December 31, 2009, Oakmont had paid in full.

Harris County Municipal Utility District No. 1

Effective September 17, 2007, the District entered into an interim water supply agreement with Harris County Municipal Utility District No. 1 ("HC MUD No. 1") whereby the District will lease interim water supply to serve up to 25 equivalent single family connections within HC MUD NO. 1 for a period of no more than six (6) months. HC MUD NO. 1 will pay the cost to construct a twelve-inch waterline and six-inch temporary water meter connecting the HC MUD No. 1 water supply system to the District's water system. HC MUD NO. 1 shall pay to the District \$0.42 per 1,000 gallons of water used during the term as compensation for the capital improvements utilized to produce the water. In addition, HC MUD No. 1 shall pay \$0.63 per 1,000 gallons of water used during the term to cover operations and maintenance expenses incurred by the District. HC MUD NO. 1 shall pay any NHCRWA prevailing groundwater

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 9. WATER SUPPLY AGREEMENTS (Continued)

Harris County Municipal Utility District No. 1 (Continued)

pumpage charge. At the end of six (6) months, this agreement shall terminate and the Emergency Supply Water Contract entered into as of September 17, 2007, by and between the District and HC MUD NO. 1 shall become effective. The price to be paid for water delivered pursuant to this contract during an Emergency shall be \$100.00 per day or payment-in-kind. The method of payment is to be determined at the time of taking of water. Although the agreements were executed, the proposed interconnect between the districts has not been constructed.

NOTE 10. 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 forty (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 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.

In addition, the contract requires the establishment of an operating reserve equal to two (2) 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 forty (40) years.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 10. WASTEWATER TREATMENT CONTRACTS (Continued)

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 \$32,616 related to this lease.

The District has let a construction contract for the wastewater treatment plant expansion project. The plant will be 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 \$188,340. Klein's share (1.66%) is \$78,703 and was receivable at December 31, 2009.

	Owned Capacity in Gallons Per Day	Owned Capacity Percentage
Northampton Municipal Utility District	540,000	72.00%
Klein Independent School District	75,000	10.00%
Oakmont Public Utility District	<u>135,000</u>	<u>18.00%</u>
TOTAL	<u>750,000</u>	<u>100.00%</u>

During the current fiscal year, the District recorded \$277,965 as its share of the operating cost of the plant.

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, 2009	\$ 6,761	\$ 15,553	\$ 22,314
Operating Costs	277,965	73,521	351,486
Receipts and Credits	(262,367)	(67,758)	(330,125)
Change in Reserve	<u>100</u>	<u>1,600</u>	<u>1,700</u>
Due (to) from Participants at December 31, 2009	<u>\$ 22,459</u>	<u>\$ 22,916</u>	<u>\$ 45,375</u>
Two (2) Month's Reserve	<u>\$ 47,800</u>	<u>\$ 13,500</u>	<u>\$ 61,300</u>

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 11. 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, 2009, \$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. At December 31, 2009, \$1,294,300 is required to remain in escrow for Northcrest Park improvements; West Park improvements; Inway Park improvements; Pocket Park improvements; Willow Creek Park improvements; and land acquisition costs.

The total escrow requirement at December 31, 2009, is \$1,299,300.

NOTE 12. 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 \$15,500 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, 2009, the eligible employees contributed \$10,174 to the plan and the District contributed \$4,665.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 13. 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 2009 was \$1.50 per 1,000 gallons of water pumped from each well. Effective January 1, 2010, subsequent to year end, the fee was increased to \$1.75 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of \$563,196 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 14. 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 will pay 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 (1) year, subject to renewal. On October 13, 2007, the agreement was amended to extend the term of the agreement for one (1) year, and to provide for automatic renewal of the agreement on the effective date for successive one (1) year terms unless terminated earlier by written notice of either party at least sixty (60) days prior to the anniversary of the effective date. This agreement is still in effect, and during the current fiscal year, the District recorded \$60,000 of revenue related to this agreement.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 15. UNREIMBURSED COSTS

The District has current development financing agreements with three (3) developers within the District, The Hamptons on the Lake, Ltd., The Gates of Northampton, L.P. and Peramco, Inc. Peramco, Inc. is the only developer that indicated funds had been expended on behalf of the District as of December 31, 2009, for which reimbursement will be requested from a future bond sale. The other two (2) developments are inactive. Peramco, Inc. indicated that \$111,448 had been expended for engineering and related costs for West Rayford Road Commercial utilities, a lift station and detention and Northampton Section 4 back lot storm sewer. This amount has not been recorded in the District's financial because the facilities have not been completed for use by the District.

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.

NOTE 16. 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 2009, the District contributed a net of \$5,868 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 (3) years.

NOTE 17. INTERFUND PAYABLES AND RECEIVABLES

The Debt Service Fund (Tax Account) owes the General Fund \$147,327 for maintenance tax collections. The General Fund fund owes the Special Revenues Fund \$22,459 for operations in the wastewater treatment plant.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 18. FEMA GRANT

On April 10, 2009, the District received \$33,267 in disaster relief funds related to Hurricane Ike. This amount was recorded as a receivable in the prior fiscal year. These are federal funds from FEMA, passed through the Texas Department of Public Safety's Division of Emergency Management.

NOTE 19. TRANSFER OF FUNDS

The District transferred \$117,794 from the Capital Projects Fund to the General Fund: \$110,010 to reimburse for the payment made to Oakmont Public Utility District in the prior fiscal year for costs associated with an existing water line interconnect, \$1,051 to reimburse for engineering fees related to the Creekview sanitary sewer cleaning, televising and reporting and \$6,733 for engineering fees related to the Ditch M-102 channel improvements.

NOTE 20. SUBSEQUENT EVENT – BOND SALE

On April 20, 2010, the District closed the sale of \$4,000,000 Unlimited Tax Bonds, Series 2010. Proceeds from the Bonds will be used to pay for the construction and engineering costs of wastewater line rehabilitation; to pay one (1) year of interest on the Bonds; and to pay certain administrative and issuance costs of the Bonds.

