

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2009**

**NOTE 5. MAINTENANCE TAX (Continued)**

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

**NOTE 6. DEVELOPER ADVANCES**

The District has entered into agreements with Developers to advance funds to the District sufficient to pay for creation and organizational costs as well as operating expenses until other sufficient revenues become available to the District. The District intends to reimburse the Developer for such advances from a future bond issue. As of November 30, 2009, the Developers have advanced \$161,160 to the District which has been recorded as a liability in the Statement of Net Assets.

**NOTE 7. UNREIMBURSED COSTS**

The District has entered into certain financing and reimbursement agreements with Developers within the District which provides for the Developers to make payments on behalf of the District for various projects for which the District has not sold bonds. The District has an obligation to reimburse the Developers for these costs from future bond issues. The District has recorded a liability to the Developers of \$2,546,477 for certain completed projects as of November 30, 2009. In addition, the Developers indicated other costs totaling approximately \$2,500,000 have been made on behalf of the District for which reimbursement has not been made.

**NOTE 8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage and settlements have not exceeded coverage since inception.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2009**

**NOTE 9. BONDS VOTED**

At an election held within the District on May 12, 2007, voters approved for the District to issue water, sewer and drainage bonds up to a maximum amount of \$41,100,000 and park bonds up to a maximum amount of \$5,000,000.

**NOTE 10. OPERATING LEASES**

Interim Wastewater Treatment Plant

On June 26, 2006, the developer for the District entered into a thirty-six (36) month lease agreement with AUC Group, L.P. to lease an 80,000 gallon per day (gpd) prepackaged wastewater treatment plant with an oversized clarifier for future expansion to 300,000 gpd commencing on the first day of the month following substantial completion of the installation and start up of the leased equipment. Lease payments began in May, 2007 at a rate of \$7,300 per month. After the conclusion of the initial thirty-six (36) month lease, the District may extend the lease on a month-to-month basis at \$4,800 per month. The District made lease payments of \$102,200 during the current fiscal year.

Water Well and Water Treatment Plant

On June 1, 2006, the developer for the District entered into an Equipment Lease and Purchase Option Agreement with Bussell & Sons, LLC (Lessor) for the lease of a potable water well and water treatment plant. In accordance with the agreement, the developer paid 25% of the completed construction cost of the water well and water treatment plant. The monthly lease payments of \$3,644.88 began when the plant became operational in August, 2007, and will continue for 120 months. The agreement includes a purchase option whereby the District can purchase the facilities at any time in accordance with the provisions outlined in the agreement. At this time, the District does not intend to purchase these facilities. The District is responsible for insuring the leased property. The District made lease payments of \$51,028 during the current fiscal year.

**NOTE 11. ECONOMIC DEPENDENCY AND DEFICIT FUND BALANCE**

The District's Developers own a substantial portion of the taxable property within the District. The Developers' ability to make full and timely payments of taxes or provide operating advances could directly affect the District's ability to meet its financial obligations. During the start-up period of the District, the District is reliant upon the Developers to make sufficient operating advances for the District to meet its financial obligations (see Note 6).

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2009**

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

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75<sup>th</sup> Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements. The District is required to convert its water supply to surface water over a period of time. For the initial construction of facilities by the Authority, the District has opted to take a pay as you go option on those facilities. A five-member board of directors governs the Authority. The directors serve staggered four-year terms.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The Authority currently charges a fee of \$1.50 per 1,000 gallons of water pumped from each well. The District made payments of \$5,410 to the Authority during the current fiscal year.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**

**REQUIRED SUPPLEMENTARY INFORMATION**

**NOVEMBER 30, 2009**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED NOVEMBER 30, 2009**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>	\$ 116,687	\$ 237,514	\$ 120,827
Property Taxes	69,500	93,176	23,676
Other Revenues			
<b>TOTAL REVENUES</b>	<u>\$ 186,187</u>	<u>\$ 330,690</u>	<u>\$ 144,503</u>
<b>EXPENDITURES</b>			
Service Operations:	\$ 42,000	\$ 70,661	\$ (28,661)
Professional Fees	15,000	17,889	(2,889)
Contracted Services	4,200	25,425	(21,225)
Utilities	91,800	54,038	37,762
Repairs and Maintenance	43,800	153,228	(109,428)
Operating Lease	13,970	77,051	(63,081)
Other			
<b>TOTAL EXPENDITURES</b>	<u>\$ 210,770</u>	<u>\$ 398,292</u>	<u>\$ (187,522)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (24,583)</u>	<u>\$ (67,602)</u>	<u>\$ (43,019)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advances	\$ -0-	\$ 68,160	\$ 68,160
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (24,583)</u>	<u>\$ 558</u>	<u>\$ 25,141</u>
<b>FUND BALANCE - DECEMBER 1, 2008</b>	<u>(93,395)</u>	<u>(93,395)</u>	
<b>FUND BALANCE - NOVEMBER 30, 2009</b>	<u>\$ (117,978)</u>	<u>\$ (92,837)</u>	<u>\$ 25,141</u>

