

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



**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**

**HARRIS COUNTY, TEXAS**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Northampton Municipal  
Utility District  
Harris County, Texas

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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





Board of Directors  
Northampton Municipal  
Utility District

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

April 25, 2016



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

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

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

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

**FUND FINANCIAL STATEMENTS**

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

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

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

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

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

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

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

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

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

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

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

**CAPITAL ASSETS**

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

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

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

**Capital Assets At Year-End, Net of Accumulated Depreciation**

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

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

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

**LONG-TERM DEBT ACTIVITY**

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

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

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

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Total Fund Balances - Governmental Funds		\$ 4,883,615
Amounts reported for governmental activities in the Statement of Net Position are different because:		
		80,012
Bond insurance premiums paid at closing are amortized over the term of the refunding bonds.		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		29,291,480
Deferred tax revenues and deferred penalty and interest revenues on delinquent taxes for the 2014 and prior tax levies became part of recognized revenues in the governmental activities of the District.		61,052
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developers	\$ (11,575,369)	
Accrued Interest Payable	(239,852)	
Bonds Payable Within One Year	(720,000)	
Bonds Payable After One Year	<u>(19,324,667)</u>	<u>(31,859,888)</u>
Total Net Postion - Governmental Activities		<u>\$ 2,456,271</u>

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



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

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

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

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

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

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

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

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

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

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

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

Net Change in Fund Balances - Governmental Funds \$ 3,560,612

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

Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied. (5,195)

Governmental funds report penalty and interest on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed. (719)

Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (979,460)

Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital assets purchases are expensed in the Statement of Activities. 4,605,959

Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected. 925,000

Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the long-term debt through fiscal year-end and the current amortization of bond discounts and bond premiums is added to interest expense. (80,429)

Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the government-wide financial statements and the Statement of Activities is not affected. (4,460,000)

Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability. (5,554,888)

Governmental funds report bond discounts as other financing uses in the year paid. However, in the government-wide statements, bond discounts are amortized over the life of the bonds and the current year amortized portion is added to interest expense. 77,317

Change in Net Position - Governmental Activities \$ (1,911,803)

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

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

**NOTE 1. CREATION OF DISTRICT**

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

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

Financial Statement Presentation

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

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

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

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

Government-Wide Financial Statements

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

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



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

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

Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Basis of Accounting

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

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

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

Basis of Accounting (Continued)

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

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

Capital Assets

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

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

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

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

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

Budgeting

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

Pensions

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

Measurement Focus

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

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

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

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

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

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

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

Measurement Focus (Continued)

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

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

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

Accounting Estimates

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

**NOTE 3. LONG-TERM DEBT**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defined Area

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

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

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

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

The District's tax calendar is as follows:

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

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

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

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

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

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

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

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

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

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

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

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

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



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

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

Investments

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

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

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

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

Investments (Continued)

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

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

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

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

Restrictions

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

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

**NOTE 6. CAPITAL ASSETS**

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

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

**NOTE 7. MAINTENANCE TAX**

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

Defined Area

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

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

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

Defined Area (Continued)

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

**NOTE 8. WATER SUPPLY AGREEMENTS**

Encanto Real Utility District

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

Oakmont Public Utility District

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

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

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

Harris County Municipal Utility District No. 1

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

**NOTE 9. WASTEWATER TREATMENT CONTRACTS**

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

On July 2, 1984, the District entered into an agreement, and an amended agreement, with Oakmont Public Utility District (“Oakmont”) whereby the District agreed to expand the capacity in its existing permanent sewage treatment plant to provide 232,220 gallons per day capacity to Oakmont. Each district agreed to pay its share of construction costs for expanding the plant based upon its pro-rata share of reserved capacity in the total capacity in the expansion. On June 15, 1993, the districts entered into a waste disposal contract whereby Oakmont agreed to sell the District an additional 97,220 gpd capacity in the permanent wastewater treatment plant for \$279,994. The First Amendment to the contract was entered into as of October 8, 2009, to provide for the capacity owned by each participant after the completion of the 400,000 gallon per day expansion. The plant was expanded from 750,000 gallons per day to 1,150,000 gallons per day. The Second Amendment to the contract was entered into as of February 16, 2015, to re-rate the existing 1,150,000 gallons per day to 950,000 gallons per day. The District will cause to be constructed a 450,000 gallon per day expansion thus increasing the capacity in the plant from 950,000 gallons per day to 1,400,000 gallons per day.

