

**NORTHTOWN
MUNICIPAL UTILITY DISTRICT**

YEAR ENDED SEPTEMBER 30, 2012

**FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**NORTHTOWN
MUNICIPAL UTILITY DISTRICT**

**FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2012**

NORTHTOWN MUNICIPAL UTILITY DISTRICT

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ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS
COUNTY OF TRAVIS

I, Robin Campbell, President of the
(Name of Duly Authorized District Representative)

NORTHTOWN MUNICIPAL UTILITY DISTRICT
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the **22nd day of January, 2013**, its annual audit report for the fiscal period ended **September 30, 2012**, and that copies of the annual audit report have been filed in the District's office, located at:

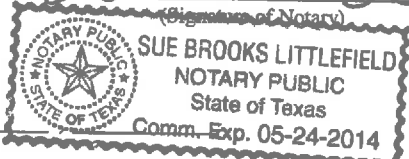
100 Congress Avenue, Suite 1300 Austin, TX 78701
(Address of District's Office)

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: 1/22/2013, By: [Signature]
(Signature of District Representative)
Robin Campbell, President
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 22nd day of January, 2013.

(SEAL)

[Signature]
(Signature of Notary)


My Commission Expires On: _____
Notary Public in the State of Texas

INDEPENDENT AUDITOR'S REPORT

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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Houston, Texas 77065-5610
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Board of Directors
Northtown Municipal Utility District
Travis County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Northtown Municipal Utility District (the "District"), as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Northtown Municipal Utility District

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Budgetary Comparison Schedule – General 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplemental Information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and the Other Supplemental Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Texas Supplemental Information and the Other Supplemental Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

January 22, 2013

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2012

In accordance with Governmental Accounting Standards Board Statement 34 ("GASB 34"), the management of Northtown Municipal Utility District (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2012. Since this information is designed to focus on current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the unassigned portion of the fund balance was \$5,491,184 and \$890,752 was assigned to use for a budgeted General Fund deficit during the year ending September 30, 2013. The total General Fund balance was \$6,381,936, a decrease of \$257,295 from the previous fiscal year. General fund revenues increased from \$4,690,698 in the previous fiscal year to \$4,830,194 in the current fiscal year due to an increase in service account billings.
- *Debt Service Fund:* Fund balance restricted for debt service increased from \$650,754 in the previous fiscal year to \$654,455 in the current fiscal year. Debt service fund revenues decreased from \$2,003,627 in the previous fiscal year to \$1,994,442 in the current fiscal year due to a decrease in the District assessed valuation and tax rate allocated to the debt service fund.
- *Capital Projects Fund:* Fund balance restricted for capital projects increased from \$629,996 in the previous fiscal year to \$1,898,593 in the current fiscal year. The District issued Series 2011 bonds of \$4,790,000. The Capital Projects Fund expended \$2,795,736 to purchase certain infrastructure and \$263,141 for bond-related services during the fiscal year.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenses of \$293,773. Net assets increased from \$16,705,358 to \$16,999,131.

OVERVIEW OF THE DISTRICT

The District, a political subdivision of the State of Texas, was created, organized and established on August 14, 1985, pursuant to the provisions of Chapter 54 of the Texas Water Code. The District is a political subdivision of the State of Texas and operates under an elected board. The District was created to provide water, wastewater and storm drainage facilities to serve the acreage within its boundaries, all of which lie within Travis County and within the extra-territorial jurisdiction of the City of Austin. The District receives wholesale water and wastewater service from the City of Austin.

NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2012

USING THIS ANNUAL REPORT

This annual report consists of five parts:

1. *Management's Discussion and Analysis* (this section)
2. *Basic Financial Statements*
3. *Required Supplementary Information*
4. *Texas Supplemental Information* (required by the Texas Commission on Environmental Quality (the TSI section))
5. *Other Supplemental Information* (the OSI section)

For purposes of GASB 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Governmental Funds Total" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Assets and the Statement of Activities.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The *Statement of Net Assets and Governmental Funds Balance Sheet* includes a column (titled "Governmental Funds Total") that represents a balance sheet prepared using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net assets will indicate financial health.

The *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance* includes a column (titled "Governmental Funds Total") that derives the change in fund balances resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Assets and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance*.

The *Required Supplementary Information* presents a comparison statement between the District's adopted budget and its actual results.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Assets:

The following table reflects the condensed Statement of Net Assets:

Summary Statement of Net Assets

	Governmental Activities		Change Increase (Decrease)
	2012	2011	
Current and other assets	\$ 10,186,019	\$ 9,001,938	\$ 1,184,081
Capital and non-current assets	35,322,974	32,083,138	3,239,836
Total Assets	45,508,993	41,085,076	4,423,917
Current Liabilities	2,586,854	1,988,367	598,487
Long-term Liabilities	25,923,008	22,391,351	3,531,657
Total Liabilities	28,509,862	24,379,718	4,130,144
Invested in Capital Assets			
net of related debt	9,998,559	9,441,783	556,776
Restricted	601,981	604,276	(2,295)
Unrestricted	6,398,591	6,659,299	(260,708)
Total Net Assets	\$ 16,999,131	\$ 16,705,358	\$ 293,773

The District's combined net assets increased by \$293,773 to \$16,999,131 from the previous year amount of \$16,705,358. Some of these assets are accounted for by capital assets or restricted for debt service. The District's unrestricted net assets, which can be used to finance day to day operations, totaled \$6,398,591.

NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2012

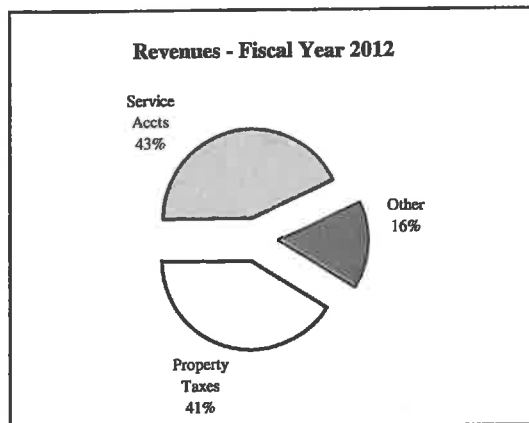
Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2012	2011	
Service accounts	\$ 3,384,026	\$ 3,250,171	\$ 133,855
Property taxes	3,219,364	3,211,042	8,322
Other	1,235,570	260,147	975,423
Total Revenues	7,838,960	6,721,360	1,117,600
Water/wastewater/garbage	2,758,619	2,630,998	127,621
Other	1,881,718	2,219,183	(337,465)
Debt Service	1,274,593	929,930	344,663
Depreciation/amortization	1,630,257	925,603	704,654
Total Expenses	7,545,187	6,705,714	839,473
Change in Net Assets	293,773	15,646	278,127
Beginning Net Assets	16,705,358	16,689,712	15,646
Ending Net Assets	\$ 16,999,131	\$ 16,705,358	\$ 293,773

Revenues were \$7,838,960 for the fiscal year ended September 30, 2012 while expenses were \$7,545,187. Net assets increased \$293,773.

Property tax revenue in the current fiscal year totaled \$3,219,364. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2011 tax year (September 30, 2012 fiscal year) were based upon a current adjusted assessed value of \$427,740,515 and a tax rate of \$0.75 per \$100 of assessed valuation. Property taxes levied for the 2010 tax year (September 30, 2011 fiscal year) were based upon an adjusted assessed value of \$429,249,079 and a tax rate of \$0.75 per \$100 of assessed valuation. The District's primary revenue sources are service account fees and property taxes.