See accompanying independent auditor's report.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE  
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**NOVEMBER 30, 2009**

**FOR THE YEAR ENDED NOVEMBER 30, 2009**

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

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

## 2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective October 1, 2007.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 23.00	8,000	N	\$ 1.00	8,001 to 15,000
				\$ 1.50	15,001 to 30,000
				\$ 2.00	30,001 and up

WASTEWATER: \$ 24.00 Y

**SURCHARGE:**

Commission	0.5% of actual
Regulatory	water and
Assessments	sewer bill
Regional Water	\$1.50 per
Authority Fee	1,000 gallons

District employs winter averaging for wastewater usage?

X

Yes

No

Total monthly charges per 10,000 gallons usage: Water: \$25.00 Wastewater: \$24.00 Surcharge: \$15.25

See accompanying independent auditor's report.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED NOVEMBER 30, 2009**

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

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

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>47</u>	<u>37</u>	x 1.0	<u>37</u>
1"	<u>2</u>	<u>2</u>	x 2.5	<u>5</u>
1½"			x 5.0	
2"	<u>2</u>	<u>2</u>	x 8.0	<u>16</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>51</u>	<u>41</u>		<u>58</u>
Total Wastewater Connections	<u>45</u>	<u>35</u>	x 1.0	<u>35</u>

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

Gallons pumped into the system:	7,174,000	Water Accountability Ratio: (Gallons billed/Gallons pumped)
Gallons billed to customers:	6,537,000	<u>91.1%</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED NOVEMBER 30, 2009**

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

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

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

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes ☒ No ☐

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which the District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480

## GENERAL FUND EXPENDITURES

FOR THE YEAR ENDED NOVEMBER 30, 2009

PERSONNEL EXPENDITURES (Including Benefits)	\$ -0-
PROFESSIONAL FEES:	
Engineering	\$ 8,411
Legal	<u>62,250</u>
TOTAL PROFESSIONAL FEES	\$ <u>70,661</u>
CONTRACTED SERVICES:	
Appraisal District Fees	\$ 4,925
Bookkeeping	816
Operations and Billing	7,301
Garbage Service	3,602
Tax Assessor/Collector	<u>1,245</u>
TOTAL CONTRACTED SERVICES	\$ <u>17,889</u>
UTILITIES	\$ <u>25,425</u>
REPAIRS AND MAINTENANCE	\$ <u>54,038</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 5,250
Insurance	6,043
Legal Notices	841
Office Supplies and Postage	3,564
Payroll Taxes and Administration	637
Travel and Meetings	164
Other	<u>303</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>16,802</u>
CAPITAL OUTLAY:	
Capitalized Assets	\$
Expenditures not Capitalized	<u>-0-</u>
TOTAL CAPITAL OUTLAY	\$ <u>-0-</u>
TAP CONNECTION EXPENDITURES	\$ <u>-0-</u>
SOLID WASTE DISPOSAL	\$ <u>-0-</u>
FIRE FIGHTING	\$ <u>-0-</u>
PARKS AND RECREATION	\$ <u>-0-</u>
SECURITY	\$ <u>-0-</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED NOVEMBER 30, 2009**

OTHER EXPENDITURES:	\$	962
Chemicals		558
Laboratory Fees		53,319
Permit Fees		5,410
Regional Water Authority Fee		<u>153,228</u>
Operating Lease Payments	\$	<u>213,477</u>
TOTAL OTHER EXPENDITURES		
	\$	<u>398,292</u>
TOTAL EXPENDITURES		
Number of persons employed by the District	<u>-0-</u>	Full-Time
	<u>-0-</u>	Part-Time

See accompanying independent auditor's report.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480