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

**NOTE 9. WASTEWATER TREATMENT CONTRACTS (Continued)**

The District exercises oversight responsibility for the operations of the plant. Fixed operational costs such as electricity, property insurance, permit renewal fees and costs, capital costs and laboratory testing fees are allocated based upon each district's pro-rata share of reserved capacity. All other costs of operations are allocated based upon the volume of wastewater delivered to the plant for treatment (measured according to the total water usage by each district as calculated based upon meter readings). Billings are issued on a monthly basis. In addition, the contract requires the establishment of an operating reserve equal to two month's operation and maintenance costs; such reserve is allocated based upon the existing budget and each district's estimated pro-rata share of such budget. The term of the agreement is 40 years.

	<u>Owned Capacity in Gallons Per Day</u>	<u>Owned Capacity Percentage</u>
Northampton Municipal Utility District	590,000	62.17
Oakmont Public Utility District	<u>360,000</u>	<u>37.83</u>
<b>TOTAL</b>	<u><u>950,000</u></u>	<u><u>100.00</u></u>

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

	<u>The District</u>	<u>Oakmont</u>	<u>Total</u>
Due (to) from Participants at January 1, 2015	\$ 35,956	\$ 14,141	\$ 50,097
Operating Costs	300,118	175,410	475,528
Receipts and Credits	(321,015)	(163,926)	(484,941)
Change in Reserve	<u>12,600</u>	<u>(6,300)</u>	<u>6,300</u>
Due (to) from Participants at December 31, 2015	<u>\$ 27,659</u>	<u>\$ 19,325</u>	<u>\$ 46,984</u>
Two Month Reserve	<u>\$ 67,900</u>	<u>\$ 23,500</u>	<u>\$ 91,400</u>

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

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

**NOTE 10. ESCROW REQUIREMENTS**

In compliance with the Commission's order dated May 2, 2006, the District placed \$1,375,030 from the Series 2006 Bond proceeds into an escrow account. On August 21, 2006, the Commission approved the release of \$75,000 from escrow for financial advisor fees. On June 16, 2009, the Commission approved the release of \$58,080 from escrow to partially reimburse Oakmont Public Utility District for costs associated with the existing water line interconnect. The Commission also approved a change in project scope of \$437,020 to fund the District's water well no. 2 project and the balance of the costs associated with the existing water line interconnect. On October 29, 2009, the Commission approved the release of \$1,236,950 from escrow: \$1,064,800 for wastewater treatment plant modifications and improvements and \$172,150 for the Ditch M-102 channel improvements. At December 31, 2015, \$5,000 of surplus funds is required to remain in escrow.

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

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

**NOTE 11. DEFINED CONTRIBUTION PLAN**

The District has established a SIMPLE Individual Retirement Account ("IRA") plan for its employees. The plan became effective April 1, 2000, and is currently managed by AIM Management. Eligible employees may contribute up to the maximum amount allowed by the Internal Revenue Service for any calendar year through salary reduction elections. For each calendar year, the District will contribute a matching contribution to each eligible employee's IRA account equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. All contributions to the plan are immediately vested with the employee. For the year ended December 31, 2015, the eligible employees contributed \$14,765 to the plan and the District contributed \$6,771.

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

**NOTE 12. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

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

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

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

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

**NOTE 14. RISK MANAGEMENT**

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



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

**NOTE 15. INTERFUND PAYABLES AND RECEIVABLES**

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

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

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

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

**NOTE 17. ENFORCEMENT ACTION**

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

**NOTE 18. BOND ANTICIPATION NOTE**

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

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

**NOTE 19. BOND SALE**

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

**NOTE 20. UNREIMBURSED COSTS**

The District has entered into development financing agreements with developers within the District. The agreements call for the developers to fund costs associated with water, sewer, and drainage facilities until such time as the District can sell bonds. As of December 31, 2015, the District recorded an estimated liability of \$6,020,481 for completed projects and \$5,554,888 for advances for Wastewater Treatment Plant No. 2.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2015**



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

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

See accompanying independent auditor's report.

**NORTHAMPTON MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
SPECIAL REVENUE FUND – WASTEWATER TREATMENT PLANT  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

See accompanying independent auditor's report.

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





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

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

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

**2. RETAIL SERVICE PROVIDERS**

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

Based on the rate order approved October 20, 2014.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 20.00	7,000	N	\$ 1.50 \$ 2.00 \$ 2.50 \$ 3.50 \$ 5.00	7,001 to 12,000 12,001 to 20,000 20,001 to 30,000 30,001 to 75,000 75,001 and over
WASTEWATER:	\$ 44.85 *		Y		
SURCHARGE:					
Regional Water Authority Fees				\$ 2.40	1,000 and over
District employs winter averaging for wastewater usage?					<u>      </u> <u>  X  </u> Yes      No

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

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

See accompanying independent auditor's report.

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

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

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

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

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

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

See accompanying independent auditor's report.

