

**NORTHTOWN
MUNICIPAL UTILITY DISTRICT**

YEAR ENDED SEPTEMBER 30, 2016

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

**NORTHTOWN
MUNICIPAL UTILITY DISTRICT**

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

**FOR THE YEAR ENDED
SEPTEMBER 30, 2016**

**NORTHTOWN
MUNICIPAL UTILITY DISTRICT**

TABLE OF CONTENTS

	<u>Page</u>
<i>Annual Filing Affidavit</i>	1
<i>Independent Auditor's Report</i>	2
<i>Management's Discussion and Analysis</i>	MDA-1
<i>Financial Statements</i>	
Statement of Net Position and Governmental Funds Balance Sheet	FS-1
Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	FS-2
<i>Notes to the Financial Statements</i>	FS-3
<i>Required Supplementary Information</i>	
Budgetary Comparison Schedule	FS-18
<i>Texas Supplementary Information (TSI)</i>	
Services and Rates	TSI-1
General Fund Expenditures	TSI-2
Temporary Investments	TSI-3
Taxes Levied and Receivable	TSI-4
Long-Term Debt Service Requirements - By Years	TSI-5
Changes in Long-Term Bonded Debt	TSI-6
Comparative Schedule of Revenues and Expenditures General Fund and Debt Service Fund - Five Years	TSI-7
Board Members, Key Personnel and Consultants	TSI-8
<i>Other Supplementary Information (OSI)</i>	
Principal Taxpayers	OSI-1
Assessed Value by Classification	OSI-2

ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS
COUNTY OF TRAVIS

I, _____ 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 **24th day of January, 2017**, its annual audit report for the fiscal period ended **September 30, 2016**, 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 annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

Date: _____, _____ By: _____
(Signature of District Representative)

(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this _____ day of _____, _____.

(SEAL)

(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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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, 2016, 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 District'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.

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, 2016, 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 the 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.

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 Texas Supplementary Information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and the Other Supplementary Information are presented for purposes of additional analysis and are 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 Texas Supplementary Information and the Other Supplementary 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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 24, 2017

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2016

In accordance with Governmental Accounting Standards Board Statement No. 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, 2016. 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 \$7,656,303 and \$641,281 was assigned to use for a budgeted General Fund deficit during the year ending September 30, 2017. The total General Fund balance was \$8,305,739, representing an increase of \$1,164,421 in fund balance. General Fund revenues increased from \$5,471,583 in the previous fiscal year to \$5,883,140 in the current fiscal year due to an increase in property tax revenue.
- *Debt Service Fund:* Fund balance restricted for debt service decreased from \$763,846 in the previous fiscal year to \$700,006 in the current fiscal year. Debt service fund revenues decreased from \$2,237,850 in the previous fiscal year to \$2,207,988 in the current fiscal year due to a decrease in the tax rate allocated to the Debt Service Fund.
- *Capital Projects Fund:* Fund balance restricted for capital projects increased from \$-0- in the previous fiscal year to \$1,166 in the current fiscal year.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenses of \$1,826,293. Net position increased from \$17,136,487 to \$18,962,780.

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 operates under an elected Board of Directors that is elected by District residents or appointed by the 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, 2016

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 Supplementary Information* (required by the Texas Commission on Environmental Quality (the TSI section))
5. *Other Supplementary 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 Position and the Statement of Activities.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The *Statement of Net Position 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 position will indicate financial health.

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

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, 2016

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities		Change Increase (Decrease)
	2016	2015	
Current and other assets	\$ 10,577,481	\$ 9,701,919	\$ 875,562
Capital and non-current assets	32,525,751	33,245,560	(719,809)
Total Assets	43,103,232	42,947,479	155,753
Deferred Outflows of Resources	449,492	480,226	(30,734)
Current Liabilities	3,457,564	3,718,047	(260,483)
Long-term Liabilities	21,132,380	22,573,171	(1,440,791)
Total Liabilities	24,589,944	26,291,218	(1,701,274)
Net Investment in Capital Assets	10,439,029	9,702,615	736,414
Restricted	203,877	279,197	(75,320)
Unrestricted	8,319,874	7,154,675	1,165,199
Total Net Position	\$ 18,962,780	\$ 17,136,487	\$ 1,826,293

The District's combined net position increased by \$1,826,293 to \$18,962,780 from the previous year amount of \$17,136,487. Some of the District's assets are accounted for by capital assets or restricted for debt service. The District's unrestricted net position, which can be used to finance day to day operations, totaled \$8,319,874.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Revenues and Expenses:

	<u>Summary Statement of Activities</u>		Change Increase (Decrease)
	Governmental Activities		
	2016	2015	
Service accounts	\$ 3,798,056	\$ 3,798,324	\$ (268)
Property taxes	4,187,843	3,789,027	398,816
Other	107,212	123,758	(16,546)
Total Revenues	8,093,111	7,711,109	382,002
Water/wastewater/garbage	2,426,152	2,887,959	(461,807)
Other	1,994,785	1,978,429	16,356
Debt Service	812,839	1,053,033	(240,194)
Depreciation	1,033,042	991,777	41,265
Total Expenses	6,266,818	6,911,198	(644,380)
Change in Net Position	1,826,293	799,911	1,026,382
Beginning Net Position	17,136,487	16,336,576	799,911
Ending Net Position	\$ 18,962,780	\$ 17,136,487	\$ 1,826,293

Revenues were \$8,093,111 for the fiscal year ended September 30, 2016 while expenses were \$6,266,818. Net position increased \$1,826,293.

Property tax revenue in the current fiscal year totaled \$4,187,843. 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 2015 tax year (September 30, 2016 fiscal year) were based upon a current adjusted assessed value of \$579,124,796 and a tax rate of \$0.722 per \$100 of assessed valuation. Property taxes levied for the 2014 tax year (September 30, 2015 fiscal year) were based upon an adjusted assessed value of \$514,296,755 and a tax rate of \$0.736 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, 2016

ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds by Year

	2016	2015	2014	2013
Cash	\$ 749,100	\$ 971,506	\$ 426,086	\$ 585,737
Cash equivalents and investments	9,135,300	7,982,945	8,408,402	8,576,243
Receivables and other assets	959,133	999,732	1,155,668	1,120,444
Total Assets	\$ 10,843,533	\$ 9,954,183	\$ 9,990,156	\$ 10,282,424
Accounts payable	507,942	769,592	545,018	553,479
Other payables	1,296,813	1,248,377	1,335,093	975,092
Total Liabilities	1,804,755	2,017,969	1,880,111	1,528,571
Deferred Inflows of Resources	31,867	31,050	30,763	33,331
Nonspendable	8,155	8,049	7,363	6,730
Restricted	701,172	763,846	2,551,893	2,481,755
Assigned	641,281	595,679	454,147	351,846
Unassigned	7,656,303	6,537,590	5,065,879	5,880,191
Total Fund Balance	9,006,911	7,905,164	8,079,282	8,720,522
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 10,843,533	\$ 9,954,183	\$ 9,990,156	\$ 10,282,424

For the fiscal year ended September 30, 2016, the District's governmental funds reflect a combined fund balance of \$9,006,911.