NOTE 21. EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through May 17, 2010, the date which the financial statements were available to be issued.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2009

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 800,000	\$ 868,847	\$ 68,847
Water Service	600,000	622,158	22,158
Wastewater Service	872,616	893,201	20,585
Penalty and Interest	24,000	28,513	4,513
Facility Use Fees	100,500	70,766	(29,734)
Regional Water Authority Fees	600,000	499,473	(100,527)
Investment Revenues	48,000	23,691	(24,309)
Miscellaneous Revenues	<u>67,920</u>	<u>65,895</u>	<u>(2,025)</u>
TOTAL REVENUES	<u>\$ 3,113,036</u>	<u>\$ 3,072,544</u>	<u>\$ (40,492)</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 143,500	\$ 123,939	\$ 19,561
Contracted Services	559,200	571,072	(11,872)
Purchased Wastewater Service	288,000	277,965	10,035
Utilities	225,120	115,085	110,035
Repairs and Maintenance	228,000	253,345	(25,345)
Regional Water Authority Assessments	600,000	563,196	36,804
Parks and Recreation	807,920	778,344	29,576
Other	162,300	171,251	(8,951)
Capital Outlay:			
Parks and Recreation	510,000	234,468	247,507
Other Facilities	<u>435,000</u>	<u>28,025</u>	<u>435,000</u>
TOTAL EXPENDITURES	<u>\$ 3,959,040</u>	<u>\$ 3,116,690</u>	<u>\$ 842,350</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (846,004)</u>	<u>\$ (44,146)</u>	<u>\$ 801,858</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ -0-</u>	<u>\$ 117,794</u>	<u>\$ 117,794</u>
NET CHANGE IN FUND BALANCE	<u>\$ (846,004)</u>	<u>\$ 73,648</u>	<u>\$ 919,652</u>
FUND BALANCE - JANUARY 1, 2009	<u>1,067,808</u>	<u>1,067,808</u>	
FUND BALANCE - DECEMBER 31, 2009	<u>\$ 221,804</u>	<u>\$ 1,141,456</u>	<u>\$ 919,652</u>

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND – WASTEWATER TREATMENT PLANT
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Wastewater Service	\$ 357,550	\$ 351,486	\$ (6,064)
Investment Revenues	<u>180</u>	<u></u>	<u>(180)</u>
TOTAL REVENUES	<u>\$ 357,730</u>	<u>\$ 351,486</u>	<u>\$ (6,244)</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 10,200	\$ 11,630	\$ (1,430)
Contracted Services	48,580	43,796	4,784
Utilities	121,020	66,622	54,398
Repairs and Maintenance	60,000	49,669	10,331
Other	<u>117,930</u>	<u>179,769</u>	<u>(61,839)</u>
TOTAL EXPENDITURES	<u>\$ 357,730</u>	<u>\$ 351,486</u>	<u>\$ 6,244</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ -0-
FUND BALANCE – JANUARY 1, 2009	<u></u>	<u></u>	<u></u>
FUND BALANCE – DECEMBER 31, 2009	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2009

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved December 21, 2009.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 20.00	10,000	N	\$ 0.80 \$ 0.90 \$ 1.10 \$ 1.25 \$ 5.00	10,001 to 19,999 20,000 to 29,999 30,000 to 49,999 50,000 to 74,999 75,000 and over
WASTEWATER:	\$ 42.48 *		Y		
SURCHARGE:					
Regional Water Authority Fees				\$ 1.93	1,000 and over
District employs winter averaging for wastewater usage?					<u> </u> <u> X </u> Yes No

Total monthly charges per 10,000 gallons usage: Water: \$20.00 Wastewater: \$42.48 Surcharge: \$19.30 Total: \$81.78

* Includes garbage fee of \$20.13 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, 2009

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>1,618</u>	<u>1,599</u>	x 1.0	<u>1,599</u>
1"	<u>76</u>	<u>76</u>	x 2.5	<u>190</u>
1½"			x 5.0	
2"	<u>11</u>	<u>11</u>	x 8.0	<u>88</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>1,705</u>	<u>1,686</u>		<u>1,877</u>
Total Wastewater Connections	<u>1,662</u>	<u>1,643</u>	x 1.0	<u>1,643</u>

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

Gallons pumped into system:	375,764,000	Water Accountability Ratio: 93.56% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	346,967,000	
Gallons purchased from Oakmont Public Utility District	800,000	
Gallons sold to Oakmont Public Utility District	5,328,000	

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>-0-</u>
PROFESSIONAL FEES:	
Auditing	\$ 18,500
Engineering	26,238
Legal	78,601
Financial Advisor	<u>600</u>
TOTAL PROFESSIONAL FEES	\$ <u>123,939</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Wastewater Service	\$ <u>277,965</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 20,204
Operations and Billing	<u>81,672</u>
TOTAL CONTRACTED SERVICES	\$ <u>101,876</u>
UTILITIES:	
Electricity	\$ 111,225
Telephone	<u>3,860</u>
TOTAL UTILITIES	\$ <u>115,085</u>
REPAIRS AND MAINTENANCE	\$ <u>253,345</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009

ADMINISTRATIVE EXPENDITURES:

Community Education	\$ 5,106
Director Fees	22,200
Dues and Registration Fees	1,943
Insurance	31,562
Office Supplies and Postage	7,973
Travel and Meetings	7,949
Website	1,695
Other	<u>18,607</u>

TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 97,035</u>
------------------------------------------	-------------------------

CAPITAL OUTLAY:

Capitalized Assets	\$ 28,025
Expenditures not Capitalized	<u> </u>

TOTAL CAPITAL OUTLAY	<u>\$ 28,025</u>
-----------------------------	-------------------------

TAP CONNECTION EXPENDITURES	<u>\$ -0-</u>
------------------------------------	----------------------

SOLID WASTE DISPOSAL	<u>\$ 469,196</u>
-----------------------------	--------------------------

FIRE FIGHTING	<u>\$ -0-</u>
----------------------	----------------------

PARKS AND RECREATION:

Capital Outlay	\$ 234,468
Contract Services	9,050
Personnel (Including Benefits)	565,979
Repairs and Maintenance	131,252
Professional Fees	7,112
Truck	5,177
Utilities	<u>59,774</u>

TOTAL PARKS AND RECREATION	<u>\$ 1,012,812</u>
-----------------------------------	----------------------------

SECURITY	<u>\$ -0-</u>
-----------------	----------------------

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009

OTHER EXPENDITURES:

Chemicals	\$ 38,858
Inspection Fees	75
Laboratory Fees	3,075
Permit Fees	12,739
Reconnection Fees	12,152
Regional Water Authority Assessments	563,196
Regulatory Assessment	<u>7,317</u>

TOTAL OTHER EXPENDITURES	\$ <u>637,412</u>
--------------------------	-------------------

TOTAL EXPENDITURES	\$ <u><u>3,116,690</u></u>
--------------------	----------------------------

Number of persons employed by the District	<u>8</u>	Full-Time	<u>3</u>	Part-Time*
--------------------------------------------	----------	-----------	----------	------------

* During the summer months, part-time employees may be as many as 34.