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

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

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

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

Entirely  Partly  Not at all

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

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

Number of persons employed by the District      11 Full-Time      11 Part-Time\*

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

	2015	2014	2013	2012
<b>DISTRICT WIDE:</b>				
Land	\$ 127,603,417	\$ 79,957,275	\$ 57,926,244	\$ 58,607,793
Improvements	433,454,831	361,292,832	333,894,721	320,651,863
Personal Property	5,658,875	4,854,864	4,958,049	4,654,557
Exemptions	(62,736,244)	(59,616,162)	(58,366,932)	(56,595,208)
<b>TOTAL PROPERTY VALUATIONS</b>	<b>\$ 503,980,879</b>	<b>\$ 386,488,809</b>	<b>\$ 338,412,082</b>	<b>\$ 327,319,005</b>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36
Maintenance ***	0.25	0.25	0.25	0.25
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b>\$ 0.61</b>	<b>\$ 0.61</b>	<b>\$ 0.61</b>	<b>\$ 0.61</b>
<b>ADJUSTED TAX LEVY*</b>	<b>\$ 3,074,284</b>	<b>\$ 2,357,582</b>	<b>\$ 2,064,314</b>	<b>\$ 1,996,646</b>
<b>DEFINED AREA :</b>				
<b>PROPERTY VALUATIONS</b>	<b>\$ 55,308,676</b>	<b>\$ 10,765,269</b>	<b>\$ 683,460</b>	<b>\$ - 0 -</b>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Maintenance***	0.64	0.64	0.64	
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b>\$ 0.64</b>	<b>\$ 0.64</b>	<b>\$ 0.64</b>	<b>\$ - 0 -</b>
<b>ADJUSTED TAX LEVY*</b>	<b>\$ 353,976</b>	<b>\$ 68,898</b>	<b>\$ 4,374</b>	<b>\$ - 0 -</b>
<b>PERCENTAGE OF TOTAL TAXES COLLECTED TO TOTAL TAXES LEVIED</b>				
	<b>20.14 %</b>	<b>99.41 %</b>	<b>99.75 %</b>	<b>99.78 %</b>

\*\*

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

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

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

See accompanying independent auditor's report.



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

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

REFUNDING SERIES - 2010

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

REFUNDING SERIES - 2014

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2016	\$ 720,000	\$ 706,593	\$ 1,426,593
2017	860,000	679,009	1,539,009
2018	885,000	649,545	1,534,545
2019	790,000	621,769	1,411,769
2020	815,000	595,449	1,410,449
2021	850,000	567,941	1,417,941
2022	885,000	538,900	1,423,900
2023	920,000	508,438	1,428,438
2024	960,000	476,715	1,436,715
2025	1,000,000	443,461	1,443,461
2026	855,000	412,343	1,267,343
2027	885,000	383,530	1,268,530
2028	785,000	356,123	1,141,123
2029	810,000	330,176	1,140,176
2030	845,000	302,943	1,147,943
2031	905,000	269,247	1,174,247
2032	945,000	228,822	1,173,822
2033	995,000	186,247	1,181,247
2034	1,045,000	140,844	1,185,844
2035	1,085,000	98,493	1,183,493
2036	1,135,000	59,638	1,194,638
2037	250,000	35,094	285,094
2038	260,000	25,688	285,688
2039	270,000	15,750	285,750
2040	285,000	5,344	290,344
	<u>\$ 20,040,000</u>	<u>\$ 8,638,102</u>	<u>\$ 28,678,102</u>

See accompanying independent auditor's report.

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

Description	Original Bonds Issued	Bonds Outstanding January 1, 2015
Northampton Municipal Utility District Waterworks and Sewer System Unlimited Tax Bonds - Series 2006	\$ 4,000,000	\$ 440,000
Northampton Municipal Utility District Unlimited Tax Park Bonds - Series 2006	1,775,000	195,000
Northampton Municipal Utility District Unlimited Tax Bonds - Series 2010	4,000,000	3,900,000
Northampton Municipal Utility District Unlimited Tax Refunding Bonds - Series 2010	6,965,000	5,475,000
Northampton Municipal Utility District Unlimited Tax Bonds - Series 2012	2,175,000	2,175,000
Northampton Municipal Utility District Unlimited Tax Bonds - Refunding Bonds - Series 2014	4,320,000	4,320,000
Northampton Municipal Utility District Unlimited Tax Bonds - Series 2015	<u>4,460,000</u>	<u>                    </u>
<b>TOTAL</b>	<u><u>\$ 27,695,000</u></u>	<u><u>\$ 16,505,000</u></u>

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

See accompanying independent auditor's report.

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

See accompanying independent auditor's report.

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

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

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.



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

See accompanying independent auditor's report.

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

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

District Telephone Number - (713) 739-1060

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

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

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

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