This fund balance includes a \$1,164,421 increase to the General Fund.

The Debt Service Fund reflects a decrease of \$63,840 in fiscal year 2016. The Debt Service Fund remitted bond principal of \$1,450,000 and interest of \$802,930. More detailed information about the District's debt is presented in the *Notes to the Financial Statements*.

The Capital Project Fund purchases the District's infrastructure. The Capital Projects Fund had a \$1,166 increase in fund balance for fiscal year 2016.

NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2016

BUDGETARY HIGHLIGHTS

The *General Fund* pays for daily operating expenditures. The Board of Directors adopted a budget on September 22, 2015. The budget included revenues of \$5,869,714 as compared to expenditures of \$6,465,393. When comparing actual to budget, the District had a positive variance of \$1,760,100. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

CAPITAL ASSETS

The District's governmental activities invested \$32,525,751 in land and infrastructure. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	9/30/2016	9/30/2015
Capital Assets:		
Land and easements	\$ 833,376	\$ 833,376
Construction in progress	-	107,764
Water, wastewater and drainage	36,545,536	36,517,883
Common and recreation areas	4,961,839	4,568,495
Less: Accumulated Depreciation	(9,815,000)	(8,781,958)
Total Net Capital Assets	\$ 32,525,751	\$ 33,245,560

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

LONG TERM DEBT

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

	Bonds Payable
Series 2007	\$ 1,055,000
Series 2009	275,000
Series 2010	4,460,000
Series 2011	4,035,000
Series 2012	3,180,000
Series 2014	3,285,000
Series 2015	5,605,000
Total	\$ 21,895,000

The District owes approximately \$22 million to bondholders. During the current fiscal year, total principal balance was reduced by \$1,450,000. The ratio of the District's long term debt to the total 2015 taxable assessed valuation (\$579,124,796) is 3.8%. The District's estimated population, as provided by the District as of September 30, 2016, is 11,346. More detailed information about the District's long term debt is presented in the *Notes to the Financial Statements*.

NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2016

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The property tax assessed value for the 2016 tax year (September 30, 2017 fiscal year) is approximately \$804 million and the net taxable value is approximately \$651 million. The fiscal year 2017 tax rate is \$0.7075 on each \$100 of taxable value. Approximately 53% of the property tax will fund general operating expenses, and approximately 47% of the property tax will be set aside for Debt Service Fund expenditures.

The adopted budget for fiscal year 2017 projects a General Fund fund balance decrease of \$641,281.

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.

FINANCIAL STATEMENTS

NORTHTOWN MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Net Position
ASSETS						
Cash and cash equivalents:						
Cash	\$ 749,100	\$ -	\$ -	\$ 749,100	\$ -	\$ 749,100
Cash equivalents	8,168,076	714,072	253,152	9,135,300	-	9,135,300
Receivables:						
Service accounts, net of \$2,500 provision for uncollectible accounts	626,282	-	-	626,282	-	626,282
Taxes, no provision for uncollectible accounts	14,135	17,732	-	31,867	-	31,867
Interfund receivables	266,052	-	-	266,052	(266,052)	-
Other	34,932	-	-	34,932	-	34,932
Capital assets, net of accumulated depreciation:						
Land and easements	-	-	-	-	833,376	833,376
Common & Recreation Areas	-	-	-	-	2,677,207	2,677,207
Water/Wastewater/Drainage Facilities	-	-	-	-	29,015,168	29,015,168
TOTAL ASSETS	\$ 9,858,577	\$ 731,804	\$ 253,152	\$ 10,843,533	32,259,699	43,103,232
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charges on refunding	\$ -	\$ -	\$ -	\$ -	449,492	449,492
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,858,577	\$ 731,804	\$ 253,152	\$ 10,843,533	32,709,191	43,552,724
LIABILITIES						
Accounts payable	\$ 507,942	\$ -	\$ -	\$ 507,942	-	507,942
Refundable deposits	692,882	-	-	692,882	-	692,882
Fiscal security deposits	337,879	-	-	337,879	-	337,879
Interfund payables	-	14,066	251,986	266,052	(266,052)	-
Accrued interest payable	-	-	-	-	513,861	513,861
Bonds payable:						
Due within one year	-	-	-	-	1,405,000	1,405,000
Due after one year	-	-	-	-	21,132,380	21,132,380
TOTAL LIABILITIES	1,538,703	14,066	251,986	1,804,755	22,785,189	24,589,944
DEFERRED INFLOWS OF RESOURCES						
Property taxes	14,135	17,732	-	31,867	(31,867)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	14,135	17,732	-	31,867	(31,867)	-
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable for prepaid items	8,155	-	-	8,155	(8,155)	-
Restricted for debt service	-	700,006	-	700,006	(700,006)	-
Restricted for capital projects	-	-	1,166	1,166	(1,166)	-
Assigned for 2017 budget deficit	641,281	-	-	641,281	(641,281)	-
Unassigned	7,656,303	-	-	7,656,303	(7,656,303)	-
TOTAL FUND BALANCES	8,305,739	700,006	1,166	9,006,911	(9,006,911)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,858,577	\$ 731,804	\$ 253,152	\$ 10,843,533		
NET POSITION:						
Net investment in capital assets					\$ 10,439,029	\$ 10,439,029
Restricted for debt service					203,877	203,877
Unrestricted					8,319,874	8,319,874
TOTAL NET POSITION					\$ 18,962,780	\$ 18,962,780

The accompanying notes are an integral part of this statement.