**NORTHTOWN MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds by Year

	2012	2011	2010	2009
Cash	\$ 638,813	\$ 536,353	\$ 924,805	\$ 544,927
Cash equivalents and investments	8,825,318	7,709,859	8,494,587	9,369,256
Receivables	2,313,716	2,160,372	1,970,811	2,297,384
Total Assets	\$ 11,777,847	\$ 10,406,584	\$ 11,390,203	\$ 12,211,567
Accounts payable	502,290	422,517	535,954	661,439
Other payables	2,301,051	2,014,865	1,978,963	1,999,307
Deferred revenue	39,522	49,221	24,777	28,339
Total Liabilities	2,842,863	2,486,603	2,539,694	2,689,085
Restricted	2,553,048	1,280,750	1,298,291	1,388,657
Assigned	890,752	1,226,310	-	-
Unassigned	5,491,184	5,412,921	7,552,218	8,133,825
Total Fund Balance	8,934,984	7,919,981	8,850,509	9,522,482
Total Liabilities and Fund Balances	\$ 11,777,847	\$ 10,406,584	\$ 11,390,203	\$ 12,211,567

For the fiscal year ended September 30, 2012, the District's governmental funds reflect a combined fund balance of \$8,934,984.

This fund balance includes a \$257,295 decrease to the General Fund.

The Debt Service Fund reflects an increase of \$3,701 in fiscal year 2012. The Debt Service Fund remitted bond principal of \$1,030,000 and interest of \$1,272,683. More detailed information about the District's debt is presented in the *Notes to the Basic Financial Statements*.

The Capital Project Fund purchases the District's infrastructure. The Capital Projects Fund had a \$1,268,597 increase in fund balance for fiscal year 2012. The District purchased \$2,795,736 of infrastructure and paid \$263,141 in bond-related costs during the current fiscal year.

NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2012

BUDGETARY HIGHLIGHTS

The *General Fund* pays for daily operating expenditures. The Board of Directors adopted a budget on September 27, 2011. The budget included revenues of \$4,429,771 as compared to expenditures of \$5,656,081. When comparing actual to budget, the District had a positive variance of \$969,015. This positive variance is the result of a delay in the start of construction projects. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

CAPITAL ASSETS

The District's governmental activities invested \$33,894,971 in land and infrastructure. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	9/30/2012	9/30/2011	
Capital Assets:			
Land and easements	\$ 833,376	\$ 833,376	
Construction in progress	261,122	72,427	
Water, wastewater and drainage	34,703,519	31,151,474	
Common and recreation areas	3,972,426	3,439,322	
Less: Accumulated Depreciation	(5,875,472)	(4,965,051)	
Total Net Capital Assets	\$ 33,894,971	\$ 30,531,548	

More detailed information about the District's capital assets is presented in the *Notes to the Basic Financial Statements*.

LONG TERM DEBT

The District has the following balances outstanding on unlimited tax bonds:

	Bonds Payable
Series 2004	\$ 495,000
Series 2006	460,000
Series 2007	5,205,000
Series 2009	6,860,000
Series 2010	5,725,000
Series 2011	4,640,000
Series 2012	3,850,000
Total	\$ 27,235,000

The District owes approximately \$27.2 million to bondholders. During the year, the District issued \$4,790,000 of unlimited tax and revenue bonds and \$3,850,000 of unlimited tax and revenue refunding bonds. Additionally, the total principal balance was reduced by \$1,030,000. More detailed information about the District's long-term debt is presented in the *Notes to the Basic Financial Statements*.

NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2012

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The property tax assessed value for the 2012 tax year (September 30, 2013 fiscal year) is approximately \$489 million and the net taxable value is approximately \$425 million. The fiscal year 2013 tax rate is \$0.75 on each \$100 of taxable value. Approximately 30% of the property tax will fund general operating expenses, and approximately 70% of the property tax will be set aside for debt service fund expenditures.

The adopted budget for fiscal year 2013 projects a General Fund fund balance decrease of \$890,752.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas 78701.

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BASIC FINANCIAL STATEMENTS

NORTHTOWN MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Net Assets
ASSETS						
Cash and cash equivalents:						
Cash	\$ 638,813	\$ -	\$ -	\$ 638,813	\$ -	\$ 638,813
Cash equivalents	3,939,708	660,407	3,490,203	8,090,318	-	8,090,318
Investments	735,000	-	-	735,000	-	735,000
Receivables:						
Service accounts, net of provision for uncollectible accounts	601,865	-	-	601,865	-	601,865
Taxes, no provision for uncollectible accounts	16,655	22,867	-	39,522	-	39,522
Interest	1,227	-	6	1,233	-	1,233
Interfund receivables	1,591,828	-	-	1,591,828	(1,591,828)	-
Other	68,596	-	-	68,596	-	68,596
Fiscal security deposit	10,672	-	-	10,672	-	10,672
Deferred charges, net of accumulated amortization	-	-	-	-	1,428,003	1,428,003
Capital assets, net of accumulated depreciation -						
Land and easements	-	-	-	-	833,376	833,376
Construction in progress	-	-	-	-	261,122	261,122
Common & Recreation Areas	-	-	-	-	2,753,290	2,753,290
Water/Wastewater/Drainage Facilities	-	-	-	-	30,047,183	30,047,183
TOTAL ASSETS	\$ 7,604,364	\$ 683,274	\$ 3,490,209	\$ 11,777,847	33,731,146	45,508,993
LIABILITIES						
Accounts payable	\$ 502,290	\$ -	\$ -	\$ 502,290	-	502,290
Retainage payable	66,805	-	-	66,805	-	66,805
Refundable deposits	636,678	-	-	636,678	-	636,678
Deferred revenue-taxes	16,655	22,867	-	39,522	(39,522)	-
Interfund payables	-	212	1,591,616	1,591,828	(1,591,828)	-
Accrued interest payable	-	5,740	-	5,740	75,341	81,081
Bonds payable -						
Due within one year	-	-	-	-	1,300,000	1,300,000
Due after one year	-	-	-	-	25,923,008	25,923,008
TOTAL LIABILITIES	1,222,428	28,819	1,591,616	2,842,863	25,666,999	28,509,862
FUND BALANCE / NET ASSETS						
Fund balances:						
Restricted for debt service	-	654,455	-	654,455	(654,455)	-
Restricted for capital projects	-	-	1,898,593	1,898,593	(1,898,593)	-
Assigned for 2013 budget deficit	890,752	-	-	890,752	(890,752)	-
Unassigned	5,491,184	-	-	5,491,184	(5,491,184)	-
TOTAL FUND BALANCES	6,381,936	654,455	1,898,593	8,934,984	(8,934,984)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,604,364	\$ 683,274	\$ 3,490,209	\$ 11,777,847		
Net assets:						
Invested in capital assets, net of related debt					\$ 9,998,559	\$ 9,998,559
Restricted for debt service					601,981	601,981
Unrestricted					6,398,591	6,398,591
TOTAL NET ASSETS					\$ 16,999,131	\$ 16,999,131

The accompanying notes are an integral part of this statement.