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
INVESTMENTS
DECEMBER 31, 2009

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Certificate of Deposit	302002530	1.250%	02/18/10	\$ 245,000	\$ 1,133
Certificate of Deposit	1002035780	1.100%	04/20/10	240,000	521
Certificate of Deposit	50617	0.750%	06/22/10	<u>245,000</u>	<u>45</u>
TOTAL GENERAL FUND				<u>\$ 730,000</u>	<u>\$ 1,699</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	210414	1.100%	02/25/10	\$ 245,000	\$ 930
Certificate of Deposit	3116001910	1.550%	02/25/10	245,000	1,311
Certificate of Deposit	470010538	1.250%	02/25/10	<u>245,000</u>	<u>1,057</u>
TOTAL DEBT SERVICE FUND				<u>\$ 735,000</u>	<u>\$ 3,298</u>
<u>CAPITAL PROJECT FUND</u>					
Money Market Mutual Fund	93464172	Varies	Daily	<u>\$ 1,105,956</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 2,570,956</u>	<u>\$ 4,997</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE –				
JANUARY 1, 2009	\$ 598,674		\$ 861,979	
Adjustments to Beginning Balance	<u>15,616</u>	\$ 614,290	<u>22,592</u>	\$ 884,571
Original 2009 Tax Levy	\$ 728,709		\$1,049,340	
Adjustment to 2009 Tax Levy	<u>127,049</u>	<u>855,758</u>	<u>182,951</u>	<u>1,232,291</u>
TOTAL TO BE ACCOUNTED FOR		\$1,470,048		\$ 2,116,862
TAX COLLECTIONS:				
Prior Years	\$ 599,744		\$ 863,625	
Current Year	<u>144,555</u>	<u>744,299</u>	<u>208,159</u>	<u>1,071,784</u>
TAXES RECEIVABLE –				
DECEMBER 31, 2009		<u>\$ 725,749</u>		<u>\$ 1,045,078</u>
TAXES RECEIVABLE BY YEAR:				
2009		\$ 711,203		\$ 1,024,132
2008		7,643		11,005
2007		3,369		4,852
2006		1,937		2,790
2005		1,118		1,610
2004		443		637
2003		<u>36</u>		<u>52</u>
TOTAL TAXES RECEIVABLE BY YEAR		<u>\$ 725,749</u>		<u>\$ 1,045,078</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008	2007	2006
PROPERTY VALUATIONS				
Land	\$ 57,064,887	\$ 54,079,105	\$ 53,468,564	\$ 53,436,043
Improvements	298,359,854	300,522,735	293,835,892	277,334,320
Personal Property	6,014,401	3,863,242	5,368,230	5,965,993
Exemptions	<u>(19,135,952)</u>	<u>(15,887,326)</u>	<u>(15,896,267)</u>	<u>(16,098,639)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 342,303,190</u>	<u>\$ 342,577,756</u>	<u>\$ 336,776,419</u>	<u>\$ 320,637,717</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.36000	\$ 0.36000	\$ 0.36000	\$ 0.36000
Maintenance***	<u>0.25000</u>	<u>0.25000</u>	<u>0.25000</u>	<u>0.25000</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.61000</u>	<u>\$ 0.61000</u>	<u>\$ 0.61000</u>	<u>\$ 0.61000</u>
ADJUSTED TAX LEVY*	<u>\$ 2,088,049</u>	<u>\$ 2,089,724</u>	<u>\$ 2,054,336</u>	<u>\$ 1,955,890</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>16.89%</u>	<u>99.12%</u>	<u>99.60%</u>	<u>99.76%</u>
	**			

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

** The District is in the process of 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, 2009

<u>REFUNDING SERIES - 1993</u>			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	70,000	19,845	89,845
2011	70,000	15,924	85,924
2012	75,000	11,827	86,827
2013	85,000	7,268	92,268
2014	85,000	2,422	87,422
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
TOTAL	<u><u>\$ 385,000</u></u>	<u><u>\$ 57,286</u></u>	<u><u>\$ 442,286</u></u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2009

S E R I E S - 1 9 9 3 - A			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	125,000	39,963	164,963
2011	130,000	33,587	163,587
2012	140,000	26,837	166,837
2013	150,000	19,587	169,587
2014	160,000	11,837	171,837
2015	165,000	3,919	168,919
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
TOTAL	<u>\$ 870,000</u>	<u>\$ 135,730</u>	<u>\$ 1,005,730</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2009

<u>REFUNDING SERIES - 1998</u>			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	145,000	45,183	190,183
2011	150,000	38,288	188,288
2012	165,000	30,844	195,844
2013	175,000	22,724	197,724
2014	185,000	14,015	199,015
2015	195,000	4,753	199,753
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
TOTAL	<u>\$ 1,015,000</u>	<u>\$ 155,807</u>	<u>\$ 1,170,807</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2009

S E R I E S - 1 9 9 9			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	145,000	55,819	200,819
2011	145,000	49,584	194,584
2012	145,000	43,240	188,240
2013	145,000	36,787	181,787
2014	145,000	30,263	175,263
2015	150,000	23,625	173,625
2016	150,000	16,875	166,875
2017	150,000	10,125	160,125
2018	150,000	3,375	153,375
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
TOTAL	<u>\$ 1,325,000</u>	<u>\$ 269,693</u>	<u>\$ 1,594,693</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2009

S E R I E S - 2 0 0 1			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2010		75,820	75,820
2011		75,820	75,820
2012		75,820	75,820
2013		75,820	75,820
2014		75,820	75,820
2015	100,000	73,270	173,270
2016	110,000	67,915	177,915
2017	115,000	62,178	177,178
2018	120,000	56,185	176,185
2019	125,000	49,937	174,937
2020	135,000	43,375	178,375
2021	140,000	36,500	176,500
2022	150,000	29,250	179,250
2023	160,000	21,500	181,500
2024	170,000	13,250	183,250
2025	180,000	4,500	184,500
2026			
2027			
2028			
2029			
2030			
TOTAL	<u>\$ 1,505,000</u>	<u>\$ 836,960</u>	<u>\$ 2,341,960</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2009

S E R I E S - 2 0 0 3			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2010		143,863	143,863
2011		143,863	143,863
2012		143,863	143,863
2013		143,863	143,863
2014		143,863	143,863
2015		143,863	143,863
2016	180,000	138,687	318,687
2017	190,000	128,477	318,477
2018	205,000	118,420	323,420
2019	215,000	108,560	323,560
2020	225,000	98,435	323,435
2021	240,000	87,507	327,507
2022	250,000	75,992	325,992
2023	265,000	63,890	328,890
2024	280,000	51,083	331,083
2025	295,000	37,570	332,570
2026	315,000	23,156	338,156
2027	330,000	7,839	337,839
2028			
2029			
2030			
TOTAL	<u>\$ 2,990,000</u>	<u>\$ 1,802,794</u>	<u>\$ 4,792,794</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2009