NORTHTOWN MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Governmental Funds Total</u>	<u>Adjustments Note 2</u>	<u>Government - wide Statement of Activities</u>
REVENUES:						
Property taxes, including penalties and interest	\$ 1,989,812	\$ 2,197,214	\$ -	\$ 4,187,026	\$ 817	\$ 4,187,843
Service revenues, including penalties	3,798,056	-	-	3,798,056	-	3,798,056
Interest	33,472	10,774	1,166	45,412	-	45,412
Other	61,800	-	-	61,800	-	61,800
TOTAL REVENUES	<u>5,883,140</u>	<u>2,207,988</u>	<u>1,166</u>	<u>8,092,294</u>	<u>817</u>	<u>8,093,111</u>
EXPENDITURES / EXPENSES:						
Current:						
Water/wastewater purchases	1,815,413	-	-	1,815,413	-	1,815,413
Garbage collection fees	610,739	-	-	610,739	-	610,739
Park maintenance	502,174	-	-	502,174	-	502,174
General manager fees	303,864	-	-	303,864	-	303,864
Repairs and maintenance	213,193	-	-	213,193	-	213,193
Utilities	31,282	-	-	31,282	-	31,282
Chemicals	39,769	-	-	39,769	-	39,769
Office expenditures	309,384	-	-	309,384	-	309,384
Security services	116,191	-	-	116,191	-	116,191
Director fees, including payroll taxes	22,920	-	-	22,920	-	22,920
Legal fees	105,449	-	-	105,449	-	105,449
Engineering fees	87,988	-	-	87,988	-	87,988
Accounting fees	66,750	-	-	66,750	-	66,750
Audit fees	15,250	-	-	15,250	-	15,250
Insurance	16,919	-	-	16,919	-	16,919
Tax appraisal/collection	12,558	13,860	-	26,418	-	26,418
Financial advisor fees	989	1,091	-	2,080	-	2,080
Other consulting fees	36,829	500	-	37,329	-	37,329
Other	97,825	-	-	97,825	-	97,825
Debt service:						
Bond principal	-	1,450,000	-	1,450,000	(1,450,000)	-
Bond interest	-	802,930	-	802,930	6,462	809,392
Fiscal agent fees	-	2,600	-	2,600	-	2,600
Bond issuance costs	-	847	-	847	-	847
Capital outlay	313,233	-	-	313,233	(313,233)	-
Depreciation	-	-	-	-	1,033,042	1,033,042
TOTAL EXPENDITURES / EXPENSES	<u>4,718,719</u>	<u>2,271,828</u>	<u>-</u>	<u>6,990,547</u>	<u>(723,729)</u>	<u>6,266,818</u>
Change in fund balances / net position	1,164,421	(63,840)	1,166	1,101,747	724,546	1,826,293
FUND BALANCES / NET POSITION:						
Beginning of the year	7,141,318	763,846	-	7,905,164	9,231,323	17,136,487
End of the year	<u>\$ 8,305,739</u>	<u>\$ 700,006</u>	<u>\$ 1,166</u>	<u>\$ 9,006,911</u>	<u>\$ 9,955,869</u>	<u>\$ 18,962,780</u>

The accompanying notes are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**

NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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 GASB standards 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. In addition, there are no component units as defined by GASB standards which are included in the District's reporting entity.

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 (GASB Codification).

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 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.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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 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. GASB 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 General Fund budget with actual results.

- **Government-wide Statements:**

The District's statement of net position 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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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 Position.

Basis of Accounting

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 fund balances. 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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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 - An unappropriated budget was adopted on September 22, 2015, 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 - Cash and cash equivalents include 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 amortized cost.

Accounts Receivable - The District provides for uncollectible service accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. The District had an allowance for uncollectible accounts of \$2,500 at September 30, 2016.

Capital Assets - Capital assets, which include land and easements, common and recreation areas, and water, wastewater and drainage facilities, are reported in the government-wide column in the Statement of Net Position. 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 acquisition value at the time received. Interest incurred during construction of capital facilities is capitalized.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

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

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 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.

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 and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Balance - 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. The District has \$8,155 in nonspendable fund balance related to prepaid office space rent.
- *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.
- *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 assigned \$641,281 of its fund balance to cover a projected 2017 budget deficit.
- *Unassigned*: all other spendable amounts in the General Fund.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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.

Fair Value Measurements - The District implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations

Implementation of GASB Statement No. 72 did not have a significant impact on the District's financial statements for the year ended September 30, 2016.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS –

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

Fund Balances - Total Governmental Funds		\$ 9,006,911
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Land	\$ 833,376	
Capital assets	41,507,375	
Less: Accumulated depreciation	<u>(9,815,000)</u>	32,525,751
Revenue is recognized when earned in the government statements, regardless of availability. Governmental funds report deferred revenue for tax revenues earned but not available.		31,867
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Bonds payable	(21,895,000)	
Issuance discount	153,575	
Issuance premium	(795,955)	
Deferred charge on refunding, net	449,492	
Accrued interest	<u>(513,861)</u>	<u>(22,601,749)</u>
Net Position - Governmental Activities		<u>\$ 18,962,780</u>

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

Changes in Fund Balances - Governmental Funds		\$ 1,101,747
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Capital expenditures in period purchased	\$ 313,233	
Interest expenditures in year paid	(6,462)	
Principal in year paid	1,450,000	
Tax revenue when collected	<u>817</u>	1,757,588
Governmental funds do not report - Depreciation		<u>(1,033,042)</u>
Change in Net Position - Governmental Activities		<u>\$ 1,826,293</u>

NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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, 2016, the carrying amount of the District's deposits was \$748,600 and the bank balance was \$1,001,127. 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 AAAM by a nationally recognized rating agency.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

3. CASH AND INVESTMENTS (continued) -

At September 30, 2016, the District held the following investments:

Investment	Fair Value at 9/30/2016	Governmental Fund			Investment Rating	
		General	Debt Service	Capital Projects	Rating	Rating Agency
Texpool	\$ 2,087,701	\$ 2,087,701	\$ -	\$ -	AAAm	Standard & Poors
LOGIC	7,047,599	6,080,375	714,072	253,152	AAAm	Standard & Poors
	<u>\$ 9,135,300</u>	<u>\$ 8,168,076</u>	<u>\$ 714,072</u>	<u>\$ 253,152</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, Inc. 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. These investments are stated at amortized cost in accordance with GASB Statement No. 31.

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, 2016, 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, 2016, the District's bank deposits were covered by FDIC coverage and other pledged collateral.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

4. PROPERTY TAXES

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 22, 2015.