NORTHTOWN MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Activities
REVENUES:						
Property taxes, including penalties and interest	\$ 1,239,755	\$ 1,989,308	\$ -	\$ 3,229,063	\$ (9,699)	\$ 3,219,364
Service revenues, including penalties	3,384,026	-	-	3,384,026	-	3,384,026
Park fees	20,100	-	-	20,100	-	20,100
System connection/inspection fees	73,900	-	-	73,900	-	73,900
Developer contribution	-	-	-	-	1,017,429	1,017,429
Interest	48,282	5,134	6,594	60,010	-	60,010
Other	64,131	-	-	64,131	-	64,131
TOTAL REVENUES	4,830,194	1,994,442	6,594	6,831,230	1,007,730	7,838,960
EXPENDITURES / EXPENSES:						
Current:						
Water/wastewater purchases	2,240,500	-	-	2,240,500	-	2,240,500
Garbage collection fees	518,119	-	-	518,119	-	518,119
Park maintenance	527,065	-	-	527,065	-	527,065
General manager fees	257,983	-	-	257,983	-	257,983
Repairs and maintenance	202,548	-	-	202,548	-	202,548
Restrictive covenants	-	-	-	-	-	-
Inspection/connection fees	4,792	-	-	4,792	-	4,792
Utilities	17,140	-	-	17,140	-	17,140
Chemicals	34,177	-	-	34,177	-	34,177
Office expenditures	252,653	-	-	252,653	-	252,653
Security services	83,896	-	-	83,896	-	83,896
Director fees, including payroll taxes	16,793	-	-	16,793	-	16,793
Legal fees	165,866	-	-	165,866	-	165,866
Engineering fees	98,597	-	-	98,597	-	98,597
Accounting fees	66,750	-	-	66,750	-	66,750
Audit fees	14,500	-	-	14,500	-	14,500
Insurance	12,227	-	-	12,227	-	12,227
Tax appraisal/collection	7,573	12,135	-	19,708	-	19,708
Financial advisor fees	867	1,390	-	2,257	-	2,257
Other	104,766	-	-	104,766	-	104,766
Debt service:						
Bond principal	-	1,030,000	-	1,030,000	(1,030,000)	-
Bond interest	-	1,272,683	-	1,272,683	(290)	1,272,393
Fiscal agent fees	-	2,200	-	2,200	-	2,200
Bond issuance costs	-	178,429	263,141	441,570	(441,570)	-
Capital outlay	460,677	-	2,795,736	3,256,413	(3,256,413)	-
Depreciation	-	-	-	-	910,421	910,421
Amortization	-	-	-	-	719,836	719,836
TOTAL EXPENDITURES / EXPENSES	5,087,489	2,496,837	3,058,877	10,643,203	(3,098,016)	7,545,187
Excess / (deficiency) of revenues over / (under) expenditures / expenses	(257,295)	(502,395)	(3,052,283)	(3,811,973)	4,105,746	293,773
OTHER FINANCING SOURCES / (USES)						
Proceeds from bond refunding	-	3,850,000	-	3,850,000	(3,850,000)	-
Payment to refunding agent	-	(3,912,063)	-	(3,912,063)	3,912,063	-
Proceeds from bond sale	-	325,420	4,464,580	4,790,000	(4,790,000)	-
Bond discount	-	-	(143,700)	(143,700)	143,700	-
Bond premium	-	242,739	-	242,739	(242,739)	-
TOTAL OTHER FINANCING SOURCES / (USES)	-	506,096	4,320,880	4,826,976	(4,826,976)	-
Change in fund balances / net assets	(257,295)	3,701	1,268,597	1,015,003	(721,230)	293,773
FUND BALANCE / NET ASSETS:						
Beginning of the year	6,639,231	650,754	629,996	7,919,981	8,785,377	16,705,358
End of the year	\$ 6,381,936	\$ 654,455	\$ 1,898,593	\$ 8,934,984	\$ 8,064,147	\$ 16,999,131

The accompanying notes are an integral part of this statement.

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles (GAAP) as applied to governmental entities. Generally accepted accounting principles for local governments include those principles prescribed by the *Governmental Accounting Standards Board (GASB)*, which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - Northtown Municipal Utility District (the "District"), was created, organized and established on August 14, 1985, pursuant to the provisions of Chapter 54 of the Texas Water Code. The District is a political subdivision of the State of Texas and operates under an elected Board of Directors.

The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors which has been elected by District residents or appointed by the Board of Directors. The District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 14 and No. 39 since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

Basis of Presentation - Government-wide and Fund Financial Statements - These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting.

The 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 Assets and a Statement of Activities. It requires the classification of net assets into three components: Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

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

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Basis of Presentation - Government-wide and Fund Financial Statements (continued) -

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

The basic financial statements are prepared in conformity with GASB Statement No. 34, and include a column for government-wide (based upon the District as a whole) and fund financial statement presentations. Statement No. 34 also requires as supplementary information Management's Discussion and Analysis, which includes an analytical overview of the District's financial activities. In addition a budgetary comparison statement is presented that compares the adopted and amended General Fund budget with actual results.

- **Government-wide Statements:**

The District's statement of net assets includes both non-current assets and non-current liabilities of the District, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. In addition, the government-wide statement of activities column reflects depreciation expense on the District's capital assets, including infrastructure.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from financial activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

- **Fund Financial Statements:**

Fund based financial statement columns are provided for governmental funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures of either fund category) for the determination of major funds. All of the District's funds are reported as major funds.

Governmental Fund Types - The accounts of the District are organized and operated on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The various funds are grouped by category and type in the financial statements. The District maintains the following fund types:

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services that the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

- **Debt Service Fund** – The Debt Service Fund is used to account for resources restricted, committed or assigned for the payment of, debt principal, interest and related costs.
- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources restricted, committed or assigned for the acquisition or construction of major capital facilities.

Non-current Governmental Assets and Liabilities - GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the government-wide financial statement column in the Statement of Net Assets.

Basis of Accounting

- **Governmental Funds**

- *Government-wide Statements* - The government-wide financial statement column is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Fund Financial Statements - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the net current assets. Governmental funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available):

"Measurable" means that the amount of the transaction can be determined and "available" means the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures, if measurable, are generally recognized on the accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include the unmatured principal and interest on general obligation long-term debt which is recognized when due. This exception is in conformity with generally accepted accounting principles.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred revenue. All other revenues of the District are recorded on the accrual basis in all funds.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Budgets and Budgetary Accounting - A budget was adopted on September 27, 2011, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board of Directors utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the fiscal year.

Cash and Cash Equivalents - Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of common trust funds, money market funds, an external local governmental investment pool and obligations in the State Treasurer's Investment Pool are recorded at cost, which approximates fair market value.

Investments - Investments consisting of certificates of deposits are recorded at cost which approximates fair market value.

Capital Assets - Capital assets, which include land, easements and recreation areas are reported in the government-wide column in the Statement of Net Assets. Public domain ("infrastructure") capital assets, including water, wastewater and drainage systems, are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated fair market value at the time received. Interest incurred during construction of capital facilities is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Recreation Areas	5 - 30
Water/Wastewater/Drainage Facilities	50

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Interfund Transactions - Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay that amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Long-Term Debt - Unlimited tax and revenue bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Equity - The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 11 for additional information on those fund balance classifications.

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

Subsequent Events – In preparing these financial statements, management has evaluated and disclosed all material subsequent events through January 22, 2013, which is the date these statements were available to be issued.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS –

Adjustments to convert the Governmental Funds Balance Sheet to the Statement of Net Assets are as follows:

Fund balances - total governmental funds	\$	8,934,984
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds -		
Deferred charges, net of accumulated amortization		1,428,003
Land	\$ 833,376	
Construction in progress	261,122	
Capital assets	38,675,945	
Less: Accumulated depreciation	<u>(5,875,472)</u>	33,894,971
Revenue is recognized when earned in the government statements, regardless of availability. Governmental funds report deferred revenue for revenues earned but not available		39,522
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds -		
Bonds payable	(27,235,000)	
Issuance discount	469,093	
Issuance premium	(537,498)	
Deferred charges, net of accumulated amortization	80,397	
Accrued interest	<u>(75,341)</u>	<u>(27,298,349)</u>
Net assets of governmental activities		<u>\$ 16,999,131</u>

Adjustments to convert the Governmental Funds, Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities are as follows:

Changes in Fund Balances - Governmental Funds	\$	1,015,003
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report -		
Capital and bond expenditures in period purchased	\$ 3,697,983	
Interest expenditures in year paid	290	
Principal in year paid	1,030,000	
Tax revenue when collected	(9,699)	
Developer contribution	1,017,429	
Bond sales and related bond discount as other financing source/(use)	<u>(4,826,976)</u>	909,027
Governmental funds do not report -		
Depreciation	(910,421)	
Amortization	<u>(719,836)</u>	<u>(1,630,257)</u>
Net assets of governmental activities		<u>\$ 293,773</u>

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

3. CASH AND INVESTMENTS

The investment policies of the District are governed by State statute and an adopted District Investment Policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy include: depositories must be FDIC-insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; securities collateralizing time deposits are held by independent third party trustees.