## TAXES LEVIED AND RECEIVABLE FOR THE YEAR ENDED NOVEMBER 30, 2009

	Maintenance Tax	
TAXES RECEIVABLE – DECEMBER 1, 2008	\$ 228,050	
Adjustments to Beginning Balance	<u>17,063</u>	\$ 245,113
Original 2009 Tax Levy	\$ 186,454	
Adjustment to 2009 Tax Levy	<u>-0-</u>	<u>186,454</u>
TOTAL TO BE ACCOUNTED FOR		\$ 431,567
TAX COLLECTIONS:		
Prior Years	\$ 237,513	
Current Year	<u>-0-</u>	<u>237,513</u>
TAXES RECEIVABLE – NOVEMBER 30, 2009		<u>\$ 194,054</u>
TAXES RECEIVABLE BY YEAR		
2009		\$ 186,455
2008		7,377
2007		<u>222</u>
TOTAL TAXES RECEIVABLE BY YEAR		<u>\$ 194,054</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED NOVEMBER 30, 2009**

	2009	2008	2007
PROPERTY VALUATIONS			
Land	\$ 7,730,386	\$ **	\$ **
Improvements	4,673,185		
Personal Property	85,997		
Exemptions	<u>(56,291)</u>		
TOTAL PROPERTY VALUATIONS	<u>\$ 12,433,277</u>	<u>\$ 9,152,778</u>	<u>\$ 8,297,396</u>
MAINTENANCE TAX RATE PER \$100 VALUATION	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>
ADJUSTED TAX LEVY*	<u>\$ 186,454</u>	<u>\$ 137,292</u>	<u>\$ 124,461</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>0.00%</u>	<u>94.08%</u>	<u>99.82%</u>

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

\*\* Detail not available at time of audit.

Maximum Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voter on May 12, 2007.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	<u>Amounts</u>		
	<u>2009</u>	<u>2008**</u>	<u>2007*</u>
<b>REVENUES</b>			
Property Taxes	\$ 237,514	\$	\$
Water Service	16,618		2,502
Wastewater Service	11,557		888
Penalty and Interest	47,262		133
Tap Connection and Inspection Fees	6,900		12,599
Regional Water Authority Fees	9,696		808
Investment Revenues	41		1,197
Miscellaneous Revenues	<u>1,102</u>		<u>25</u>
<b>TOTAL REVENUES</b>	<u>\$ 330,690</u>	<u>\$</u>	<u>\$ 18,152</u>
<b>EXPENDITURES</b>			
Professional Fees	\$ 70,661	\$	\$ 50,546
Contracted Services	17,889		3,550
Regional Water Authority Assessment	5,410		
Utilities	25,425		
Repairs and Maintenance	54,038		34,673
Operating Lease	153,228		14,580
Other	<u>71,641</u>		<u>22,989</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 398,292</u>	<u>\$</u>	<u>\$ 126,338</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (67,602)</u>	<u>\$</u>	<u>\$ (108,186)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advances	<u>\$ 68,160</u>	<u>\$</u>	<u>\$ 85,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 558</u>	<u>\$</u>	<u>\$ (23,186)</u>
<b>BEGINNING FUND BALANCE</b>	<u>(93,395)</u>		<u>-0-</u>
<b>ENDING FUND BALANCE</b>	<u>\$ (92,837)</u>	<u>\$ N/A</u>	<u>\$ (23,186)</u>

\* First audit was for inception period ended November 30, 2007.

\*\* No audit required for the fiscal year ending November 30, 2008.

See accompanying independent auditor's report.





**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	<u>Amounts</u>		
	<u>2009</u>	<u>2008**</u>	<u>2007*</u>
<b>REVENUES</b>			
Property Taxes	\$	\$	\$
Penalty and Interest			
Investment Revenues			
Miscellaneous Revenues			
<b>TOTAL REVENUES</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$	\$	\$
Debt Service Principal			
Debt Service Interest and Fees			
<b>TOTAL EXPENDITURES</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$	\$	\$
<b>BEGINNING FUND BALANCE</b>			
<b>ENDING FUND BALANCE</b>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>41</u>	<u>27</u>	<u>N/A</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>35</u>	<u>20</u>	<u>N/A</u>

\* First audit was for inception period ended November 30, 2007.

\*\* No audit required for the fiscal year ending November 30, 2008.

See accompanying independent auditor's report.