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 2015 tax roll. The tax rate, based on total taxable assessed valuation of \$579,124,796, was \$0.722 on each \$100 valuation and was allocated \$0.3432 to the General Fund and \$0.3788 to the Debt Service Fund. The maximum allowable maintenance tax rate of \$1.50 was established by the voters on April 5, 1986.

Property taxes receivable at September 30, 2016, consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 3,212	\$ 3,545	\$ 6,757
Prior years' levies	10,923	14,187	25,110
	\$ 14,135	\$ 17,732	\$ 31,867

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

5. INTERFUND ACCOUNTS

A summary of interfund accounts, which resulted from the time lag between dates that payments between funds are made, is as follows at September 30, 2016:

	Interfund	
	Receivable	Payable
General Fund:		
Debt Service Fund	\$ 14,066	\$ -
Capital Projects Fund	251,986	-
Debt Service Fund -		
General Fund	-	14,066
Capital Projects Fund -		
General Fund	-	251,986
	\$ 266,052	\$ 266,052

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 10/1/2015	Additions	Deletions	Balance 9/30/2016
Capital assets not being depreciated:				
Land and Easements	\$ 833,376	\$ -	\$ -	\$ 833,376
Construction in progress	107,764	-	(107,764)	-
Total capital assets not being depreciated	941,140	-	(107,764)	833,376
Capital assets being depreciated:				
Water, Wastewater and Drainage Facilities	36,517,883	27,653	-	36,545,536
Common and Recreation areas	4,568,495	393,344	-	4,961,839
Total capital assets being depreciated	41,086,378	420,997	-	41,507,375
Less accumulated depreciation for:				
Water, Wastewater and Drainage Facilities	(6,792,125)	(738,243)	-	(7,530,368)
Common and Recreation areas	(1,989,833)	(294,799)	-	(2,284,632)
Total accumulated depreciation	(8,781,958)	(1,033,042)	-	(9,815,000)
Total capital assets being depreciated, net of accumulated depreciation	32,304,420	(612,045)	-	31,692,375
Total capital assets, net	\$ 33,245,560	\$ (612,045)	\$ (107,764)	\$ 32,525,751

7. BONDED DEBT

The following is a summary of bond transactions of the District for the year ended September 30, 2016:

	Unlimited Tax and Revenue Bonds
Bonds payable at October 1, 2015	\$ 23,345,000
Bonds issued	-
Bonds refunded	-
Bonds retired	(1,450,000)
Bond discount, net of accumulated amortization	(153,575)
Bond premium, net of accumulated amortization	795,955
Bonds payable at September 30, 2016	\$ 22,537,380

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

7. BONDED DEBT (continued) -

Bonds payable at September 30, 2016, were comprised of the following individual issues:

Unlimited Tax and Revenue Bonds:

\$1,055,000 – 2007 Unlimited Tax and Revenue Bonds payable serially through the year 2030 at interest rates which range from 3.50% 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.

\$275,000 – 2009 Unlimited Tax and Revenue Bonds payable serially through the year 2017 at an interest rate of 4.00%. 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.

\$4,035,000 – 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:

\$4,460,000 – 2010 Unlimited Tax and Revenue Refunding Bonds payable serially through the year 2026 at interest rates which range from 3.50% 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.

\$3,180,000 – 2012 Unlimited Tax and Revenue Refunding Bonds payable serially through the year 2028 at interest rates which range from 2.00% 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.

\$3,285,000 – 2014 Unlimited Tax and Revenue Refunding Bonds payable serially through the year 2028 at interest rates which range from 2.00% to 3.125%. 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.

\$5,605,000 – 2015 Unlimited Tax and Revenue Refunding Bonds payable serially through the year 2031 at interest rates which range from 2.00% to 4.00%. Bonds maturing September 1, 2022 are subject to redemption prior to maturity in whole or from time to time in part, on September 1, 2021 or on any date thereafter.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

7. BONDED DEBT (continued) -

The annual requirements to amortize all bonded debt at September 30, 2016, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2017	\$ 1,405,000	\$ 752,044	\$ 2,157,044
2018	1,120,000	1,050,994	2,170,994
2019	1,410,000	823,923	2,233,923
2020	1,620,000	639,869	2,259,869
2021	1,495,000	583,556	2,078,556
2022-2026	8,360,000	2,097,652	10,457,652
2027-2031	6,485,000	696,488	7,181,488
	\$ 21,895,000	\$ 6,644,526	\$ 28,539,526

A portion of the Series 2014 and 2015 bonds were capital appreciation bonds, commonly referred to as “premium compound interest bonds”. These bonds were issued at a discount to their par or maturity value and will accrete interest until maturity. The interest shown above includes the interest to be paid on the bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

Unlimited tax bonds authorized but not issued as of September 30, 2016, were \$35,213,000.

\$700,006 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.

8. 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 did not collect any capital recovery fees during the year ending September 30, 2016.

9. COMMITMENTS AND CONTINGENCIES

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 “Commission”). The District, as of September 30, 2016, has recorded no liability pertaining to such costs.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

9. COMMITMENTS AND CONTINGENCIES (continued) -

In 2013, the District filed petitions with the Commission appealing the rates charged by the City of Austin (the “City”) to the District for wholesale water and wastewater services. The petitions alleged that the City’s rates are in excess of the cost of services being provided to the District and are, thus, in violation of Texas law. Since the filing of the petitions, the Texas Legislature transferred jurisdiction of water and wastewater rate appeals to the Public Utility Commission of Texas (the “PUC”). The State Office of Administrative Hearings (“SOAH”) completed a hearing on the merits in February 2015 and issued a Proposal for Decision in favor of the District in July 2015. The SOAH Judges established interim water rates to be charged by the City, lowering rates to what existed prior to the City’s adoption of new rates in 2012, which continue in effect. At this time, no action has been taken by the SOAH Judge regarding interim wastewater rates.

In October 2015, the PUC issued an Order lowering the water and wastewater rates for the District. The PUC issued a final order on January 14, 2016. On March 29, 2016, the City filed in Travis County District Court its appeal of the PUC Order. At this time, the District is unable to form a judgment as to whether it is probable, reasonable or possible that the outcome of this matter will be unfavorable to the District.

10. 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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

11. LEASE OBLIGATION

The District leases space in an office building at 1421 Wells Branch Parkway, Austin, TX. The District's lease was amended on April 1, 2014 and will terminate on June 30, 2019.

The District paid office lease expenses of \$46,024 in fiscal year 2016. The lease is subject to rental adjustments at the end of each contract year in accordance with defined contract amounts. In addition, the District pays a pro-rata share of operating costs for the facility which is adjusted annually. Following is a schedule of the remaining minimum lease payments.

