

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

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>58</u>	<u>47</u>	x 1.0	<u>47</u>
1"	<u>2</u>	<u>2</u>	x 2.5	<u>5</u>
1½"			x 5.0	
2"	<u>1</u>	<u>1</u>	x 8.0	<u>8</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>61</u>	<u>50</u>		<u>60</u>
Total Wastewater Connections	<u>55</u>	<u>44</u>	x 1.0	<u>44</u>

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

Gallons pumped into the system:	7,504,000	Water Accountability Ratio: 94.3% (Gallons billed/Gallons pumped)
Gallons billed to customers:	7,078,000	

See accompanying independent auditor's report.

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

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, 2010

PERSONNEL EXPENDITURES (Including Benefits)	\$ -0-
PROFESSIONAL FEES:	
Auditing	\$ 7,500
Engineering	10,649
Legal	<u>23,253</u>
TOTAL PROFESSIONAL FEES	\$ <u>41,402</u>
CONTRACTED SERVICES:	
Appraisal District Fees	\$ 1,692
Bookkeeping	3,050
Operations and Billing	2,242
Garbage Service	7,592
Tax Assessor/Collector	<u>3,600</u>
TOTAL CONTRACTED SERVICES	\$ <u>18,176</u>
UTILITIES	\$ <u>30,550</u>
REPAIRS AND MAINTENANCE	\$ <u>71,545</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 1,950
Insurance	5,850
Legal Notices	840
Office Supplies and Postage	2,913
Payroll Taxes and Administration	310
Travel and Meetings	<u>76</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>11,939</u>
CAPITAL OUTLAY:	
Capitalized Assets	\$
Expenditures not Capitalized	<u></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, 2010

OTHER EXPENDITURES:

Chemicals	\$	346
Laboratory Fees		694
Inspection Fees		300
Permit Fees		1,051
Reconnection Fees		73
Regulatory Assessment		239
Regional Water Authority Fee		12,801
Operating Lease Payments		<u>78,494</u>

TOTAL OTHER EXPENDITURES

\$ 93,998

TOTAL EXPENDITURES

\$ 267,610

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, 2010

	<u>Maintenance Tax</u>	
TAXES RECEIVABLE – DECEMBER 1, 2009	\$ 194,054	
Adjustments to Beginning Balance	<u>14,227</u>	\$ 208,281
Original 2010 Tax Levy	\$ 188,062	
Adjustment to 2010 Tax Levy	<u>13,541</u>	<u>201,603</u>
TOTAL TO BE ACCOUNTED FOR		\$ 409,884
TAX COLLECTIONS:		
Prior Years	\$ 208,281	
Current Year	<u>4,367</u>	<u>212,648</u>
TAXES RECEIVABLE – NOVEMBER 30, 2010		<u>\$ 197,236</u>
TAXES RECEIVABLE BY YEAR:		
2010		<u>\$ 197,236</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED NOVEMBER 30, 2010

	2010	2009	2008	2007
PROPERTY VALUATIONS				
Land	\$ 8,656,501	\$ 7,730,386	\$ **	\$ **
Improvements	4,746,661	4,673,185		
Personal Property	69,170	85,997		
Exemptions	<u>(32,107)</u>	<u>(56,291)</u>		
TOTAL PROPERTY VALUATIONS	<u>\$ 13,440,225</u>	<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>	<u>\$ 1.50</u>
ADJUSTED TAX LEVY*	<u>\$ 201,603</u>	<u>\$ 186,454</u>	<u>\$ 137,292</u>	<u>\$ 124,461</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>2.17%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</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>2010</u>	<u>2009</u>	<u>2008**</u>
REVENUES			
Property Taxes	\$ 208,281	\$ 237,514	\$
Water Service	17,775	16,618	
Wastewater Service	12,597	11,557	
Penalty and Interest	13,296	47,262	
Tap Connection and Inspection Fees	10,500	6,900	
Regional Water Authority Fees	12,267	9,696	
Investment Revenues	86	41	
Miscellaneous Revenues	<u>770</u>	<u>1,102</u>	
TOTAL REVENUES	<u>\$ 275,572</u>	<u>\$ 330,690</u>	<u>\$</u>
EXPENDITURES			
Professional Fees	\$ 41,402	\$ 70,661	\$
Contracted Services	18,176	17,889	
Regional Water Authority Assessment	12,801	5,410	
Utilities	30,550	25,425	
Repairs and Maintenance	71,545	54,038	
Operating Leases	78,494	153,228	
Other	<u>14,642</u>	<u>71,641</u>	
TOTAL EXPENDITURES	<u>\$ 267,610</u>	<u>\$ 398,292</u>	<u>\$</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 7,962</u>	<u>\$ (67,602)</u>	<u>\$</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ 45,000</u>	<u>\$ 68,160</u>	<u>\$</u>
NET CHANGE IN FUND BALANCE	<u>\$ 52,962</u>	<u>\$ 558</u>	<u>\$</u>
BEGINNING FUND BALANCE	<u>(92,837)</u>	<u>(93,395)</u>	
ENDING FUND BALANCE	<u>\$ (39,875)</u>	<u>\$ (92,837)</u>	<u>\$ N/A</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>50</u>	<u>41</u>	<u>27</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>44</u>	<u>35</u>	<u>20</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				
2007*	2006	2010	2009	2008**	2007*	2006
\$	\$	75.5%	71.9%		%	
2,502		6.5	5.0		13.8	
888		4.6	3.5		4.9	
133		4.8	14.3		0.7	
12,599		3.8	2.1		69.4	
808		4.5	2.9		4.5	
1,197					6.6	
25		0.3	0.3		0.1	
\$ 18,152	\$	100.0%	100.0%		100.0%	
\$ 50,546	\$	15.2%	21.4%		278.5%	
3,550		6.6	5.4		19.6	
		4.6	1.6			
		11.1	7.7			
34,673		26.0	16.3		191.0	
14,580		28.5	46.3		80.3	
22,989		5.3	21.6		126.6	
\$ 126,338	\$	97.3%	120.3%		696.0%	
\$ (108,186)	\$	2.7%	(20.3)%	N/A	(596.0)%	N/A
\$ 85,000	\$					
\$ (23,186)	\$					
-0-						
\$ (23,186)	\$ N/A					
N/A	N/A					
N/A	N/A					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
NOVEMBER 30, 2010