Cash - At September 30, 2012, the carrying amount of the District's deposits was \$638,813 and the bank balance was \$705,609. The bank balance was covered by federal depository insurance and other pledged collateral.

Investments -

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values through investment diversification and limiting investments as follows:

- Money market mutual funds are required to have weighted average maturities of 90 days or fewer; and
- Other mutual fund investments are required to have weighted average maturities of less than two years.

Credit risk. The District's investment policy requires the application of the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, and considering the probable safety of their capital as well as the probable income to be derived. The District's investment policy requires that District funds be invested in:

- Obligations of the United States Government and/or its agencies and instrumentalities;
- Money market mutual funds with investment objectives of maintaining a stable net asset value of \$1 per share;
- Mutual funds rated in one of the three highest categories by a nationally recognized rating agency; and
- Securities issued by a State or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; and
- Public funds investment pools rated AAA or AAA-m by a nationally recognized rating agency.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

3. CASH AND INVESTMENTS (continued) -

At September 30, 2012, the District held the following investments:

Investment	Fair Market Value at 9/30/2012	Governmental Fund			Investment Rating	
		General	Debt Service	Capital Projects	Rating	Rating Agency
		Unrestricted	Restricted (1)	Restricted (2)		
Texpool	\$ 2,447,955	\$ 2,447,955	\$ -	\$ -	AAAm	Standard & Poors
LOGIC	4,946,074	1,491,753	660,407	2,793,914	AAAm	Standard & Poors
Wells Fargo MM	696,289	-	-	696,289	AAAm	Standard & Poors
Certificates of deposit	735,000	735,000	-	-	Various	Various
	<u>\$ 8,825,318</u>	<u>\$ 4,674,708</u>	<u>\$ 660,407</u>	<u>\$ 3,490,203</u>		

(1) Restricted for Payment of Debt Service and Cost of Assessing and Collecting Taxes.

(2) Restricted for Purchase of Capital Assets.

The District invests in Texpool and LOGIC, external investment pools that are not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of Texpool. Federated Investors manages the daily operations of Texpool under a contract with the Comptroller. First Southwest Asset Management, Inc. and JPMorgan Chase manage the daily operations of LOGIC. The fair value of the District's position in the pool is the same as the value of the pool shares.

Concentration of credit risk. In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2012, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with Obligations of the United States or its agencies and instrumentalities. As of September 30, 2012, the District's bank deposits were covered by FDIC coverage and other pledged collateral.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

3. CASH AND INVESTMENTS (continued)

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Travis Central Appraisal District established appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Travis County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set current tax rates on September 27, 2011.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2011 tax roll. The tax rate, based on total taxable assessed valuation of \$427,740,515 was \$0.75 on each \$100 valuation and was allocated \$0.2882 to the General Fund and \$0.4618 to the Debt Service Fund. The maximum allowable maintenance tax of \$1.50 was established by the voters on April 5, 1986.

Property taxes receivable at September 30, 2012, consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 8,256	\$ 13,229	\$ 21,485
Prior years' levies	8,399	9,638	18,037
	\$ 16,655	\$ 22,867	\$ 39,522

The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

4. INTERFUND ACCOUNTS

A summary of interfund accounts, which resulted from the time lag between dates that payments are made between funds are made, is as follows at September 30, 2012:

	Interfund	
	Receivable	Payable
General Fund -		
Debt Service Fund	\$ 212	\$ -
Capital Projects Fund	1,591,616	-
Debt Service Fund -		
General Fund	-	212
Capital Projects Fund -		
General Fund	-	1,591,616
	\$ 1,591,828	\$ 1,591,828

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 10/1/2011	Additions	Deletions	Balance 9/30/2012
Capital assets not being depreciated-				
Land and Easements	\$ 833,376	\$ -	\$ -	\$ 833,376
Construction in progress	72,427	261,122	(72,427)	261,122
Total capital assets not being depreciated	905,803	261,122	(72,427)	1,094,498
Capital assets being depreciated-				
Water, Wastewater and Drainage Facilities	31,151,474	3,552,045	-	34,703,519
Recreation areas	3,439,322	533,104	-	3,972,426
Total capital assets being depreciated	34,590,796	4,085,149	-	38,675,945
Less accumulated depreciation for-				
Water, Wastewater and Drainage Facilities	(3,961,419)	(694,917)	-	(4,656,336)
Recreation areas	(1,003,632)	(215,504)	-	(1,219,136)
Total accumulated depreciation	(4,965,051)	(910,421)	-	(5,875,472)
Total capital assets being depreciated, net of accumulated depreciation	29,625,745	3,174,728	-	32,800,473
Total capital assets, net	\$ 30,531,548	\$ 3,435,850	\$ (72,427)	\$ 33,894,971

6. BONDED DEBT

The following is a summary of bond transactions of the District for the year ended September 30, 2012:

	Unlimited Tax and Revenue Bonds
Bonds payable at October 1, 2011	\$ 23,515,000
Bonds issued	8,640,000
Bonds retired	(4,920,000)
Bond discount, net of accumulated amortization	(469,093)
Bond premium, net of accumulated amortization	537,498
Deferred charges, net of accumulated amortization	(80,397)
Bonds payable at September 30, 2012	\$ 27,223,008

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

6. BONDED DEBT (continued) -

Bonds payable at September 30, 2012, were comprised of the following individual issues:

Unlimited Tax and Revenue Bonds:

\$460,000 – 2006 Unlimited Tax and Revenue Bonds payable serially through the year 2015 at an interest rate of 3.625%.

\$5,205,000 – 2007 Unlimited Tax and Revenue Bonds payable serially through the year 2030 at interest rates which range from 3.75% to 4.00%. Bonds maturing September 1, 2015 are subject to redemption prior to maturity in whole or from time to time in part, on September 1, 2014 or on any date thereafter. Bonds maturing September 1, 2030 are subject to mandatory sinking fund redemption.

\$6,860,000 – 2009 Unlimited Tax and Revenue Bonds payable serially through the year 2031 at interest rates which range from 4.00% to 5.00%. Bonds maturing September 1, 2017 are subject to redemption prior to maturity in whole or from time to time in part, on September 1, 2016 or on any date thereafter. Bonds maturing September 1, 2027, 2029 and 2031 are subject to mandatory sinking fund redemption.

\$4,640,000 – 2011 Unlimited Tax and Revenue Bonds payable serially through the year 2031 at interest rates which range from 2.00% to 3.75%. Bonds maturing September 1, 2017 are subject to redemption prior to maturity in whole or from time to time in part, on September 1, 2016 or on any date thereafter. Bonds maturing September 1, 2029 and 2031 are subject to mandatory sinking fund redemption.

Unlimited Tax and Revenue Refunding Bonds:

\$495,000 – 2004 Unlimited Tax Refunding Bonds payable serially through the year 2014 at interest rates which range from 3.50% to 3.65%.

\$5,725,000 – 2010 Unlimited Tax and Revenue Refunding Bonds payable serially through the year 2026 at interest rates which range from 3.00% to 4.00%. Bonds maturing in the year 2017 through 2026, inclusive, are subject to redemption prior to maturity in whole or from time to time in part, on September 1, 2016 or on any date thereafter.