<u>Fiscal Year</u>	<u>Payment Amount</u>
2017	\$ 34,225
2018	35,501
2019	<u>27,104</u>
Total Minimum Lease Payments	<u>\$ 96,830</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2016**

	<u>Actual</u>	<u>Original Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Property taxes, including penalties and interest	\$ 1,989,812	\$ 1,965,307	\$ 24,505
Service revenues, including penalties	3,798,056	3,867,207	(69,151)
Interest	33,472	7,200	26,272
Other	61,800	30,000	31,800
TOTAL REVENUES	<u>5,883,140</u>	<u>5,869,714</u>	<u>13,426</u>
EXPENDITURES:			
Current:			
Water/wastewater purchases	1,815,413	2,621,423	806,010
Garbage collection fees	610,739	618,166	7,427
Park maintenance	502,174	706,600	204,426
General manager fees	303,864	316,478	12,614
Repairs and maintenance	213,193	165,000	(48,193)
Inspection/connection fees	-	3,400	3,400
Utilities	31,282	36,000	4,718
Chemicals	39,769	110,000	70,231
Office expenditures	309,384	336,614	27,230
Security services	116,191	111,398	(4,793)
Director fees, including payroll taxes	22,920	33,915	10,995
Legal fees	105,449	150,000	44,551
Engineering fees	87,988	70,800	(17,188)
Accounting fees	66,750	66,750	-
Audit fees	15,250	15,500	250
Insurance	16,919	24,000	7,081
Tax appraisal/collection	12,558	12,000	(558)
Financial advisor fees	989	1,000	11
Other consulting fees	36,829	120,000	83,171
Other	97,825	141,349	43,524
Capital Outlay	313,233	805,000	491,767
TOTAL EXPENDITURES	<u>4,718,719</u>	<u>6,465,393</u>	<u>1,746,674</u>
CHANGE IN FUND BALANCE	1,164,421	<u>\$ (595,679)</u>	<u>\$ 1,760,100</u>
FUND BALANCE :			
Beginning of the year	<u>7,141,318</u>		
End of the year	<u>\$ 8,305,739</u>		

**TEXAS SUPPLEMENTARY
INFORMATION**

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2016**

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 checked="" 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:	\$ 29.60 ⁽¹⁾	-	N	\$ 5.08	1 to 7,000
				\$ 5.91	7,001 to 12,000
				\$ 6.69	12,001 to 17,000
				\$ 7.59	17,001 +
WASTEWATER:	\$ -	-	N	\$ 6.89	Per 1,000
SURCHARGE:	\$ -	-	-	\$ -	

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 82.89 ⁽¹⁾ Wastewater \$ 68.90

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	-	-	1.0	-
≤ 3/4"	2,979	2,963	1.0	2,963
1"	5	5	2.5	13
1 1/2"	8	8	5.0	40
2"	11	11	8.0	88
3"	2	2	15.0	30
4"	-	-	25.0	-
6"	3	3	50.0	150
8"	2	2	80.0	160
10"	-	-	115.0	-
Total Water	3,010	2,994		3,444
Total Wastewater	2,987	2,987	1.0	2,987

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

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2016**

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

Gallons pumped into system: 283,173

Gallons billed to customers: 256,264

Water Accountability Ratio (Gallons billed / Gallons Pumped) 90.5%

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 EXPENDITURE
SEPTEMBER 30, 2016

Personnel Expenditures (including benefits)	\$ 249,836
Professional Fees:	
Audit	15,250
Legal	105,449
Engineering	87,988
Financial Advisor	989
Purchased Services For Resale -	
Bulk Water and Wastewater Purchases	1,815,413
Contracted Services:	
General Manager/Bookkeeping	370,614
Appraisal District/Tax Collector	12,558
Security Services	116,191
Other Contracted Services	36,829
Utilities	31,282
Repairs and Maintenance	213,193
Chemicals	39,769
Administrative Expenditures:	
Directors' Fees	22,920
Office Supplies	-
Insurance	16,919
Other Administrative Expenditures	157,373
Capital Outlay:	
Capitalized Assets	313,233
Expenditures not Capitalized	-
Bad Debt	-
Solid Waste Disposal	610,739
Parks and Recreation	502,174
Other Expenditures	-
TOTAL EXPENDITURES	\$4,718,719

Number of persons employed by the District:

Full-Time Part-Time

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2016**

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	\$ 6,035,344	\$ -
State Investment Pool	XXX0001	Varies	N/A	1,767,967	-
State Investment Pool	XXX0004	Varies	N/A	152,611	-
State Investment Pool	XXX0005	Varies	N/A	162,815	-
Investment in LOGIC	XXX8002	Varies	N/A	45,031	-
State Investment Pool	XXX0003	Varies	N/A	4,308	-
Total				8,168,076	-
Debt Service Fund:					
Investment in LOGIC	XXX8005	Varies	N/A	37,707	-
Investment in LOGIC	XXX8006	Varies	N/A	676,365	-
Total				714,072	-
Capital Projects Fund:					
Investment in LOGIC	XXX8008	Varies	N/A	33	-
Investment in LOGIC	XXX8010	Varies	N/A	47,461	-
Investment in LOGIC	XXX8012	Varies	N/A	34,242	-
Investment in LOGIC	XXX8015	Varies	N/A	171,416	-
Total				253,152	-
Total - All Funds				\$ 9,135,300	\$ -

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2016**

	Maintenance Taxes	Debt Service Taxes		
Taxes Receivable, Beginning of Year	\$ 13,357	\$ 17,693		
2015 Original Tax Levy, less abatements/adjustments	1,987,556	2,193,725		
Total to be accounted for	2,000,913	2,211,418		
Tax collections:				
Current year	1,984,344	2,190,180		
Prior years	2,434	3,506		
Total collections	1,986,778	2,193,686		
Taxes Receivable, End of Year	\$ 14,135	\$ 17,732		
Taxes Receivable, By Years				
2013 and prior	\$ 10,030	\$ 12,901		
2014	893	1,286		
2015	3,212	3,545		
Taxes Receivable, End of Year	\$ 14,135	\$ 17,732		
Property Valuations:	2015 (a)	2014 (a)	2013 (a)	2012 (a)
Land and improvements	\$ 579,124,796	\$ 514,296,755	\$ 498,092,316	\$ 424,159,851
Total Property Valuations	\$ 579,124,796	\$ 514,296,755	\$ 498,092,316	\$ 424,159,851
Tax Rates per \$100 Valuation:				
Debt Service tax rates	\$ 0.3788	\$ 0.4343	\$ 0.4451	\$ 0.5271
Maintenance tax rates	0.3432	0.3017	0.3049	0.2229
Total Tax Rates per \$100 Valuation:	\$ 0.7220	\$ 0.7360	\$ 0.7500	\$ 0.7500
Original Tax Levy	\$ 4,181,281	\$ 3,785,223	\$ 3,735,692	\$ 3,181,199
Percent of Taxes Collected to Taxes Levied **	99.8%	99.9%	99.9%	99.9%
Maximum Maintenance Tax Rate Approved by Voters:	\$ 1.50 on 4/5/1986			