S E R I E S - 2 0 0 6			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	105,000	163,995	268,995
2011	115,000	157,945	272,945
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	<u>295,000</u>	<u>5,900</u>	<u>300,900</u>
TOTAL	<u>\$ 3,900,000</u>	<u>\$ 1,963,232</u>	<u>\$ 5,863,232</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2009

<u>P A R K S E R I E S - 2 0 0 6</u>			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	50,000	71,145	121,145
2011	50,000	68,145	118,145
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	<u>130,000</u>	<u>2,600</u>	<u>132,600</u>
TOTAL	<u>\$ 1,730,000</u>	<u>\$ 852,933</u>	<u>\$ 2,582,933</u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2009

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2010	640,000	615,633	1,255,633
2011	660,000	583,156	1,243,156
2012	700,000	549,059	1,249,059
2013	735,000	513,220	1,248,220
2014	765,000	476,123	1,241,123
2015	810,000	437,845	1,247,845
2016	650,000	402,850	1,052,850
2017	680,000	371,520	1,051,520
2018	705,000	339,690	1,044,690
2019	585,000	310,657	895,657
2020	615,000	283,797	898,797
2021	650,000	255,314	905,314
2022	680,000	225,359	905,359
2023	720,000	193,807	913,807
2024	760,000	160,440	920,440
2025	805,000	125,270	930,270
2026	660,000	92,856	752,856
2027	690,000	63,438	753,438
2028	380,000	40,800	420,800
2029	405,000	25,100	430,100
2030	425,000	8,500	433,500
TOTAL	<u>\$ 13,720,000</u>	<u>\$ 6,074,434</u>	<u>\$ 19,794,434</u>

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2009

Description	Original Debt Issued	Debt Outstanding January 1, 2009
Northampton Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds – Series 1993	\$ 3,275,000	\$ 450,000
Northampton Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds – Series 1993-A	1,900,000	985,000
Northampton Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds – Series 1998	1,890,000	1,150,000
Northampton Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds – Series 1999	1,760,000	1,470,000
Northampton Municipal Utility District Waterworks and Sewer System Unlimited Tax Bonds – Series 2001	1,505,000	1,505,000
Northampton Municipal Utility District Waterworks and Sewer System Unlimited Tax Bonds – Series 2003	2,990,000	2,990,000
Northampton Municipal Utility District Waterworks and Sewer System Unlimited Tax Bonds – Series 2006	4,000,000	4,000,000
Northampton Municipal Utility District Unlimited Tax Park Bonds – Series 2006	<u>1,775,000</u>	<u>1,775,000</u>
TOTAL	<u>\$ 19,095,000</u> (1)	<u>\$ 14,325,000</u>

- (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. 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.

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

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Debt Outstanding December 31, 2009	Paying Agent
	Principal	Interest		
\$	\$ 65,000	\$ 23,593	\$ 385,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	115,000	46,077	870,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	135,000	51,660	1,015,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	145,000	61,981	1,325,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		75,820	1,505,000	Wells Fargo Bank, N.A. Houston, TX
		143,862	2,990,000	Wells Fargo Bank, N.A. Houston, TX
	100,000	169,633	3,900,000	Wells Fargo Bank, N.A. Houston, TX
	45,000	73,995	1,730,000	Wells Fargo Bank, N.A. Houston, TX
<u>\$ -0-</u>	<u>\$ 605,000</u>	<u>\$ 646,621</u>	<u>\$ 13,720,000</u>	

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, 2009

	<u>Tax and Revenue Bonds</u>	<u>Tax Bonds and Refunding Bonds**</u>	<u>Park Bonds</u>
Bond Authority:			
Authorized by Voters*	\$ 10,600,000	\$ 16,700,000	\$ 1,775,000
Amount Issued	<u>10,600,000</u>	<u>9,395,000</u>	<u>1,775,000</u>
Remaining to be Issued	<u>\$ -0-</u>	<u>\$ 7,305,000</u>	<u>\$ -0-</u>

* 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, 2009: \$ 2,125,985

Average annual debt service payment (principal and interest) for remaining term of all bond debt: \$ 942,592

See accompanying independent auditor's report.

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

	<u>Amounts</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
REVENUES			
Property Taxes	\$ 868,847	\$ 853,556	\$ 795,919
Water Service	622,158	678,839	595,215
Wastewater Service	893,201	855,684	802,034
Penalty and Interest	28,513	21,383	23,583
Tap Connection and Inspection Fees		3,950	5,975
Facility Use Fees	70,766	91,047	99,030
Regional Water Authority Fees	499,473	394,906	258,958
Capital Contributions		10,082	
Investment Revenues	23,691	54,346	71,754
Grant Revenues		13,295	
Miscellaneous Revenues	<u>65,895</u>	<u>71,376</u>	<u>146,780</u>
TOTAL REVENUES	<u>\$ 3,072,544</u>	<u>\$ 3,048,464</u>	<u>\$ 2,799,248</u>
EXPENDITURES			
Professional Fees	\$ 123,939	\$ 205,089	\$ 218,581
Contracted Services	571,072	543,530	516,317
Purchased Wastewater Service	277,965	277,613	290,702
Utilities	115,085	179,397	108,413
Repairs and Maintenance	253,345	361,198	173,905
Regional Water Authority Assessments	563,196	429,497	302,647
Parks and Recreation	778,344	771,595	683,951
Other	171,251	162,166	137,461
Capital Outlay:			
Parks and Recreation	234,468	2,109	122,360
Other Facilities	28,025	174,492	17,132
Note Principal			67,500
Note Interest			3,462
Bond Issuance Costs			
TOTAL EXPENDITURES	<u>\$ 3,116,690</u>	<u>\$ 3,106,686</u>	<u>\$ 2,642,431</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (44,146)</u>	<u>\$ (58,222)</u>	<u>\$ 156,817</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>\$ 117,794</u>	<u>\$ -0-</u>	<u>\$ 211,109</u>
NET CHANGE IN FUND BALANCE	\$ 73,648	\$ (58,222)	\$ 367,926
BEGINNING FUND BALANCE	<u>1,067,808</u>	<u>1,126,030</u>	<u>758,104</u>
ENDING FUND BALANCE	<u>\$ 1,141,456</u>	<u>\$ 1,067,808</u>	<u>\$ 1,126,030</u>