		Percent of Total Revenue				
<u>2006</u>	<u>2005</u>	<u>2009</u>	<u>2008**</u>	<u>2007*</u>	<u>2006</u>	<u>2005</u>
\$	\$					
\$	\$					
\$	\$					
\$	\$					
\$	\$	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
\$ <u>N/A</u>	\$ <u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**NOVEMBER 30, 2009**

District Mailing Address - Harris County Municipal Utility District No. 480  
c/o Allen Boone Humphries Robinson LLP  
3200 Southwest Freeway, Suite 2600  
Houston, TX 77027

District Telephone Number - (713) 860-6400

<b>Board Members</b>	<b>Term of Office (Elected or Appointed)</b>	<b>Fees of Office for the year ended November 30, 2009</b>	<b>Expense Reimbursements for the year ended November 30, 2009</b>	<b>Title</b>
Josh Hawes	05/07 - 05/10 (Elected)	\$ 1,200	\$ -0-	President
Jennifer DeChillo	05/07 - 05/10 (Elected)	\$ 1,350	\$ 164	Vice President
April Konopka	05/08 - 05/12 (Elected)	\$ 1,050	\$ -0-	Assistant Vice President
William Ehler	05/07 - 05/10 (Elected)	\$ 900	\$ -0-	Assistant Secretary

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

The submission date of the most recent District Registration Form was (TWC Sections 36.054 and 49.054): July 10, 2008.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on February 28, 2007. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**NOVEMBER 30, 2009**

Consultants:	Date Hired	Fees for the year ended November 30, 2009	Title
Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	02/28/07	\$ 40,528	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	01/29/08	\$ -0-	Auditor
Myrtle Cruz, Inc. 1621 Milam Street, 3 <sup>rd</sup> Floor Houston, TX 77002-8017	04/12/07	\$ 5,674	Bookkeeper
Harris County Appraisal District 13013 Northwest Freeway Houston, TX 77040-6304	Legislative Action	\$ 1,245	Central Appraisal District
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, TX 77008-1772	05/08/08	\$ 21,722	Delinquent Tax Attorney
R.G. Miller Engineers, Inc. 12121 Wickchester Lane, Suite 200 Houston, TX 77079-1200	04/12/07	\$ 8,411	Engineer
The GMS Group, LLC 5075 Westheimer, Suite 1175 Houston, TX 77056	05/23/07	\$ -0-	Financial Advisor
Shelia Stedman 1621 Milam Street, 3 <sup>rd</sup> Floor Houston, TX 77002-8017	04/12/07	\$ -0-	Investment Officer
Water District Management P. O. Box 579 Spring, TX 77383	04/12/07	\$ 22,567	Operator
North Harris County Regional Water Authority 3648 FM 1960 West, Suite 110 Houston, TX 77068	Legislative Action	\$ 5,410	Regional Water Authority
Assessments of the Southwest P. O. Box 1368 Friendswood, TX 77549-1368	04/12/07	\$ 3,879	Tax Assessor/ Collector

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**NOVEMBER 30, 2010**

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Board of Directors  
Harris County Municipal  
Utility District No. 480  
Harris County, Texas

**Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 480 (the "District") as of and for the year ended November 30, 2010, 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 an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of November 30, 2010, 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  
Harris County Municipal  
Utility District No. 480

The Management's Discussion and Analysis on pages 3 through 6 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants

January 25, 2011

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED NOVEMBER 30, 2010**

Our discussion and analysis of Harris County Municipal Utility District No. 480's (the "District") financial performance provides an overview of the District's financial activities for the year ended November 30, 2010. Please read it in conjunction with the District's financial statements, which begin on page 7.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The first of the government-wide statements is the Statement of Net Assets. This information is found in the Statement of Net Assets column on page 7. The Statement of Net Assets is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on page 9 reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED NOVEMBER 30, 2010**

**FUND FINANCIAL STATEMENTS (Continued)**

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets on page 8 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 10 explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 11 through 20 in this report.

**OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$494,364 as of November 30, 2010.

A portion of the District's net assets reflects its investment in capital assets (e.g. water and wastewater facilities, distribution lines and collection lines), less any debt used to acquire those assets that is still outstanding. The District uses these assets to provide water and wastewater services.