\$3,850,000 – 2012 Unlimited Tax and Revenue Refunding Bonds payable serially through the year 2028 at interest rates which range from 1.00% to 3.50%. Bonds maturing September 1, 2020 are subject to redemption prior to maturity in whole or from time to time in part, on September 1, 2019 or on any date thereafter.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

6. BONDED DEBT (continued) -

The annual requirements to amortize all bonded debt at September 30, 2012, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2013	\$ 1,300,000	\$ 1,012,119	\$ 2,312,119
2014	1,240,000	967,819	2,207,819
2015	1,315,000	925,156	2,240,156
2016	1,390,000	881,656	2,271,656
2017	1,335,000	838,344	2,173,344
2018-2022	7,495,000	3,452,647	10,947,647
2023-2027	8,125,000	2,001,497	10,126,497
2028-2031	5,035,000	508,000	5,543,000
	\$ 27,235,000	\$ 10,587,238	\$ 37,822,238

Unlimited tax bonds authorized but not issued as of September 30, 2012, were \$35,213,000.

\$654,455 is available in the Debt Service Fund to service the bonded debt.

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

On September 19, 2012, the District issued its Series 2012 Unlimited Tax and Revenue Refunding Bonds in the amount of \$3,850,000 (par value) with interest rates of 1.0% to 3.50% to currently refund \$690,000 of Series 2004 unlimited tax and revenue refunding bonds and \$3,200,000 of Series 2006 unlimited tax and revenue bonds. The bonds had maturity dates of September 1, 2015 through September 1, 2028. The first optional redemption date is October 22, 2012. The unlimited tax and revenue refunding bonds were issued at par plus a re-offering discount and, after paying issuance costs of \$178,429, the net proceeds were \$3,912,063. The net proceeds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the Series 2004 and Series 2006 bonds are paid. The advance refunding met the requirements of an in-substance debt defeasance and the Series 2004 and Series 2006 bonds were removed from bonds payable.

As a result of the advance refunding, the District reduced its cumulative debt service requirements which resulted in a net present value savings of \$340,773, or 8.76% of the principal amount of the refunded bonds.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

7. CAPITAL RECOVERY FEES

Capital recovery fees as assessed by the City of Austin (the "City") are collected on tap connections for each water and wastewater connection within the District as required under the District's consent agreement with the City. Collected fees are submitted to the City. The District collected approximately \$208,804 in capital recovery fees during the year ending September 30, 2012 and remitted approximately \$201,004.

8. COMMITMENTS

The developer of the land within the District has incurred costs related to construction of facilities. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues, subject to approval by the Texas Commission on Environmental Quality. The District, as of September 30, 2012, has recorded no liability pertaining to such costs.

9. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool (TML Pool) to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established Claims Reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

10. FUND BALANCES

The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

- Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact. The District had no such amounts.
- Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.
- Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board. The District had no such amounts.
- Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed. The District has assigned \$890,752 for a General Fund budgeted deficit for fiscal year ending September 30, 2013.
- Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page FS-1.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2012**

	<u>Actual</u>	<u>Original Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Property taxes, including penalties and interest	\$ 1,239,755	\$ 1,208,285	\$ 31,470
Service revenues, including penalties	3,384,026	3,122,486	261,540
Park fees	20,100	7,200	12,900
System connection/inspection fees	73,900	28,800	45,100
Interest	48,282	36,000	12,282
Other	64,131	27,000	37,131
TOTAL REVENUES	<u>4,830,194</u>	<u>4,429,771</u>	<u>400,423</u>
EXPENDITURES:			
Current:			
Water/wastewater purchases	2,240,500	2,174,788	(65,712)
Garbage collection fees	518,119	502,033	(16,086)
Park maintenance	527,065	643,200	116,135
General manager fees	257,983	252,404	(5,579)
Repairs and maintenance	202,548	194,000	(8,548)
Inspection/connection fees	4,792	7,900	3,108
Utilities	17,140	18,000	860
Chemicals	34,177	50,000	15,823
Office expenditures	252,653	267,424	14,771
Security services	83,896	64,575	(19,321)
Director fees, including payroll taxes	16,793	26,906	10,113
Legal fees	165,866	185,000	19,134
Engineering fees	98,597	120,400	21,803
Accounting fees	66,750	66,750	-
Audit fees	14,500	16,000	1,500
Insurance	12,227	15,000	2,773
Tax appraisal/collection	7,573	9,000	1,427
Financial advisor fees	867	2,000	1,133
Other	104,766	175,701	70,935
Capital Outlay	460,677	865,000	404,323
TOTAL EXPENDITURES	<u>5,087,489</u>	<u>5,656,081</u>	<u>568,592</u>
CHANGE IN FUND BALANCE	(257,295)	<u>\$ (1,226,310)</u>	<u>\$ 969,015</u>
FUND BALANCE :			
Beginning of the year	<u>6,639,231</u>		
End of the year	<u>\$ 6,381,936</u>		

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**TEXAS SUPPLEMENTAL
INFORMATION**

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**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2012**

1. Services Provided by the District during the Fiscal Year:

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

2. Retail Service Providers

a. Retail Rates Based on 5/8" Meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ 28.98 ⁽¹⁾	-	N	\$ 4.63	1 to 7,000
				\$ 5.38	7,001 to 12,000
				\$ 6.09	12,001 to 17,000
				\$ 6.91	17,001 +
WASTEWATER:	\$ -	-	N	\$ 6.73	Per 1,000
SURCHARGE:	\$ -	-	-	\$ -	

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 77.53 ⁽¹⁾ Wastewater \$ 67.30

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	-	-	1.0	-
≤ 3/4"	2,860	2,832	1.0	2,832
1"	5	5	2.5	13
1 1/2"	6	6	5.0	30
2"	13	12	8.0	96
3"	6	6	15.0	90
4"	-	-	25.0	-
6"	3	3	50.0	150
8"	2	2	80.0	160
10"	-	-	115.0	-
Total Water	2,895	2,866		3,371
Total Wastewater	2,866	2,837	1.0	2,837

⁽¹⁾ Includes once a week solid waste service and recycling service.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2012**

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system: 288,417

Gallons billed to customers: 284,891

Water Accountability Ratio

(Gallons billed / Gallons Pumped)

98.8%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District assess standby fees? Yes No

If yes, Date of the most recent Commission Order: _____

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

If yes, Date of the most recent Commission Order: _____

5. Location of District

County(ies) in which district is located: Travis County

Is the District located entirely within one county? Yes No

Is the District located within a city? Entirely Partly Not at all

City(ies) in which district is located: N/A

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

Entirely Partly Not at all

ETJ's in which district is located: City of Austin

Are Board members appointed by an office outside the district?