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

(a) Valuations are provided by the appropriate Appraisal District. Due to various factors including tax protests and disputes, such valuations change over time; therefore, they may vary slightly from those disclosed in the District's bond offering documents or the District's annual bond disclosure filings.

NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2016

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX AND REVENUE BONDS SERIES 2007			UNLIMITED TAX AND REVENUE BONDS SERIES 2009			UNLIMITED TAX AND REVENUE REFUNDING BONDS SERIES 2010		
	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
	2017	\$ 225,000	\$ 41,525	\$ 266,525	\$ 275,000	\$ 11,000	\$ 286,000	\$ 355,000	\$ 171,606
2018	-	33,200	33,200	-	-	-	375,000	157,406	532,406
2019	-	33,200	33,200	-	-	-	560,000	142,410	702,410
2020	-	33,200	33,200	-	-	-	585,000	120,006	705,006
2021	-	33,200	33,200	-	-	-	425,000	96,606	521,606
2022	-	33,200	33,200	-	-	-	450,000	79,606	529,606
2023	-	33,200	33,200	-	-	-	465,000	63,856	528,856
2024	-	33,200	33,200	-	-	-	485,000	47,000	532,000
2025	-	33,200	33,200	-	-	-	510,000	28,813	538,813
2026	-	33,200	33,200	-	-	-	250,000	9,688	259,688
2027	-	33,200	33,200	-	-	-	-	-	-
2028	-	33,200	33,200	-	-	-	-	-	-
2029	400,000	33,200	433,200	-	-	-	-	-	-
2030	430,000	17,200	447,200	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-
	<u>\$ 1,055,000</u>	<u>\$ 457,125</u>	<u>\$ 1,512,125</u>	<u>\$ 275,000</u>	<u>\$ 11,000</u>	<u>\$ 286,000</u>	<u>\$ 4,460,000</u>	<u>\$ 916,997</u>	<u>\$ 5,376,997</u>

NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2016

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX AND REVENUE BONDS SERIES 2011			UNLIMITED TAX AND REVENUE REFUNDING BONDS SERIES 2012			UNLIMITED TAX AND REVENUE REFUNDING BONDS SERIES 2014		
	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
	2017	\$ 175,000	\$ 121,569	\$ 296,569	\$ 305,000	\$ 101,700	\$ 406,700	\$ 30,000	\$ 96,644
2018	185,000	118,069	303,069	335,000	94,075	429,075	25,000	326,044	351,044
2019	195,000	114,369	309,369	200,000	85,700	285,700	270,000	96,044	366,044
2020	205,000	110,469	315,469	220,000	79,700	299,700	270,000	89,294	359,294
2021	220,000	105,856	325,856	220,000	73,100	293,100	290,000	81,194	371,194
2022	230,000	100,906	330,906	240,000	66,500	306,500	290,000	72,494	362,494
2023	245,000	95,156	340,156	240,000	58,100	298,100	315,000	63,794	378,794
2024	260,000	88,419	348,419	265,000	49,700	314,700	335,000	54,344	389,344
2025	275,000	80,619	355,619	260,000	40,425	300,425	335,000	44,294	379,294
2026	295,000	72,369	367,369	285,000	31,325	316,325	355,000	34,244	389,244
2027	310,000	63,150	373,150	305,000	21,350	326,350	375,000	23,594	398,594
2028	330,000	52,300	382,300	305,000	10,675	315,675	395,000	12,344	407,344
2029	350,000	40,750	390,750	-	-	-	-	-	-
2030	370,000	28,500	398,500	-	-	-	-	-	-
2031	390,000	14,625	404,625	-	-	-	-	-	-
	<u>\$ 4,035,000</u>	<u>\$ 1,207,126</u>	<u>\$ 5,242,126</u>	<u>\$ 3,180,000</u>	<u>\$ 712,350</u>	<u>\$ 3,892,350</u>	<u>\$ 3,285,000</u>	<u>\$ 994,328</u>	<u>\$ 4,279,328</u>

NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2016

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX AND REVENUE REFUNDING BONDS SERIES 2015			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
	2017	\$ 40,000	\$ 208,000	\$ 248,000	\$ 1,405,000	\$ 752,044
2018	200,000	322,200	522,200	1,120,000	1,050,994	2,170,994
2019	185,000	352,200	537,200	1,410,000	823,923	2,233,923
2020	340,000	207,200	547,200	1,620,000	639,869	2,259,869
2021	340,000	193,600	533,600	1,495,000	583,556	2,078,556
2022	365,000	180,000	545,000	1,575,000	532,706	2,107,706
2023	365,000	165,400	530,400	1,630,000	479,506	2,109,506
2024	390,000	150,800	540,800	1,735,000	423,463	2,158,463
2025	415,000	135,200	550,200	1,795,000	362,551	2,157,551
2026	440,000	118,600	558,600	1,625,000	299,426	1,924,426
2027	460,000	101,000	561,000	1,450,000	242,294	1,692,294
2028	480,000	82,600	562,600	1,510,000	191,119	1,701,119
2029	505,000	63,400	568,400	1,255,000	137,350	1,392,350
2030	525,000	43,200	568,200	1,325,000	88,900	1,413,900
2031	555,000	22,200	577,200	945,000	36,825	981,825
	<u>\$ 5,605,000</u>	<u>\$ 2,345,600</u>	<u>\$ 7,950,600</u>	<u>\$ 21,895,000</u>	<u>\$ 6,644,526</u>	<u>\$ 28,539,526</u>