The following is a comparative analysis of government-wide changes in the Statement of Net Assets.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED NOVEMBER 30, 2010**

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

	Summary of Changes in the Statement of Net Assets		
	2010	2009	Change Positive (Negative)
Current and Other Assets	\$ 223,457	\$ 205,041	\$ 18,416
Capital Assets (Net of Accumulated Depreciation)	<u>3,867,063</u>	<u>2,789,532</u>	<u>1,077,531</u>
Total Assets	<u>\$ 4,090,520</u>	<u>\$ 2,994,573</u>	<u>\$ 1,095,947</u>
Due to Developer	\$ 4,321,552	\$ 3,130,644	\$ (1,190,908)
Other Liabilities	<u>263,332</u>	<u>290,279</u>	<u>26,947</u>
Total Liabilities	<u>\$ 4,584,884</u>	<u>\$ 3,420,923</u>	<u>\$ (1,163,961)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ (248,329)	\$ (179,952)	\$ (68,377)
Unrestricted	<u>(246,035)</u>	<u>(246,398)</u>	<u>363</u>
Total Net Assets	<u>\$ (494,364)</u>	<u>\$ (426,350)</u>	<u>\$ (68,014)</u>

The following table provides a summary of the District's operations for the years ended November 30, 2010, and November 30, 2009. The District's net assets decreased by 68,014, accounting for a 16.0% growth in net assets.

	Summary of Changes in the Statement of Activities		
	2010	2009	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 200,682	\$ 245,113	\$ (44,431)
Charges for Services	66,435	92,033	(25,598)
Other Revenues	<u>856</u>	<u>1,143</u>	<u>(287)</u>
Total Revenues	<u>\$ 267,973</u>	<u>\$ 338,289</u>	<u>\$ (70,316)</u>
Expenses for Services	<u>335,987</u>	<u>466,669</u>	<u>130,682</u>
Change in Net Assets	\$ (68,014)	\$ (128,380)	\$ 60,366
Net Assets, Beginning of Year	<u>(426,350)</u>	<u>(297,970)</u>	<u>(128,380)</u>
Net Assets, End of Year	<u>\$ (494,364)</u>	<u>\$ (426,350)</u>	<u>\$ (68,014)</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED NOVEMBER 30, 2010**

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

The General Fund fund balance increased by \$52,962, primarily due to developer advances and tax revenues being greater than the cost of operations.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors amended the budget during the current fiscal year to add budgeted amounts for laboratory, chemicals and reconnect costs. Actual revenues were \$112,885 more than budgeted revenues. Actual expenditures were \$17,820 less than budgeted expenditures. See the budget to actual comparison on page 22.

**CAPITAL ASSETS**

The District's investment in capital assets as of November 30, 2010, amounts to \$3,867,063 (net of accumulated depreciation). This investment in capital assets includes land as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2010	2009	Change Positive (Negative)
Capital Assets Not Subject to Depreciation:			
Land	\$ 1,145,908	\$	\$ 1,145,908
Capital Assets, Net of Accumulated Depreciation:			
Water System	194,756	199,461	(4,705)
Wastewater System	851,200	874,194	(22,994)
Drainage System	<u>1,675,199</u>	<u>1,715,877</u>	<u>(40,678)</u>
Total Net Capital Assets	<u>\$ 3,867,063</u>	<u>\$ 2,789,532</u>	<u>\$ 1,077,531</u>

Additional information on the District's capital assets can be found in Note 4 of this report.

**LONG-TERM DEBT**

As of November 30, 2010, the District has recorded a liability to its Developers of \$4,321,552. See Notes 6 and 7 for further disclosure.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 480, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**STATEMENT OF NET ASSETS AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**NOVEMBER 30, 2010**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Cash, Note 3	\$ 19,636	\$	\$ 19,636
Receivables:			197,236
Property Taxes	197,236		
Service Accounts (Net of Allowance for Uncollectible Account of \$-0-)	6,585		6,585
Land, Note 4		1,145,908	1,145,908
Capital Assets, Net of Accumulated Depreciation, Note 4	<u>                    </u>	<u>2,721,155</u>	<u>2,721,155</u>
<b>TOTAL ASSETS</b>	<u>\$ 223,457</u>	<u>\$ 3,867,063</u>	<u>\$ 4,090,520</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 51,429	\$	\$ 51,429
Due to Developers, Notes 6 and 7		4,321,552	4,321,552
Security Deposits	10,300		10,300
Deferred Tax Revenue	<u>201,603</u>		<u>201,603</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 263,332</u>	<u>\$ 4,321,552</u>	<u>\$ 4,584,884</u>
<b>FUND BALANCE/NET ASSETS</b>			
<b>FUND BALANCE</b>			
Unreserved/Undesignated	<u>\$ (39,875)</u>	<u>\$ 39,875</u>	<u>\$ -0-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 223,457</u>		
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt		\$ (248,329)	\$ (248,329)
Unrestricted		<u>(246,035)</u>	<u>(246,035)</u>
<b>TOTAL NET ASSETS</b>		<u>\$ (494,364)</u>	<u>\$ (494,364)</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**NOVEMBER 30, 2010**