Yes No

If Yes, by whom? _____

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2012**

Personnel Expenditures (including benefits)	\$	197,526
Professional Fees:		
Audit		14,500
Legal		165,866
Engineering		98,597
Financial Advisor		867
Purchased Services For Resale:		
Bulk Water and Wastewater Purchases		2,240,500
Contracted Services:		
General Manager/Bookkeeping		324,733
Appraisal District/Tax Collector		7,573
Security Services		83,896
Other Contracted Services		522,911
Utilities		17,140
Repairs and Maintenance		202,548
Chemicals		34,177
Administrative Expenditures:		
Directors' Fees		16,793
Office Supplies		-
Insurance		12,227
Other Administrative Expenditures		159,893
Capital Outlay:		
Capitalized Assets		460,677
Expenditures not Capitalized		-
Bad Debt		-
Parks and Recreation		527,065
Other Expenditures		-
TOTAL EXPENDITURES	\$	5,087,489

Number of persons employed by the District:

Full-Time

Part-Time
TSI-2

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2012**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund -					
Investment in LOGIC	XXX8001	Varies	N/A	\$ 1,467,822	\$ -
State Investment Pool	XXX0001	Varies	N/A	2,344,679	-
Investment in LOGIC	XXX8002	Varies	N/A	23,931	-
State Investment Pool	XXX0003	Varies	N/A	103,276	-
Certificate of Deposit	XXX9445	0.50%	10/28/2012	245,000	521
Certificate of Deposit	XXX5136	0.50%	10/31/2012	245,000	499
Certificate of Deposit	XXX9838	0.65%	2/15/2013	245,000	207
Total				4,674,708	1,227
Debt Service Fund -					
Investment in LOGIC	XXX8005	Varies	N/A	27,964	-
Investment in LOGIC	XXX8006	Varies	N/A	579,764	-
Investment in LOGIC	XXX8014	Varies	N/A	52,679	-
Total				660,407	-
Capital Projects Fund -					
Investment in LOGIC	XXX8008	Varies	N/A	1,013,188	-
Wells Fargo Adv. Gov. MM	XXX4800	Variable	N/A	696,289	6
Investment in LOGIC	XXX8010	Varies	N/A	283,000	-
Investment in LOGIC	XXX8012	Varies	N/A	45,063	-
Investment in LOGIC	XXX8015	Variable	N/A	1,452,663	-
Total				3,490,203	6
Total - All Funds				\$ 8,825,318	\$ 1,233

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2012**

		<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>				
Taxes Receivable, Beginning of Year	\$	20,068	\$	29,153				
2011 Original Tax Levy, less abatements/adjustments		<u>1,232,748</u>		<u>1,975,306</u>				
Total to be accounted for		<u>1,252,816</u>		<u>2,004,459</u>				
Tax collections:								
Current year		1,224,492		1,962,077				
Prior years		<u>11,669</u>		<u>19,515</u>				
Total collections		<u>1,236,161</u>		<u>1,981,592</u>				
Taxes Receivable, End of Year	<u>\$</u>	<u>16,655</u>	<u>\$</u>	<u>22,867</u>				
Taxes Receivable, By Years								
2009 and prior	\$	6,708	\$	6,782				
2010		1,691		2,856				
2011		<u>8,256</u>		<u>13,229</u>				
Taxes Receivable, End of Year	<u>\$</u>	<u>16,655</u>	<u>\$</u>	<u>22,867</u>				
Property Valuations:		<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>			
Land and improvements	\$	<u>427,740,515</u>	\$	<u>429,249,079</u>	\$	<u>434,552,366</u>	\$	<u>383,023,670</u>
Total Property Valuations	<u>\$</u>	<u>427,740,515</u>	<u>\$</u>	<u>429,249,079</u>	<u>\$</u>	<u>434,552,366</u>	<u>\$</u>	<u>383,023,670</u>
Tax Rates per \$100 Valuation:								
Debt Service tax rates	\$	<u>0.4618</u>	\$	0.4711	\$	0.4468	\$	0.3467
Maintenance tax rates		<u>0.2882</u>		<u>0.2789</u>		<u>0.3032</u>		<u>0.4033</u>
Total Tax Rates per \$100 Valuation:	<u>\$</u>	<u>0.7500</u>	<u>\$</u>	<u>0.7500</u>	<u>\$</u>	<u>0.7500</u>	<u>\$</u>	<u>0.7500</u>
Original Tax Levy	<u>\$</u>	<u>3,208,054</u>	<u>\$</u>	<u>3,219,368</u>	<u>\$</u>	<u>3,259,143</u>	<u>\$</u>	<u>2,872,678</u>
Percent of Taxes Collected to Taxes Levied **		<u>99.3%</u>		<u>99.9%</u>		<u>99.9%</u>		<u>99.9%</u>
Maximum Maintenance Tax Rate Approved by Voters:		<u>\$</u>	<u>1.50</u>	on	<u>4/5/1986</u>			

**Calculated as taxes collected in current and previous years divided by tax levy.

NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2012

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX AND REVENUE REFUNDING BONDS SERIES 2004			UNLIMITED TAX AND REVENUE BONDS SERIES 2006			UNLIMITED TAX AND REVENUE BONDS SERIES 2007		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
	2013	\$ 295,000	\$ 17,625	\$ 312,625	\$ 150,000	\$ 16,675	\$ 166,675	\$ 175,000	\$ 203,288
2014	200,000	7,300	207,300	150,000	11,238	161,238	200,000	196,725	396,725
2015	-	-	-	160,000	5,800	165,800	200,000	189,225	389,225
2016	-	-	-	-	-	-	225,000	182,025	407,025
2017	-	-	-	-	-	-	225,000	173,813	398,813
2018	-	-	-	-	-	-	225,000	165,488	390,488
2019	-	-	-	-	-	-	250,000	157,050	407,050
2020	-	-	-	-	-	-	250,000	147,550	397,550
2021	-	-	-	-	-	-	275,000	137,925	412,925
2022	-	-	-	-	-	-	275,000	127,200	402,200
2023	-	-	-	-	-	-	300,000	116,200	416,200
2024	-	-	-	-	-	-	325,000	104,200	429,200
2025	-	-	-	-	-	-	325,000	91,200	416,200
2026	-	-	-	-	-	-	350,000	78,200	428,200
2027	-	-	-	-	-	-	375,000	64,200	439,200
2028	-	-	-	-	-	-	400,000	49,200	449,200
2029	-	-	-	-	-	-	400,000	33,200	433,200
2030	-	-	-	-	-	-	430,000	17,200	447,200
2031	-	-	-	-	-	-	-	-	-
	<u>495,000</u>	<u>24,925</u>	<u>519,925</u>	<u>\$ 460,000</u>	<u>\$ 33,713</u>	<u>\$ 493,713</u>	<u>\$ 5,205,000</u>	<u>\$ 2,233,889</u>	<u>\$ 7,438,889</u>

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2012**

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX AND REVENUE BONDS SERIES 2009			UNLIMITED TAX AND REVENUE REFUNDING BONDS SERIES 2010			UNLIMITED TAX AND REVENUE BONDS SERIES 2011		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
	2013	\$ 225,000	\$ 309,906	\$ 534,906	\$ 295,000	\$ 216,156	\$ 511,156	\$ 140,000	\$ 133,669
2014	225,000	299,781	524,781	310,000	207,306	517,306	145,000	130,869	275,869
2015	250,000	289,656	539,656	320,000	198,006	518,006	155,000	127,969	282,969
2016	250,000	279,656	529,656	340,000	185,206	525,206	165,000	124,869	289,869
2017	275,000	269,656	544,656	355,000	171,606	526,606	175,000	121,569	296,569
2018	275,000	258,656	533,656	375,000	157,406	532,406	185,000	118,069	303,069
2019	300,000	247,656	547,656	560,000	142,410	702,410	195,000	114,369	309,369
2020	325,000	235,656	560,656	585,000	120,006	705,006	205,000	110,469	315,469
2021	325,000	222,250	547,250	425,000	96,606	521,606	220,000	105,856	325,856
2022	350,000	208,438	558,438	450,000	79,606	529,606	230,000	100,906	330,906
2023	350,000	193,388	543,388	465,000	63,856	528,856	245,000	95,156	340,156
2024	375,000	177,988	552,988	485,000	47,000	532,000	260,000	88,419	348,419
2025	400,000	161,113	561,113	510,000	28,813	538,813	275,000	80,619	355,619
2026	425,000	142,613	567,613	250,000	9,688	259,688	295,000	72,369	367,369
2027	450,000	122,425	572,425	-	-	-	310,000	63,150	373,150
2028	475,000	101,050	576,050	-	-	-	330,000	52,300	382,300
2029	500,000	78,250	578,250	-	-	-	350,000	40,750	390,750
2030	525,000	54,250	579,250	-	-	-	370,000	28,500	398,500
2031	560,000	28,000	588,000	-	-	-	390,000	14,625	404,625
	\$ 6,860,000	\$ 3,680,388	\$ 10,540,388	\$ 5,725,000	\$ 1,723,671	\$ 7,448,671	\$ 4,640,000	\$ 1,724,502	\$ 6,364,502

NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2012

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX AND REVENUE REFUNDING BONDS SERIES 2012			ANNUAL REQUIREMENTS FOR ALL SERIES		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
		\$	\$	\$	\$	\$
2013	20,000	114,800	134,800	1,300,000	1,012,119	2,312,119
2014	10,000	114,600	124,600	1,240,000	967,819	2,207,819
2015	230,000	114,500	344,500	1,315,000	925,156	2,240,156
2016	410,000	109,900	519,900	1,390,000	881,656	2,271,656
2017	305,000	101,700	406,700	1,335,000	838,344	2,173,344
2018	335,000	94,075	429,075	1,395,000	793,694	2,188,694
2019	200,000	85,700	285,700	1,505,000	747,185	2,252,185
2020	220,000	79,700	299,700	1,585,000	693,381	2,278,381
2021	220,000	73,100	293,100	1,465,000	635,737	2,100,737
2022	240,000	66,500	306,500	1,545,000	582,650	2,127,650
2023	240,000	58,100	298,100	1,600,000	526,700	2,126,700
2024	265,000	49,700	314,700	1,710,000	467,307	2,177,307
2025	260,000	40,425	300,425	1,770,000	402,170	2,172,170
2026	285,000	31,325	316,325	1,605,000	334,195	1,939,195
2027	305,000	21,350	326,350	1,440,000	271,125	1,711,125
2028	305,000	10,675	315,675	1,510,000	213,225	1,723,225
2029	-	-	-	1,250,000	152,200	1,402,200
2030	-	-	-	1,325,000	99,950	1,424,950
2031	-	-	-	950,000	42,625	992,625
	<u>\$ 3,850,000</u>	<u>\$ 1,166,150</u>	<u>\$ 5,016,150</u>	<u>\$ 27,235,000</u>	<u>\$ 10,587,238</u>	<u>\$ 37,822,238</u>

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2012**

	Series 2004	Series 2006	Series 2007	Series 2009	Series 2010	Series 2011	Series 2012	Total
Interest Rate	1.55 - 4.00%	3.50 - 5.00%	3.60 - 4.00%	4.00 - 5.00%	2.00 - 4.00%	2.00 - 3.75%	1.00 - 3.50%	
Dates Interest Payable	3/1, 9/1	3/1, 9/1	3/1, 9/1	3/1, 9/1	3/1, 9/1	3/1, 9/1	3/1, 9/1	
Maturity Dates	9/1/2018	9/1/2028	9/1/2030	9/1/2031	9/1/2026	9/1/2031	9/1/2028	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 1,465,000	\$ 3,800,000	\$ 5,380,000	\$ 7,060,000	\$ 5,810,000	\$ -	\$ -	\$ 23,515,000
Bonds Sold During the Current Fiscal Year	-	-	-	-	-	4,790,000	3,850,000	8,640,000
Retirements During the Current Fiscal Year:								
Principal	(280,000)	(140,000)	(175,000)	(200,000)	(85,000)	(150,000)	-	(1,030,000)
Refunded	(690,000)	(3,200,000)	-	-	-	-	-	(3,890,000)
Bonds Outstanding at End of Current Fiscal Year	\$ 495,000	\$ 460,000	\$ 5,205,000	\$ 6,860,000	\$ 5,725,000	\$ 4,640,000	\$ 3,850,000	\$ 27,235,000
Interest Paid During the Current Fiscal Year	\$ 53,808	\$ 150,582	\$ 209,850	\$ 318,906	\$ 416,156	\$ 123,381	\$ -	\$ 1,272,683
Paying Agent's Name & Address:	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	
Bond Authority:	Tax Bonds	Other Bonds	Refunding Bonds					
Amount Authorized by Voters	\$ 69,443,000	\$ -	\$ -					
Amount Issued	(34,230,000)	-	12,250,000					
Remaining To Be Issued	\$ 35,213,000	\$ -	\$ -					

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

Debt Service Fund Cash and Temporary Investments balances as of September 30, 2012: \$ 660,407

Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt: \$ 1,990,644

NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND
FIVE YEARS ENDED SEPTEMBER 30, 2012

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
GENERAL FUND										
REVENUES:										
Water, wastewater and garbage service, including penalties	\$ 3,384,026	\$ 3,250,171	\$ 2,983,681	\$ 3,236,884	\$ 2,919,608	70.1	69.3	65.8	63.4	54.7
Property taxes, including penalties and interest	1,239,755	1,186,441	1,324,242	1,553,113	1,552,920	25.7	25.3	29.2	30.4	29.0
Park fees	20,100	113,100	66,300	41,966	286,600	0.4	2.4	1.5	0.8	5.4
Interest	48,282	21,898	30,463	71,417	218,403	1.0	0.5	0.7	1.4	4.1
System connection fees	73,900	50,575	71,640	50,750	349,900	1.5	1.1	1.6	1.0	6.5
Park grant	-	-	-	100,000	-	-	-	-	-	-
Miscellaneous	64,131	68,513	56,143	54,924	18,654	1.3	1.4	1.2	1.1	0.3
Total revenues	4,830,194	4,690,698	4,532,469	5,109,054	5,346,085	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Current:										
Water, wastewater and garbage	2,758,619	2,630,998	2,347,651	2,368,011	2,064,765	57.0	56.0	51.8	46.3	38.7
Park maintenance	527,065	664,390	591,207	515,827	767,946	10.9	14.1	13.0	10.1	14.4
General manager services	257,983	243,718	244,466	216,522	293,524	5.3	5.2	5.4	4.2	5.5
Legal fees	165,866	173,351	189,291	182,318	127,987	3.4	3.7	4.2	3.6	2.4
Repairs and maintenance	202,548	244,238	363,410	191,547	113,554	4.2	5.2	8.0	3.7	2.2
Restrictive covenants	-	28,085	62,250	63,280	87,511	-	0.6	1.4	1.2	1.6
Inspection fees/meter purchases	4,792	3,319	9,469	33,159	75,595	0.1	0.1	0.2	0.6	1.4
Engineering fees	98,597	350,490	224,738	53,832	54,717	2.0	7.4	5.0	1.1	1.0
Security services	83,896	70,140	46,890	33,713	39,450	1.7	1.5	1.0	0.7	0.7
Utilities	17,140	16,527	14,428	16,165	18,538	0.4	0.4	0.3	0.3	0.3
Auditing fees	14,500	13,995	16,000	19,500	18,500	0.3	0.3	0.4	0.4	0.3
Accounting fees	66,750	66,750	66,750	66,437	-	1.4	1.4	1.5	1.3	-
Directors' fees	16,793	30,781	23,091	21,799	14,210	0.3	0.7	0.5	0.4	0.3
Chemicals	34,177	31,658	80,010	32,279	11,800	0.7	0.7	1.8	0.6	0.2
Office expenditures	252,653	163,212	-	-	-	-	-	-	-	-
Tax appraisal/collection fees	7,573	7,352	7,806	10,498	10,173	5.4	3.6	-	-	-
Insurance	12,227	16,300	5,683	4,704	8,246	0.2	0.2	0.2	0.2	0.2
Other	105,633	81,017	35,499	35,451	22,900	0.3	0.3	0.1	0.1	0.2
Contracted services	-	-	-	27,206	-	2.2	1.7	0.8	0.7	0.4
Capital outlay	460,677	767,364	785,437	463,594	13,081	-	-	-	0.5	-
Total expenditures	5,087,489	5,603,685	5,114,076	4,355,842	3,742,497	105.3	119.5	112.9	85.1	70.0
EXCESS OF REVENUES OVER EXPENDITURES	\$ (257,295)	\$ (912,987)	\$ (581,607)	\$ 753,212	\$ 1,603,588	(5.3)	(19.5)	(12.9)	14.9	30.0