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2006</u>	<u>2005</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 770,255	\$ 758,528	28.3%	28.0%	28.4%	30.0%	30.5%
627,651	627,876	20.2	22.3	21.3	24.4	25.2
772,595	732,615	29.1	28.1	28.7	30.1	29.3
21,912	25,805	0.9	0.7	0.8	0.9	1.0
16,200	21,000		0.1	0.2	0.6	0.8
80,630	93,949	2.3	3.0	5.7	3.1	3.8
222,375	203,147	16.3	13.0	9.3	8.7	8.1
			0.3			
46,692	24,469	0.8	1.8	2.5	1.8	1.0
			0.4			
9,008	9,725	2.1	2.3	3.1	0.4	0.3
<u>\$ 2,567,318</u>	<u>\$ 2,497,114</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 160,179	\$ 254,755	4.0%	6.7%	6.6%	6.2%	10.3%
469,593	434,334	18.6	17.8	18.4	18.3	17.4
284,658	233,349	9.1	9.1	10.4	11.1	9.3
125,130	91,522	3.7	5.9	3.9	4.9	3.7
161,046	298,720	8.3	11.9	6.2	6.3	12.0
241,578	230,333	18.3	14.1	10.8	9.4	9.2
624,005	575,322	25.3	25.3	24.9	24.3	23.0
146,107	145,688	5.6	5.3	4.9	5.7	5.8
46,160	30,911	7.6	0.1	4.4	1.8	1.2
192,559	111,806	0.9	5.7	1.2	7.5	4.5
67,500	67,500			2.4	2.6	2.7
7,512	11,562			0.1	0.3	0.5
44,375					1.7	
<u>\$ 2,570,402</u>	<u>\$ 2,485,802</u>	<u>101.4%</u>	<u>101.9%</u>	<u>94.2%</u>	<u>100.1%</u>	<u>99.6%</u>
\$ (3,084)	\$ 11,312	(1.4)%	(1.9)%	5.8%	(0.1)%	0.4%
\$ 270,061	\$ -0-					
\$ 266,977	\$ 11,312					
491,127	479,815					
<u>\$ 758,104</u>	<u>\$ 491,127</u>					

See accompanying independent auditor's report.

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

	<u>Amounts</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
REVENUES			
Property Taxes	\$ 1,251,128	\$ 1,229,121	\$ 1,146,123
Penalty and Interest	21,606	36,943	26,459
Investment Revenues	34,910	67,377	82,763
Miscellaneous Revenues	<u>284</u>	<u>223</u>	<u>5,902</u>
TOTAL REVENUES	<u>\$ 1,307,928</u>	<u>\$ 1,333,664</u>	<u>\$ 1,261,247</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 49,722	\$ 80,929	\$ 44,880
Debt Service Principal	605,000	435,000	425,000
Debt Service Interest and Fees	<u>651,043</u>	<u>676,271</u>	<u>688,420</u>
TOTAL EXPENDITURES	<u>\$ 1,305,765</u>	<u>\$ 1,192,200</u>	<u>\$ 1,158,300</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 2,163</u>	<u>\$ 141,464</u>	<u>\$ 102,947</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 2,163</u>	<u>\$ 141,464</u>	<u>\$ 102,947</u>
BEGINNING FUND BALANCE	<u>1,771,633</u>	<u>1,630,169</u>	<u>1,527,222</u>
ENDING FUND BALANCE	<u>\$ 1,773,796</u>	<u>\$ 1,771,633</u>	<u>\$ 1,630,169</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,686</u>	<u>1,690</u>	<u>1,686</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,643</u>	<u>1,647</u>	<u>1,643</u>

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2006</u>	<u>2005</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 1,109,176	\$ 1,092,330	95.6%	92.2%	90.9%	91.6%	94.5%
31,012	29,585	1.7	2.8	2.1	2.6	2.6
70,920	33,319	2.7	5.0	6.5	5.8	2.9
<u>86</u>	<u>25</u>	<u> </u>	<u> </u>	<u>0.5</u>	<u> </u>	<u> </u>
\$ 1,211,194	\$ 1,155,259	100.0%	100.0%	100.0%	100.0%	100.0%
\$ 46,965	\$ 45,829	3.7%	6.1%	3.6%	3.9%	4.0%
455,000	240,000	46.3	32.6	33.7	37.6	20.8
<u>495,957</u>	<u>799,025</u>	<u>49.8</u>	<u>50.7</u>	<u>54.6</u>	<u>40.9</u>	<u>69.2</u>
\$ 997,922	\$ 1,084,854	99.8%	89.4%	91.9%	82.4%	94.0%
\$ 213,272	\$ 70,405	0.2%	10.6%	8.1%	17.6%	6.0%
\$ 247,728	\$ -0-					
\$ 461,000	\$ 70,405					
<u>1,066,222</u>	<u>995,817</u>					
\$ 1,527,222	\$ 1,066,222					
<u>1,683</u>	<u>1,657</u>					
<u>1,639</u>	<u>1,615</u>					

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2009**

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, 2009	Expense Reimbursements for the year ended December 31, 2009	Title
E. C. Thomas	05/06 05/10 (Elected)	\$ 4,350	\$ -0-	President
William Black	05/08 05/12 (Elected)	\$ 4,650	\$ -0-	1st Vice President
Paul Schneider	05/06 05/10 (Elected)	\$ 3,900	\$ -0-	2nd Vice President
Joyce Nelsen	05/08 05/12 (Elected)	\$ 5,100	\$ 2,203	Secretary
John A. Braden	05/08 05/12 (Elected)	\$ 4,200	\$ 1,476	Treasurer/ Investment Officer / Assistant Secretary

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, 2009**

Key Personnel:	Date Hired	Fees for the year ended December 31, 2009	Title
Jim Sheffield 6012-A Root Road Spring, TX 77389	09/29/03	\$ 85,590	General Manager
Consultants:			
Bacon & Wallace, L.L.P. 6363 Woodway, Suite 800 Houston, TX 77057	01/01/01	\$ 81,303	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	12/16/91	\$ 19,800	Auditor
Cindy Schmidt P.O. Box 80 Tomball, TX 77377	01/15/90	\$ 24,047	Bookkeeper
Harris County Appraisal District 13013 Northwest Freeway Houston, TX 77040-6305	Legislative Action	\$ 17,231	Central Appraisal District
Perdue Brandon Fielder Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, TX 77008	10/21/96	\$ 6,284	Delinquent Tax Attorney
Jones & Carter, Inc. 8701 New Trails Drive, Suite 200 The Woodlands, TX 77381	12/04/79	\$ 199,877	Engineer

See accompanying independent auditor's report.