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

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>November 30, 2010</u>	Expense Reimbursements for the year ended <u>November 30, 2010</u>	<u>Title</u>
Josh Hawes	06/10 - 05/14 (Elected)	\$ 900	\$ -0-	President
Katie Hinkson	06/10 - 05/14 (Appointed)	\$ 750	\$ 56	Vice President
April Konopka	05/08 - 05/12 (Elected)	\$ 600	\$ -0-	Assistant Vice President
William Ehler	06/10 - 05/14 (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 19, 2010.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on 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, 2010

Consultants:	Date Hired	Fees for the year ended November 30, 2010	Title
Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	02/28/07	\$ 21,468	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	01/29/08	\$ 7,500	Auditor
Myrtle Cruz, Inc. 1621 Milam Street, 3 rd Floor Houston, TX 77002-8017	04/12/07	\$ 3,873	Bookkeeper
Harris County Appraisal District 13013 Northwest Freeway Houston, TX 77040-6304	Legislative Action	\$ 1,692	Central Appraisal District
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, TX 77008-1772	05/08/08	\$ 1,785	Delinquent Tax Attorney
R.G. Miller Engineers, Inc. 12121 Wickchester Lane, Suite 200 Houston, TX 77079-1200	04/12/07	\$ 10,649	Engineer
The GMS Group, LLC 5075 Westheimer, Suite 1175 Houston, TX 77056	05/23/07	\$ -0-	Financial Advisor
Fredia Conley 1621 Milam Street, 3 rd Floor Houston, TX 77002-8017	09/28/10	\$ -0-	Investment Officer
Water District Management P. O. Box 579 Spring, TX 77383	04/12/07	\$ 33,690	Operator
North Harris County Regional Water Authority 3648 FM 1960 West, Suite 110 Houston, TX 77068	Legislative Action	\$ 12,801	Regional Water Authority
Assessments of the Southwest P. O. Box 1368 Friendswood, TX 77549-1368	04/12/07	\$ 3,880	Tax Assessor/ Collector

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

NOVEMBER 30, 2011

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

NOVEMBER 30, 2011



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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, 2011, 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, 2011, 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 23 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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

April 26, 2012



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED NOVEMBER 30, 2011**

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, 2011. 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 types. 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, 2011**

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 21 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 \$561,152 as of November 30, 2011.

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, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Assets		
	2011	2010	Change Positive (Negative)
Current and Other Assets	\$ 288,392	\$ 223,457	\$ 64,935
Capital Assets (Net of Accumulated Depreciation)	<u>3,798,687</u>	<u>3,867,063</u>	<u>(68,376)</u>
Total Assets	\$ <u>4,087,079</u>	\$ <u>4,090,520</u>	\$ <u>(3,441)</u>
Due to Developer	\$ 4,346,645	\$ 4,321,552	\$ (25,093)
Other Liabilities	<u>301,586</u>	<u>263,332</u>	<u>(38,254)</u>
Total Liabilities	\$ <u>4,648,231</u>	\$ <u>4,584,884</u>	\$ <u>(63,347)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ (316,705)	\$ (248,329)	\$ (68,376)
Unrestricted	<u>(244,447)</u>	<u>(246,035)</u>	<u>1,588</u>
Total Net Assets	\$ <u>(561,152)</u>	\$ <u>(494,364)</u>	\$ <u>(66,788)</u>

The following table provides a summary of the District's operations for the years ended November 30, 2011, and November 30, 2010. The District's net assets decreased by 66,788, accounting for a 13.5% decrease in net assets.