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2016**

	<u>Series 2007</u>	<u>Series 2009</u>	<u>Series 2010</u>	<u>Series 2011</u>	<u>Series 2012</u>	<u>Series 2014</u>	<u>Series 2015</u>	<u>Total</u>
Interest Rate	3.50 - 4.00%	4.00%	3.50 - 4.00%	2.00 - 3.75%	2.00 - 3.50%	2.00 - 3.125%	2.00 - 4.00%	
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	9/1/2030	9/1/2017	9/1/2026	9/1/2031	9/1/2028	9/1/2028	9/1/2031	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 1,280,000	\$ 525,000	\$ 4,800,000	\$ 4,200,000	\$ 3,590,000	\$ 3,315,000	\$ 5,635,000	\$ 23,345,000
Bonds Sold During the Current Fiscal Year	-	-	-	-	-	-	-	-
Retirements During the Current Fiscal Year:								
Principal	(225,000)	(250,000)	(340,000)	(165,000)	(410,000)	(30,000)	(30,000)	(1,450,000)
Refunded	-	-	-	-	-	-	-	-
Bonds Outstanding at End of Current Fiscal Year	<u>\$ 1,055,000</u>	<u>\$ 275,000</u>	<u>\$ 4,460,000</u>	<u>\$ 4,035,000</u>	<u>\$ 3,180,000</u>	<u>\$ 3,285,000</u>	<u>\$ 5,605,000</u>	<u>\$ 21,895,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 49,738</u>	<u>\$ 21,000</u>	<u>\$ 185,206</u>	<u>\$ 124,868</u>	<u>\$ 109,900</u>	<u>\$ 97,244</u>	<u>\$ 214,974</u>	<u>\$ 802,930</u>
Paying Agent's Name & Address:	<u>Bank of Texas</u> <u>Austin, TX</u>	<u>Bank of Texas</u> <u>Austin, TX</u>	<u>Bank of Texas</u> <u>Austin, TX</u>	<u>Bank of Texas</u> <u>Austin, TX</u>	<u>Bank of Texas</u> <u>Austin, TX</u>	<u>Bank of Texas</u> <u>Austin, TX</u>	<u>Bank of Texas</u> <u>Austin, TX</u>	<u>Bank of Texas</u> <u>Austin, TX</u>
Bond Authority:	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>					
Amount Authorized by Voters	\$ 69,443,000	\$ -	\$ -					
Amount Issued	<u>(34,230,000)</u>	<u>-</u>	<u>21,225,000</u>					
Remaining To Be Issued	<u>\$ 35,213,000</u>	<u>\$ -</u>	<u>\$ -</u>					

* 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, 2016: \$ 714,072

Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt: \$ 1,902,635

NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND
FIVE YEARS ENDED SEPTEMBER 30, 2016

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
GENERAL FUND										
REVENUES:										
Water, wastewater and garbage service, including penalties	\$ 3,798,056	\$ 3,798,324	\$ 3,865,382	\$ 3,919,634	\$ 3,384,026	64.6	69.5	71.0	78.0	70.1
Property taxes, including penalties and interest	1,989,812	1,553,121	1,521,641	959,699	1,239,755	33.8	28.4	27.9	19.1	25.7
Park fees	-	23,940	5,400	19,800	20,100	-	0.4	0.1	0.4	0.4
Interest	33,472	7,091	6,327	8,368	48,282	0.6	0.1	0.1	0.2	1.0
System connection fees	-	-	21,600	79,200	73,900	-	-	0.4	1.6	1.5
Miscellaneous	61,800	89,107	25,300	34,131	64,131	1.0	1.6	0.5	0.7	1.3
Total revenues	5,883,140	5,471,583	5,445,650	5,020,832	4,830,194	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Current:										
Water, wastewater and garbage	2,426,152	2,887,959	3,001,990	2,979,253	2,758,619	41.2	52.8	55.1	59.3	57.0
Park maintenance	502,174	456,664	503,338	506,984	527,065	8.5	8.4	9.2	10.1	10.9
General manager services	303,864	303,795	301,266	273,838	257,983	5.2	5.6	5.5	5.5	5.3
Legal fees	105,449	104,735	134,258	132,624	165,866	1.8	1.9	2.5	2.6	3.4
Repairs and maintenance	213,193	182,969	221,698	224,258	202,548	3.6	3.4	4.1	4.5	4.2
Inspection fees/meter purchases	-	-	2,585	6,457	4,792	-	-	-	0.1	0.1
Engineering fees	87,988	43,157	57,562	59,586	98,597	1.5	0.8	1.1	1.2	2.0
Security services	116,191	104,001	104,712	92,571	83,896	2.0	1.9	1.9	1.8	1.7
Utilities	31,282	29,496	32,386	32,959	17,140	0.5	0.5	0.6	0.7	0.4
Auditing fees	15,250	15,000	14,900	14,600	14,500	0.3	0.3	0.3	0.3	0.3
Accounting fees	66,750	66,750	66,750	66,750	66,750	1.1	1.2	1.2	1.3	1.4
Directors' fees	22,920	18,720	16,470	18,247	16,793	0.4	0.3	0.3	0.3	0.3
Chemicals	39,769	98,139	120,800	63,751	34,177	0.7	1.8	2.2	1.3	0.7
Office expenditures	309,384	290,842	273,610	275,846	252,653	5.3	5.3	5.0	5.7	5.4
Tax appraisal/collection fees	12,558	10,475	9,311	5,884	7,573	0.2	0.2	0.2	0.1	0.2
Insurance	16,919	16,612	15,521	17,276	12,227	0.3	0.3	0.3	0.3	0.3
Other	98,814	87,403	100,395	157,426	105,633	1.7	1.6	1.8	3.1	2.2
Contracted services	36,829	128,365	62,867	-	-	0.6	2.3	1.2	-	-
Capital outlay	313,233	231,915	1,116,609	235,691	460,677	5.3	4.2	20.5	4.7	9.5
Total expenditures	4,718,719	5,076,997	6,157,028	5,164,001	5,087,489	80.2	92.8	113.0	102.9	105.3
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,164,421	\$ 394,586	\$ (711,378)	\$ (143,169)	\$ (257,295)	19.8	7.2	(13.0)	(2.9)	(5.3)