NORTHAMPTON MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2009

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2009</u>	<u>Title</u>
RBC Capital Markets 1001 Fannin, Suite 1200 Houston, TX 77002	11/20/89	\$ 600	Financial Advisor
Hays Utility South Corporation P.O. Box 2569 Spring, TX 77383	10/14/70	\$ 687,667	Operator
Esther Flores c/o Tax Tech, Inc. 873 Dulles Avenue, Suite A Stafford, TX 77477-5710	06/17/91	\$ 24,352	Tax Assessor/ Collector
North Harris County Regional Water Authority 3648 FM 1960 West, Suite 110 Houston, TX 77068	Legislative Action	\$ 563,196	Regional Water Authority

See accompanying independent auditor's report.

APPENDIX C
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("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. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.
(FORMERLY KNOWN AS FINANCIAL
SECURITY ASSURANCE INC.)

By _____
Authorized Officer

(212) 826-0100

OFFICIAL STATEMENT DATED MARCH 18, 2019

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

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

NEW ISSUE – Book Entry Only

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

\$5,800,000

NORTHAMPTON MUNICIPAL UTILITY DISTRICT

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

UNLIMITED TAX BONDS

SERIES 2019

Interest accrues from: April 1, 2019

Due: March 1, as shown on inside cover

The \$5,800,000 Unlimited Tax Bonds, Series 2019 (the "Bonds"), are obligations of Northampton Municipal Utility District (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, Texas, or the City of Houston, Texas, is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Regions Bank, an Alabama state banking corporation, Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from April 1, 2019, and is payable on September 1, 2019, and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form in principal denominations of \$5,000 or any integral multiples thereof.

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

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

The Bonds are issued out of the \$43,500,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring and constructing a waterworks, wastewater and storm drainage system to serve the District. Following the issuance of the Bonds, \$17,930,051 in principal amount of unlimited tax bonds authorized by the District's voters will remain unissued, all of which may also be used for refunding purposes. See "THE BONDS – Issuance of Additional Debt."

The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment."

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



The Bonds are offered when, as, and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Bacon & Wallace, L.L.P., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Disclosure Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about April 18, 2019.

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

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2037 (c)	\$445,000	3.250%	3.250%	663662 RS5	2041 (c)	\$830,000	3.375%	3.500%	663662 RW6
2038 (c)	470,000	3.250%	3.300%	663662 RT3	2042 (c)	1,495,000	3.500%	3.550%	663662 RX4
2039 (c)	490,000	3.250%	3.350%	663662 RU0	2043 (c)	1,560,000	3.500%	3.600%	663662 RY2
2040 (c)	510,000	3.375%	3.450%	663662 RV8					

-
- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest is to be added to the price.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) The Bonds are subject to redemption and payment at the option of the District, in whole or from time to time in part, on March 1, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

This Official Statement contains, in part, estimates, assumptions, and matters of opinion that are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in "OFFICIAL STATEMENT - Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

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

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

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT ..1	Paying Agent/Registrar 14
SALE AND DISTRIBUTION OF THE BONDS3	Assignments, Transfers, and Exchanges 14
Award of the Bonds3	Replacement of Bonds 15
Prices and Marketability3	Outstanding Bonds 15
Securities Laws3	Authority for Issuance 15
MUNICIPAL BOND INSURANCE.....3	Source of Payment..... 15
Bond Insurance Policy3	Redemption 15
Build America Mutual Assurance Company4	Defeasance 16
RATINGS5	Amendments to Bond Order 16
OFFICIAL STATEMENT SUMMARY6	Replacement of Paying Agent/Registrar 17
INTRODUCTION.....12	Issuance of Additional Debt..... 17
THE BONDS.....12	Annexation and Consolidation 18
General12	Strategic Partnership Agreements 18
Book-Entry-Only System12	Registered Owners' Remedies..... 18
Use of Certain Terms in Other Sections of this Official Statement..... 14	Bankruptcy Limitation to Registered Owners' Rights 19

Legal Investment and Eligibility to Secure Public Funds in Texas.....	19	INVESTMENT CONSIDERATIONS.....	40
Use and Distribution of Bond Proceeds	20	General.....	40
THE DISTRICT.....	21	Factors Affecting Taxable Values and Tax Payments	40
General.....	21	Potential Impact of Natural Disaster	42
Description.....	21	Specific Flood Type Risks	42
Topography and Flood Hazards	21	Hurricane Harvey.....	42
Management of the District	22	Tax Collections Limitations	43
THE DEFINED AREA	23	Registered Owners' Remedies and Bankruptcy.....	43
STATUS OF DEVELOPMENT OF THE DISTRICT	23	Marketability.....	43
DEVELOPERS	24	Future Debt.....	44
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	26	Continuing Compliance with Certain Covenants	44
TAX DATA.....	28	Future and Proposed Legislation	44
District Debt Service Tax	28	2019 Legislative Session.....	44
District Maintenance Tax.....	28	Environmental Regulations.....	45
Tax Collection History.....	28	Bond Insurance Risk Factors	47
Tax Rate Distribution	28	LEGAL MATTERS.....	48
Analysis of Tax Base.....	29	Legal Opinions.....	48
Principal Taxpayers	29	No Arbitrage.....	48
Tax Rate Calculations	29	No-Litigation Certificate.....	49
Estimated Overlapping Taxes.....	29	No Material Adverse Change.....	49
THE SYSTEM.....	31	TAX MATTERS.....	49
100-Year Flood Plain	31	Federal Income Tax Accounting Treatment of Original Issue Discount	50
Subsidence and Conversion to Surface Water Supply.....	32	Collateral Federal Income Tax Consequences	50
Historical Operations of the System	33	State, Local, and Foreign Taxes	51
DISTRICT DEBT.....	34	Qualified Tax-Exempt Obligations.....	51
General.....	34	CONTINUING DISCLOSURE OF INFORMATION.....	51
Debt Service Requirements	35	Annual Reports.....	51
Direct and Estimated Overlapping Debt Statement.....	36	Event Notices	52
TAXING PROCEDURES	36	Availability of Information.....	52
Authority to Levy Taxes	36	Limitations and Amendments	52
Property Tax Code and County-Wide Appraisal District	36	Compliance with Prior Undertakings.....	53
Property Subject to Taxation by the District	37	OFFICIAL STATEMENT.....	53
General Residential Homestead Exemption.....	38	General.....	53
Valuation of Property for Taxation	38	Experts	53
District and Taxpayer Remedies	38	Certification as to Official Statement.....	53
Rollback of Operation and Maintenance Tax Rate.....	39	Updating of Official Statement	54
Agricultural, Open Space, Timberland and Inventory Deferment.....	39	APPENDIX A Financial Statements of the District	
Tax Abatement	39	APPENDIX B Specimen Municipal Bond Insurance Policy	
Levy and Collection of Taxes.....	39		
District's Rights in the Event of Tax Delinquencies.....	40		

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate, which was tendered by Raymond James & Associates, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates on the inside cover page of this Official Statement, at a price of 97.863279% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.516765%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the issue prices at which each maturity has been offered 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. Other than as set forth in the Official Notice of Sale, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$526 million, \$113 million and \$414 million, respectively.