Total Fund Balance – Governmental Fund	\$ (39,875)
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Land used in governmental activities is not a financial resource and, therefore, is not reported as an asset in governmental funds.	1,145,908
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	2,721,155
Amounts paid by developers on behalf of the District to be reimbursed from a future bond sale are recorded as liabilities in the Statement of Net Assets.	<u>(4,321,552)</u>
Total Net Assets – Governmental Activities	<u>\$ (494,364)</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED NOVEMBER 30, 2010**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Property Taxes	\$ 208,281	\$ (7,599)	\$ 200,682
Water Service	17,775		17,775
Wastewater Service	12,597		12,597
Penalty and Interest	13,296		13,296
Tap Connection and Inspection Fees	10,500		10,500
Regional Water Authority Fees	12,267		12,267
Investment Revenues	86		86
Miscellaneous Revenues	<u>770</u>		<u>770</u>
<b>TOTAL REVENUES</b>	<u>\$ 275,572</u>	<u>\$ (7,599)</u>	<u>\$ 267,973</u>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Professional Fees	\$ 41,402	\$	\$ 41,402
Contracted Services	18,176		18,176
Regional Water Authority Assessments, Note 12	12,801		12,801
Utilities	30,550		30,550
Repairs and Maintenance	71,545		71,545
Operating Leases, Note 10	78,494		78,494
Depreciation, Note 4		68,377	68,377
Other	<u>14,642</u>		<u>14,642</u>
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 267,610</u>	<u>\$ 68,377</u>	<u>\$ 335,987</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<u>\$ 7,962</u>	<u>\$ (75,976)</u>	<u>\$ (68,014)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advances, Note 6	<u>\$ 45,000</u>	<u>\$ (45,000)</u>	<u>\$ -0-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 52,962</u>	<u>\$ (52,962)</u>	<u>\$</u>
<b>CHANGE IN NET ASSETS</b>		(68,014)	(68,014)
<b>FUND BALANCE (DEFICIT) - DECEMBER 1, 2009</b>	<u>(92,837)</u>	<u>(333,513)</u>	<u>(426,350)</u>
<b>FUND BALANCE (DEFICIT), NOTE 11 - NOVEMBER 30, 2010</b>	<u>\$ (39,875)</u>	<u>\$ (454,489)</u>	<u>\$ (494,364)</u>

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



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED NOVEMBER 30, 2010**

Net Change in Fund Balance - Governmental Fund	\$	52,962
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenues are recorded in the accounting period for which the taxes are levied.		(7,599)
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Governmental funds do not account for depreciation. However, in the Statement of Net Assets, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(68,377)
--	--	----------

In governmental funds, developer advances are reported as other financing sources. However, in the government-wide financial statements, these advances are recorded as a liability to the developer.		(45,000)
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Change in Net Assets - Governmental Activities	\$	<u>(68,014)</u>
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The accompanying notes to basic financial  
statements are an integral part of this report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2010**

**NOTE 1. CREATION OF DISTRICT**

Harris County Municipal Utility District No. 480 (the "District") was created effective January 30, 2007, by an Order of the Texas Commission on Environmental Quality, (the "Commission"). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on February 28, 2007.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The District was created as an independent municipality. The District does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the District's basic financial statements.

**Financial Statement Presentation**

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

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2010**

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

Financial Statement Presentation (Continued)

- 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 Assets – This component of net assets consists of external constraints placed on the use of net assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets – This component of net assets consists of net assets that do not meet the definition of “Restricted” or “Invested in Capital Assets, Net of Related Debt.”

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

Government-Wide Financial Statements

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

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

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2010**

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

Fund Financial Statements

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

Governmental Funds

The District has one major governmental fund.