(continued)

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND (continued)
FIVE YEARS ENDED SEPTEMBER 30, 2012**

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
<u>DEBT SERVICE FUND</u>										
REVENUES:										
Property taxes, including penalties and interest	\$ 1,989,308	\$ 2,000,157	\$ 1,946,551	\$ 1,331,359	\$ 1,054,080	79.6	88.0	99.8	64.0	66.2
Net bond activity	506,096	269,908	-	732,168	493,376	20.2	11.9	-	35.3	31.0
Interest	5,134	3,470	4,211	13,504	44,617	0.2	0.1	0.2	0.7	2.8
Total revenues	2,500,538	2,273,535	1,950,762	2,077,031	1,592,073	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Tax appraisal/collection fees	12,135	12,418	11,501	9,024	6,875	0.5	0.5	0.6	0.4	0.4
Principal payments	1,030,000	1,075,000	945,000	900,000	730,000	41.2	47.3	48.4	43.3	45.9
Interest payments	1,272,683	936,502	1,078,355	888,669	764,133	50.9	41.2	55.3	42.8	48.0
Fiscal agent fees and other	3,590	2,642	9,580	4,069	2,296	0.1	0.1	0.5	0.2	0.1
Bond refunding expenditures	178,429	254,562	-	-	-	7.1	11.2	-	-	-
Bond discount	-	-	-	-	-	-	-	-	-	-
Total expenditures	2,496,837	2,281,124	2,044,436	1,801,762	1,503,304	99.8	100.3	104.8	86.7	94.4
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 3,701	\$ (7,589)	\$ (93,674)	\$ 275,269	\$ 88,769	0.2	(0.3)	(4.8)	13.3	5.6
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,866	2,782	2,729	2,766	2,637					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,837	2,755	2,697	2,739	2,599					

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2012**

Complete District Mailing Address: c/o Armbrust & Brown, PLLC 100 Congress Ave. Austin TX 78701

District Business Telephone Number: (512) 435-2300

Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054: 11/27/2012

Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060) \$7,200

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
		9/30/2012	9/30/2012	
Board Members:				
ROBIN CAMPBELL	(Elected) 11/6/2012 - 11/8/2016	\$ -	\$ 469	President
BRENDA RICHTER	(Elected) 5/8/2010 - 11/4/2014	\$ 4,800	\$ 1,373	Vice-President
SCOTT M. GRAY	(Elected) 5/10/2010 - 11/4/2014	\$ 3,450	\$ 1,092	Treasurer
ALEX MARTINEZ	(Appointed) 5/25/2010 - 11/04/2014	\$ 3,750	\$ -	Secretary
FELIX T. AMARO, JR.	(Elected) 11/6/2012 - 11/8/2016	\$ 3,600	\$ 1,352	Assistant Sec. / Treasurer

* *Fees of Office* are the amounts actually paid to a director during the district's fiscal year.

Consultants:

Crossroads Utility Service	2010	\$ 441,996	\$ -	District Manager
Armbrust & Brown, PLLC	1997	\$ 179,127	\$ -	Attorney
		\$ 78,480	\$ -	Bond Related Services
Bott & Douthitt, PLLC	2009	\$ 66,750	\$ 288	District Accountant
McCall Gibson Swedlund Barfoot PLLC	2011	\$ 14,500	\$ -	Auditor
		\$ 9,450	\$ -	Bond Related Services
Kimley-Horn & Associates, Inc.	2009	\$ 57,872	\$ -	Former Engineer
360 Professional Services, Inc.	2012	\$ 53,610	\$ -	Engineer
Southwest Securities	1994	\$ 2,257	\$ -	Financial Advisor
		\$ 162,431	\$ -	Bond Related Services
McCall Parkhurst & Horton, LLP	1994	\$ 133,628	\$ -	Bond Related Services
Travis County Tax Collector	1994	\$ 2,954	\$ -	Tax Collector

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**OTHER SUPPLEMENTAL
INFORMATION**

NORTHTOWN MUNICIPAL UTILITY DISTRICT
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2012

Taxpayer	Type of Property	Tax Roll Year		
		2012	2011	2010
Techridge Multi-Family	N/A	\$ 27,500,000	\$ 25,959,099	\$ 25,117,348
Realty Associates Fund IX LP	N/A	12,761,868	-	-
Applied Materials Inc.	N/A	7,020,365	3,396,786	-
Village @ Northtown Ltd.	N/A	5,170,765	5,555,426	5,913,029
KB Home Loan Star LP	N/A	2,624,322	3,482,822	1,848,963
AM Petroleum Inc.	N/A	2,521,088	2,521,088	1,307,758
Oaks at Techridge Partners LP	N/A	1,780,676	-	-
Gigaphoton USA Inc.	N/A	1,103,258	-	-
N G K Electronics	N/A	866,739	949,125	-
Wills-Rogers, L.	N/A	653,500	722,765	752,071
AMB/TR Four 2001 Ltd.	N/A	-	9,476,102	10,820,833
Techridge Spectrum BC LP	N/A	-	1,915,046	1,915,046
Spanion	N/A	-	751,818	-
UMS Semiconductor	N/A	-	-	2,500,000
Hanna/Magee LP #1	N/A	-	-	1,161,498
Secretary of Housing & Urban Dev.	N/A	-	-	907,410
Total		\$ 62,002,581	\$ 54,730,077	\$ 52,243,956
Percent of Assessed Valuation		14.6%	12.8%	12.2%

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**NORTHTOWN MUNICIPAL UTILITY DISTRICT
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2012**

Type of Property	Tax Roll Year					
	2012		2011		2010	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 349,094,227	82.1%	\$ 359,437,914	84.0%	\$ 368,350,774	85.8%
Multi Family Residence	37,168,771	8.8%	33,957,193	7.9%	33,320,230	7.8%
Vacant Lot	1,510,324	0.4%	2,319,246	0.5%	2,632,996	0.6%
Qualified Ag Land	-	-	-	-	-	-
Non-Qualified Land	7,217,448	1.7%	7,731,351	1.8%	8,902,983	2.1%
Commercial Real Property	14,201,858	3.3%	10,926,709	2.6%	10,832,145	2.5%
Telephone Company	539,384	0.1%	640,666	0.1%	111,870	-
Cable Television Company	100,153	-	102,121	0.1%	108,110	-
Commercial Personal Property	8,628,312	2.0%	7,574,043	1.8%	3,512,588	0.8%
Industrial Personal Property	67,229,569	15.8%	75,929,624	17.8%	24,608,065	5.7%
Residential Inventory	2,609,985	0.6%	3,686,295	0.9%	3,300,082	0.8%
Totally Exempt Property	647,798	0.2%	1,007,686	0.2%	786,031	0.2%
Less: Adjustments	<u>(63,965,866)</u>	<u>(15.0)%</u>	<u>(75,572,333)</u>	<u>(17.7)%</u>	<u>(27,216,795)</u>	<u>(6.3)%</u>
Total Taxable	<u>\$ 424,981,963</u>	<u>100.0%</u>	<u>\$ 427,740,515</u>	<u>100.0%</u>	<u>\$ 429,249,079</u>	<u>100.0%</u>