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

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

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

Additional Information Available from BAM

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

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any

offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

RATINGS

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the Policy issued by BAM at the time of the delivery of the Bonds. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The District.....	Northampton Municipal Utility District (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."
The Bonds.....	The District's \$5,800,000 Unlimited Tax Bonds, Series 2019 (the "Bonds"), are dated April 1, 2019, and mature on March 1 in each of the years and in the principal amounts shown on the inside cover hereof. Interest on the Bonds accrues from April 1, 2019, at the rates set forth on the inside cover page hereof, and is payable on September 1, 2019, and on each March 1 and September 1 thereafter until maturity or earlier redemption. See "THE BONDS."
Redemption of the Bonds	The Bonds are subject to redemption, in whole or from time to time in part, on March 1, 2024, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS - Redemption."
Book-Entry-Only System.....	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.
Source of Payment.....	The Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District upon all taxable property located in the District. The Bonds are not obligations of the State of Texas; Harris County, Texas; or the City of Houston, Texas. See "THE BONDS - Source of Payment."
Outstanding Bonds	<p>The District has previously issued twenty-one (21) series of bonds payable from the proceeds of taxes levied upon all taxable property located within the boundaries of the District. Of such previously issued series of bonds, \$26,600,000 principal amount remains outstanding as of March 2, 2019 (the "Outstanding Bonds").</p> <p>The District has also previously issued three (3) series of unlimited tax bonds ("Defined Area Bonds") that are secured by the proceeds of taxes levied upon taxable property located only within the Defined Area (herein defined) in the District.</p> <p>The Bonds and the Outstanding Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, that is separate from the ad valorem taxes, also without legal limitation as to rate or amount, that are levied by the District for payment of debt service on the Defined Area Bonds and any additional bonds that the District may issue hereafter for the</p>

purpose of constructing facilities that serve the Defined Area. Proceeds of taxes levied by the District for payment of debt service on Defined Area Bonds may not be used for payment of debt service on the Bonds or the Outstanding Bonds. See "THE BONDS – Outstanding Bonds."

Payment Record.....	The District has never defaulted in the timely payment of principal of and interest on its prior bonded indebtedness.
Authority for Issuance.....	The Bonds are issued out of an aggregate of \$43,500,000 principal amount of unlimited tax bonds authorized by the District's voters at elections held on February 2, 2002, and November 6, 2012, for the purpose of purchasing or constructing a water, wastewater and storm drainage system. The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), the order of the District authorizing the issuance of the bonds (the "Bond Order"), the Texas Constitution, Chapters 49 and 54, Texas Water Code, and the general laws of the State of Texas. See "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Authority for Issuance," and "– Issuance of Additional Debt."
Authorized But Unissued Bonds.....	After the issuance of the Bonds, \$17,930,051 principal amount of unlimited tax bonds will remain authorized but unissued for water, sanitary sewer, and drainage facilities to serve the land within the District, all of which may also be used for refunding purposes. See "THE BONDS – Authority for Issuance" and "– Issuance of Additional Debt."
Use of Proceeds	Proceeds from the sale of the Bonds will be used to pay the construction costs associated with the projects set out herein under "THE BONDS – Use and Distribution of Bond Proceeds." In addition, proceeds from the sale of the Bonds will be used to pay costs of issuance associated with the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."
Municipal Bond Insurance	Build America Mutual Assurance Company. See "MUNICIPAL BOND INSURANCE" above.
Ratings	S&P (BAM Insured): "AA." Moody's (Underlying): "A2." See "RATINGS" above.
Qualified Tax-Exempt Obligations.....	The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
Legal and Tax Opinion.....	Bacon & Wallace, L.L.P., Houston, Texas, Bond Counsel. See "LEGAL MATTERS."

THE DISTRICT

Description.....	The District is a political subdivision of the State of Texas located within Harris County, Texas. The District encompasses approximately 1,598 total acres of land located approximately 30 miles north of the central business district of the City of Houston, Texas. The District is bounded on the south by Root Road, on the east by Spring Creek, and is approximately one mile east of Kuykendahl Road. The District lies entirely within the extraterritorial jurisdiction of the City of Houston, Texas, and is located within Klein Independent School District. The Defined Area
------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

is located entirely within the bounds of the District. See "THE DISTRICT – Description."

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

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

Development of the District To date, within the District, approximately 1,164.41 acres have been developed as 2,308 total single-family lots in the following residential subdivisions: Hampton Creek, Sections 1–9 (503 lots); Northampton, Sections 1–5 and 8 (1,073 lots); The Oaks of Northampton (27 lots); Northampton Forest, Sections 1–3 (205 lots); Northampton Estates, Phases I–III (250 lots); Woods of Northampton, Sections 1 and 2 (39 lots); Terrace of Northampton Estates (13 lots); Courts at Auburn Lakes (53 lots); Inway Forest of Northampton (12 lots); Inway Oaks Estates, Sections 1 and 2 (51 lots); Stratton Woods (40 lots); and Dovershire Place, Section 1 (42 lots). As of February 1, 2019, the District included approximately 2,134 completed homes; approximately 24 homes under construction; and approximately 150 developed but vacant lots available for new home construction.

Residential development within the District also includes the following multi-family properties: a 346-unit apartment complex known as the Alexan Auburn Lakes on 14.36 acres and a 308-unit apartment complex known as Waterford Springs on approximately 21.52 acres. In addition, approximately 18.59 acres have been developed with utilities to serve a planned apartment complex that has not been constructed.

The District includes approximately 202.47 acres of commercial development. Commercial development includes office buildings, a Conoco gas station, Dave's express gas station, a Shell gas station, retail strip centers, a private tennis club, Spring Volunteer Fire Department Station No. 2, recreational facilities, Willow Creek Golf Club (a portion of which lies within the 100-year flood plain), and developed park land. The District also includes two school sites on approximately 27.08 acres, approximately 74.79 undevelopable acres, and approximately 75.15 undeveloped but developable acres. See "STATUS OF DEVELOPMENT OF THE DISTRICT."

Developers in the District D.R. Horton-Texas, Ltd. ("DR Horton") is the most active developer of single-family residential properties in the District and the sole developer and homebuilder of single-family properties in the Defined Area. DR Horton is a subsidiary of and controlled by D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange and is the largest homebuilder in the country. To date, approximately 356.34

acres within the Defined Area have been developed as approximately 503 single-family lots in the residential subdivision of Hampton Creek, Sections 1-9. As of February 1, 2019, the Defined Area included approximately 415 completed homes (approximately 346 occupied, 155 unoccupied, and 2 model homes); approximately 18 homes under construction; and approximately 70 developed lots available for new home construction. The single-family homes being constructed by DR Horton range in size from approximately 1,500 to 4,000 square feet and in price from approximately \$200,000 to \$400,000.