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include the 2009 tax levy collections during the period October 1, 2009, to November 30, 2010, and taxes collected from December 1, 2009, to November 30, 2010, for the 2008 and prior tax levies. The 2010 tax levy has been fully deferred.

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2010**

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

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

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

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that Directors are considered to be "employees" for federal payroll tax purposes only.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2010**

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

Measurement Focus

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

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

Reserved:

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

Unreserved:

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

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

Accounting Estimates

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

Subsequent Events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through January 25, 2011, which is the date these statements were available to be issued.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2010**

**NOTE 3. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$19,636 and the bank balance was \$43,717. The bank balance was fully covered by federal depository insurance.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at November 30, 2010, as listed below:

GENERAL FUND	\$ <u>19,636</u>
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Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2010**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program. As of November 30, 2010, the District had no investments.

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended November 30, 2010:

	<u>December 1, 2009</u>	<u>Additions</u>	<u>November 30, 2010</u>
<b>Capital Assets Not Being Depreciated</b>			
Land	\$ -0-	\$ 1,145,908	\$ 1,145,908
<b>Capital Assets at Historical Costs Subject to Depreciation</b>			
Water System	\$ 211,706	\$	\$ 211,706
Wastewater System	927,274		927,274
Drainage System	<u>1,830,504</u>		<u>1,830,504</u>
<b>Total Capital Assets at Historical Costs Subject to Depreciation</b>	\$ <u>2,969,484</u>	\$ -0-	\$ <u>2,969,484</u>
<b>Less Accumulated Depreciation</b>			
Water System	\$ 12,245	\$ (4,705)	\$ 16,950
Wastewater System	53,080	(22,994)	76,074
Drainage System	<u>114,627</u>	<u>(40,678)</u>	<u>155,305</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 179,952</u>	<u>\$ (68,377)</u>	<u>\$ 248,329</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 2,789,532</u>	<u>\$ (68,377)</u>	<u>\$ 2,721,155</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 2,789,532</u>	<u>\$ 1,077,531</u>	<u>\$ 3,867,063</u>



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2010**

**NOTE 5. MAINTENANCE TAX**

On May 12, 2007, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended November 30, 2010, the District levied an ad valorem maintenance tax of \$1.50 per \$100 of assessed valuation, which resulted in a tax levy of \$201,603 on the adjusted taxable valuation of \$13,440,225 for the 2010 tax year.

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

**NOTE 6. DEVELOPER ADVANCES**

The District has entered into agreements with Developers to advance funds to the District sufficient to pay for creation and organizational costs as well as operating expenses until other sufficient revenues become available to the District. The District intends to reimburse the Developer for such advances from a future bond issue. Since inception, the Developers have advanced \$206,160 to the District which has been recorded as a liability in the Statement of Net Assets. Of this total, \$45,000 was received in the current fiscal year.

**NOTE 7. UNREIMBURSED COSTS**

The District has entered into certain financing and reimbursement agreements with Developers within the District which provides for the Developers to make payments on behalf of the District for various projects for which the District has not sold bonds. The District has an obligation to reimburse the Developers for these costs from future bond issues to the extent approved by the Commission. The District has recorded a liability to the Developers of \$4,115,392 for completed projects as of November 30, 2010.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2010**

**NOTE 8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage and settlements have not exceeded coverage in the last three years.

**NOTE 9. BONDS VOTED**

At an election held within the District on May 12, 2007, voters approved for the District to issue water, sewer and drainage bonds up to a maximum amount of \$41,100,000 and park bonds up to a maximum amount of \$5,000,000.

**NOTE 10. OPERATING LEASES**

Interim Wastewater Treatment Plant

On June 26, 2006, a developer for the District entered into a 36 month lease agreement with AUC Group, L.P. to lease an 80,000 gallon per day (gpd) prepackaged wastewater treatment plant with an oversized clarifier for future expansion to 300,000 gpd commencing on the first day of the month following substantial completion of the installation and start-up of the leased equipment. Lease payments began in May, 2007 at a rate of \$7,300 per month. After the conclusion of the initial 36 month lease, the District extended the lease on a month-to-month basis at \$4,800 per month. The District made lease payments of \$38,400 during the current fiscal year.