(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, 2016

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
<u>DEBT SERVICE FUND</u>										
REVENUES:										
Property taxes, including penalties and interest	\$ 2,197,214	\$ 2,235,619	\$ 2,223,203	\$ 2,259,291	\$ 1,989,308	99.5	89.6	93.2	99.9	79.6
Net bond activity	-	256,855	159,364	-	506,096	-	10.3	6.7	-	20.2
Interest	10,774	2,231	1,828	2,793	5,134	0.5	0.1	0.1	0.1	0.2
Total revenues	<u>2,207,988</u>	<u>2,494,705</u>	<u>2,384,395</u>	<u>2,262,084</u>	<u>2,500,538</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES:										
Tax appraisal/collection fees	13,860	15,079	13,593	13,915	12,135	0.6	0.6	0.6	0.6	0.5
Principal payments	1,450,000	1,340,000	1,240,000	1,300,000	1,030,000	65.7	53.7	52.0	57.5	41.2
Interest payments	802,930	762,641	901,675	1,006,379	1,272,683	36.4	30.6	37.8	44.5	50.9
Fiscal agent fees and other	4,191	8,827	4,868	14,365	3,590	0.2	0.4	0.2	0.6	0.1
Bond refunding expenditures	847	254,826	154,595	1,030	178,429	-	10.2	6.5	-	7.1
Total expenditures	<u>2,271,828</u>	<u>2,381,373</u>	<u>2,314,731</u>	<u>2,335,689</u>	<u>2,496,837</u>	<u>102.9</u>	<u>95.5</u>	<u>97.1</u>	<u>103.2</u>	<u>99.8</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (63,840)</u>	<u>\$ 113,332</u>	<u>\$ 69,664</u>	<u>\$ (73,605)</u>	<u>\$ 3,701</u>	<u>(2.9)</u>	<u>4.5</u>	<u>2.9</u>	<u>(3.2)</u>	<u>0.2</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,994</u>	<u>2,968</u>	<u>2,971</u>	<u>2,926</u>	<u>2,866</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>2,987</u>	<u>2,962</u>	<u>2,962</u>	<u>2,837</u>	<u>2,837</u>					

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2016**

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: November 16, 2016

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
		9/30/2016	9/30/2016	
<i>Board Members:</i>				
ROBIN CAMPBELL	(Elected) 11/8/2016 - 11/3/2020	\$ 2,700	\$ -	President
BRENDA RICHTER	(Elected) 11/4/2014 - 11/6/2018	\$ 4,800	\$ 1,066	Vice-President
KATHY HAUGHT	(Elected) 11/4/2014 - 11/6/2018	\$ 3,750	\$ 1,481	Secretary
FELIX T. AMARO, JR.	(Elected) 11/8/2016 - 11/3/2020	\$ 7,200	\$ -	Treasurer
CHRISTOPHER CAPERS	(Elected) 11/4/2014 - 11/6/2018	\$ 3,300	\$ 1,282	Assistant Secretary

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

Consultants:

Crossroads Utility Service	2010	\$ 470,973	\$ -	District Manager
Armbrust & Brown, PLLC	1997	\$ 106,556	\$ -	Attorney
Bott & Douthitt, PLLC	2009	\$ 66,750	\$ 558	District Accountant
McCall Gibson Swedlund Barfoot PLLC	2011	\$ 15,250	\$ -	Auditor
360 Professional Services, Inc.	2012	\$ 101,591	\$ -	Engineer
Public Finance Group, LLC	2014	\$ 2,080	\$ -	Financial Advisor
McCall Parkhurst & Horton, LLP	1994	\$ -	\$ 847	Bond Counsel
Travis County Tax Collector	1994	\$ 4,258	\$ -	Tax Collector

**OTHER SUPPLEMENTARY
INFORMATION**

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2016**

Taxpayer	Type of Property	Tax Roll Year		
		2016	2015	2014
CL Tech Ridge LP & Tech Ridge LA Partners	N/A	\$ 45,769,047	\$ -	\$ -
Belkorp Oaks LLC	N/A	33,791,910	27,889,610	-
Realty Associates Fund IX LP	N/A	17,518,635	15,890,234	12,353,750
Lakewood SDF LLC	N/A	11,523,028	9,248,265	-
Village @ Northtown Ltd.	N/A	11,456,926	11,214,826	5,081,137
Applied Materials Inc.	N/A	2,520,112	2,040,508	2,701,766
A M Petroleum Inc.	N/A	2,361,269	2,335,650	2,309,868
Advanced Energy Industries Inc.	N/A	1,229,333	2,294,341	940,217
Oaks at Techridge Phase 3 Partners LP	N/A	1,013,620	1,013,620	26,476,764
Jeffercindershan Ltd.	N/A	965,431	965,431	-
MFREVF - Tech Ridge LP	N/A	-	35,700,000	31,440,409
Samsung Austin Semiconductor	N/A	-	-	3,116,691
Oaks at Techridge Phase 2 Partners LP	N/A	-	-	2,840,324
Gigaphoton USA Inc.	N/A	-	-	908,040
Total		\$ 128,149,311	\$ 108,592,485	\$ 88,168,966
Percent of Assessed Valuation		19.7%	18.8%	17.1%

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2016**

Type of Property	Tax Roll Year					
	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 538,675,566	82.7%	\$ 479,914,703	82.8%	\$ 423,574,294	82.3%
Multi Family Residence	101,667,970	15.6%	81,730,171	14.1%	69,760,185	13.6%
Vacant Lot	1,397,226	0.2%	1,284,057	0.2%	722,253	0.1%
Qualified Ag Land	3,297,263	0.5%	3,297,263	0.5%	820,915	0.1%
Non-Qualified Land	14,119,989	2.2%	14,352,383	2.5%	6,040,300	1.2%
Commercial Real Property	19,879,904	3.1%	17,144,786	3.0%	14,663,618	2.9%
Telephone Company	153,932	-	396,877	0.1%	427,174	0.1%
Commercial Personal Property	3,564,876	0.6%	5,103,311	0.9%	5,745,263	1.1%
Industrial Personal Property	112,699,881	17.3%	78,471,310	13.5%	48,903,806	9.5%
Residential Inventory	257,354	-	-	-	1,373,912	0.3%
Totally Exempt Property	8,417,225	1.3%	8,656,932	1.5%	8,267,205	1.6%
Less: Adjustments	<u>(152,794,580)</u>	<u>(23.5)%</u>	<u>(111,226,997)</u>	<u>(19.1)%</u>	<u>(66,002,170)</u>	<u>(12.8)%</u>
Total Taxable	<u>\$ 651,336,606</u>	<u>100.0%</u>	<u>\$ 579,124,796</u>	<u>100.0%</u>	<u>\$ 514,296,755</u>	<u>100.0%</u>