SC Waterford Springs LLC has developed approximately 21.52 acres in the Defined Area of the District as a multi-family residential property known as Waterford Springs, an apartment complex that includes 308 total units and that is currently open and actively leasing. SC Waterford Springs II, LLC owns approximately 18.59 acres on which a second apartment complex of approximately 300 units is being planned. According to SC Waterford Springs II, LLC, a start date for construction of the second apartment complex has not been determined.

MRE, LLC ("MRE") has developed approximately 23.91 acres as 51 single-family lots in the residential subdivision of Inway Oaks Estates, Sections 1 and 2. Infinity Classic Homes ("Infinity") has purchased half of those lots and plans to purchase the remaining lots for home construction. As of February 1, 2019, said subdivision included 16 completed homes, 2 homes under construction, and 33 vacant, developed lots. Infinity is a Houston-area homebuilder that has built over 500 homes in a dozen subdivisions since beginning its operations in 2008. MRE and Infinity are under the common ownership of Mike Wilkinson and John Castro.

Partners In Building, L.P., ("PIB") a Texas limited partnership, has developed approximately 40 single-family lots on 20.34 acres, known as the residential subdivision of Stratton Woods. As of February 1, 2019, said subdivision included 31 completed homes, 4 homes under construction, and 5 vacant, developed lots.

BLD Gosling, LLC ("BLD") has developed approximately 42 single-family lots that have been platted as the subdivision of Dovershire Place, Section 1, on approximately 18.30 acres. DR Horton has entered into a contract with BLD for the purchase of this project.

Shops on Gosling, LLC ("Shops") has acquired 4.9277 acres along Gosling Road, and the tract has been recently annexed into the boundaries of the District. Shops plans to construct commercial retail development on this site.

The Landmark at Auburn Lakes, LLC ("Landmark") has acquired a total of 30.72 acres west of Gosling Road, north of Dovershire Road, and south of West Rayford Road. The tract is in the process of being annexed into the boundaries of the District and is planned to be developed as 408 units of apartments.

DR Horton, SC Waterford Springs LLC, SC Waterford Springs II, LLC, MRE, PIB, and BLD are referred to herein collectively as the "Developers." See "DEVELOPERS."

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

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

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

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

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2018 Taxable Assessed Valuation.....	\$ 626,575,874 (a)
Estimate of Value as of February 1, 2019.....	\$ 685,873,581 (b)
Direct Debt:	
The Outstanding Bonds (as of March 2, 2019).....	\$ 26,600,000
The Bonds.....	<u>\$ 5,800,000</u>
Total.....	\$ 32,400,000
Estimated Overlapping Debt.....	<u>\$ 48,995,753 (c)</u>
Total Direct and Estimated Overlapping Debt.....	\$ 81,395,753
Direct Debt Ratios:	
As a Percentage of the 2018 Taxable Assessed Valuation.....	5.17 %
As a Percentage of the Estimate of Value as of February 1, 2019.....	4.72 %
Direct and Estimated Overlapping Debt Ratios:	
As a Percentage of the 2018 Taxable Assessed Valuation.....	12.99 %
As a Percentage of the Estimate of Value as of February 1, 2019.....	11.87 %
District Fund Balances as of February 18, 2019	
Debt Service Fund.....	\$ 2,964,541 (d)
Capital Projects Fund.....	\$ 2,626,972
General Operating Fund.....	\$ 4,268,514
2018 Tax Rate per \$100 of Assessed Valuation	
Debt Service.....	\$0.330 (e)
Maintenance & Operation.....	<u>\$0.250</u>
Total.....	\$0.580
Average Annual Debt Service Requirement (2019–2043).....	\$1,938,910 (f)
Maximum Annual Debt Service Requirement (2025).....	\$2,250,306 (f)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay	
Average Annual Debt Service Requirement (2019–2043) at 95% Collections	
Based on the 2018 Taxable Assessed Valuation.....	\$0.33
Based on the Estimate of Value as of February 1, 2019.....	\$0.30
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay	
Maximum Annual Debt Service Requirement (2025) at 95% Tax Collections	
Based on the 2018 Taxable Assessed Valuation.....	\$0.38
Based on the Estimate of Value as of February 1, 2019.....	\$0.35

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2018, provided by the Harris County Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Harris County Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of February 1, 2019, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2018, through February 1, 2019. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Includes all \$11,790,000 principal amount of Defined Area Bonds outstanding as of March 2, 2019, as well as the District's pro rata share, based on taxable value, of the outstanding debt of the taxing jurisdictions overlapping the District. See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order requires that any particular amount be maintained in the Debt Service Fund.
- (e) Represents the tax levied by the District upon taxable property located within the entire District, including the Defined Area, for payment of debt service on the Outstanding Bonds and the Bonds. This tax is separate from the ad valorem taxes that are levied by the District upon taxable property located only within the Defined Area for payment of debt service on the Defined Area Bonds. Proceeds of taxes levied by the District for payment of debt service on the Defined Area Bonds may not be used for payment of debt service on the Bonds or the Outstanding Bonds. See "TAX DATA – Estimated Overlapping Taxes."
- (f) Represents a requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Northampton Municipal Utility District (the "District") of its \$5,800,000 Unlimited Tax Bonds, Series 2019 (the "Bonds").

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

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

THE BONDS

General

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

The Bonds are dated April 1, 2019, and will mature on March 1 of the years and in the principal amounts set forth on the inside cover page hereof and will accrue interest, on the basis of a 360-day year composed of twelve thirty-day months, at the stated interest rates indicated on the inside cover page hereof. Principal of the Bonds will be payable at Regions Bank, an Alabama banking corporation, Houston, Texas, (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment. Interest on the Bonds accrues from April 1, 2019 (or the most recent interest payment date to which interest has been paid or duly provided for) and is payable on September 1, 2019, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until maturity or prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and the registered owner(s) of the Bonds (the "Registered Owners"), interest on the Bonds is payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar on or before the Interest Payment Date to the Registered Owners shown on the records of the Paying Agent/Registrar as of the close of business on the fifteenth (15th) day of the calendar month next preceding each Interest Payment Date (the "Record Date"). The Bonds are issued only in fully registered form. The Bonds will be issued in denominations of \$5,000 principal amount, or integral multiples thereof.

Book-Entry-Only System

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

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

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