Water Well and Water Treatment Plant

On June 1, 2006, a developer for the District entered into an Equipment Lease and Purchase Option Agreement with Bussell & Sons, LLC (Lessor) for the lease of a potable water well and water treatment plant. In accordance with the agreement, the developer paid 25% of the completed construction cost of the water well and water treatment plant. The monthly lease payments of \$3,644.88 began when the plant became operational in August, 2007 and will continue for 120 months. The agreement includes a purchase option whereby the District can purchase the facilities at any time in accordance with the provisions outlined in the agreement. At this time, the District does not intend to purchase these facilities. The District is responsible for insuring the leased property. The District made lease payments of \$40,094 during the current fiscal year.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2010**

**NOTE 11. ECONOMIC DEPENDENCY AND DEFICIT FUND BALANCE**

The District's Developers own a substantial portion of the taxable property within the District. The Developers' ability to make full and timely payments of taxes and/or provide operating advances could directly affect the District's ability to meet its financial obligations. During the start-up period of the District, the District is reliant upon the Developers to make sufficient operating advances for the District to meet its financial obligations (see Note 6).

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

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75<sup>th</sup> Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements. The District is required to convert its water supply to surface water over a period of time. For the initial construction of facilities by the Authority, the District has opted to take a pay as you go option on those facilities. A five-member board of directors governs the Authority. The directors serve staggered four-year terms.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The Authority currently charges a fee of \$1.75 per 1,000 gallons of water pumped from each well. The District made payments of \$12,801 to the Authority during the current fiscal year.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**

**REQUIRED SUPPLEMENTARY INFORMATION**

**NOVEMBER 30, 2010**



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED NOVEMBER 30, 2010**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 116,687	\$ 116,687	\$ 208,281	\$ 91,594
Water Service			17,775	17,775
Wastewater Service			12,597	12,597
Penalty and Interest			13,296	13,296
Tap Connection and Inspection Fees	46,000	46,000	10,500	(35,500)
Regional Water Authority Fees			12,267	12,267
Investment Revenues			86	86
Other Revenues			770	770
<b>TOTAL REVENUES</b>	<u>\$ 162,687</u>	<u>\$ 162,687</u>	<u>\$ 275,572</u>	<u>\$ 112,885</u>
<b>EXPENDITURES</b>				
Service Operations:				
Professional Fees	\$ 40,200	\$ 40,200	\$ 41,402	\$ (1,202)
Contracted Services	22,960	22,960	18,176	4,784
Regional Water Authority Assessment			12,801	(12,801)
Utilities	23,000	23,000	30,550	(7,550)
Repairs and Maintenance	43,000	43,000	71,545	(28,545)
Operating Leases	106,340	106,340	78,494	27,846
Other	51,970	52,930	14,642	38,288
<b>TOTAL EXPENDITURES</b>	<u>\$ 287,470</u>	<u>\$ 288,430</u>	<u>\$ 267,610</u>	<u>\$ 20,820</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (124,783)</u>	<u>\$ (125,743)</u>	<u>\$ 7,962</u>	<u>\$ 133,705</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer Advances	<u>\$ 165,123</u>	<u>\$ 165,123</u>	<u>\$ 45,000</u>	<u>\$ (120,123)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 40,340</u>	<u>\$ 39,380</u>	<u>\$ 52,962</u>	<u>\$ 13,582</u>
<b>FUND BALANCE - DECEMBER 1, 2009</b>	<u>(92,837)</u>	<u>(92,837)</u>	<u>(92,837)</u>	
<b>FUND BALANCE - NOVEMBER 30, 2010</b>	<u>\$ (52,497)</u>	<u>\$ (53,457)</u>	<u>\$ (39,875)</u>	<u>\$ 13,582</u>

See accompanying independent auditor's report.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**NOVEMBER 30, 2010**





**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED NOVEMBER 30, 2010**

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

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

**2. RETAIL SERVICE PROVIDERS**

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

Based on the rate order effective October 1, 2007.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 23.00	8,000	N	\$ 1.00	8,001 to 15,000
				\$ 1.50	15,001 to 30,000
				\$ 2.00	30,001 and up

WASTEWATER:	\$ 24.00	Y
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**SURCHARGE:**

Commission	0.5% of actual
Regulatory	water and
Assessments	sewer bill
Regional Water	\$1.75 per
Authority Fee	1,000 gallons

District employs winter averaging for wastewater usage?

	<u>X</u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$25.00 Wastewater: \$24.00 Surcharge: \$17.75

See accompanying independent auditor's report.