	Summary of Changes in the Statement of Activities		
	2011	2010	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 201,963	\$ 200,682	\$ 1,281
Charges for Services	92,899	66,435	26,464
Other Revenues	<u>827</u>	<u>856</u>	<u>(29)</u>
Total Revenues	\$ 295,689	\$ 267,973	\$ 27,716
Expenses for Services	<u>362,477</u>	<u>335,987</u>	<u>(26,490)</u>
Change in Net Assets	\$ (66,788)	\$ (68,014)	\$ 1,226
Net Assets, Beginning of Year	<u>(494,364)</u>	<u>(426,350)</u>	<u>(68,014)</u>
Net Assets, End of Year	\$ <u>(561,152)</u>	\$ <u>(494,364)</u>	\$ <u>(66,788)</u>



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED NOVEMBER 30, 2011

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The General Fund fund balance decreased by \$9,991, primarily due to developer advances and tax revenues being less than the cost of operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$25,017 more than budgeted revenues. Actual expenditures were \$4,029 less than budgeted expenditures. See the budget to actual comparison on page 23.

CAPITAL ASSETS

The District's investment in capital assets as of November 30, 2011, amounts to \$3,798,687 (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			
	2011	2010	Change Positive (Negative)
Capital Assets Not Subject to Depreciation:			
Land	\$ 1,145,908	\$ 1,145,908	\$
Capital Assets, Net of Accumulated Depreciation:			
Water System	190,052	194,756	(4,704)
Wastewater System	828,205	851,200	(22,995)
Drainage System	<u>1,634,522</u>	<u>1,675,199</u>	<u>(40,677)</u>
Total Net Capital Assets	<u>\$ 3,798,687</u>	<u>\$ 3,867,063</u>	<u>\$ (68,376)</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, 2011, the District recorded a liability to its Developers of \$4,346,645. 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, 2011

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash, Note 3	\$ 43,845	\$	\$ 43,845
Receivables:			
Property Taxes	225,407		225,407
Penalties and Interest on Delinquent Taxes	6,613		6,613
Service Accounts (Net of Allowance for Uncollectible Account of \$-0-)	7,727		7,727
Prepaid Costs	4,800		4,800
Land, Note 4		1,145,908	1,145,908
Capital Assets, Net of Accumulated Depreciation, Note 4		<u>2,652,779</u>	<u>2,652,779</u>
TOTAL ASSETS	<u>\$ 288,392</u>	<u>\$ 3,798,687</u>	<u>\$ 4,087,079</u>
LIABILITIES			
Accounts Payable	\$ 85,067	\$	\$ 85,067
Due to Developers, Notes 6 and 7		4,346,645	4,346,645
Security Deposits	12,900		12,900
Deferred Tap Revenue	4,375		4,375
Deferred Tax Revenue	229,303	(30,059)	199,244
Deferred Penalty and Interest Revenue	<u>6,613</u>	<u>(6,613)</u>	
TOTAL LIABILITIES	<u>\$ 338,258</u>	<u>\$ 4,309,973</u>	<u>\$ 4,648,231</u>
FUND BALANCE/NET ASSETS			
FUND BALANCE			
Nonspendable: Prepaid Costs	\$ 4,800	\$ (4,800)	\$
Unassigned	<u>(54,666)</u>	<u>54,666</u>	
TOTAL FUND BALANCE	<u>\$ (49,866)</u>	<u>\$ 49,866</u>	<u>\$ -0-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 288,392</u>		
NET ASSETS			
Invested in Capital Assets, Net of Related Debt		\$ (316,705)	\$ (316,705)
Unrestricted		<u>(244,447)</u>	<u>(244,447)</u>
TOTAL NET ASSETS		<u>\$ (561,152)</u>	<u>\$ (561,152)</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, 2011

Total Fund Balance – Governmental Fund	\$ (49,866)
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.	2,652,779
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.	(4,346,645)
Deferred tax revenues for the 2010 and prior tax levies became part of recognized revenues in the governmental activities of the District.	30,059
Deferred penalty and interest revenues for the 2010 and prior tax levies became part of recognized revenue in the governmental activities of the District.	<u>6,613</u>
Total Net Assets – Governmental Activities	<u>\$ (561,152)</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, 2011

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property Taxes	\$ 171,904	\$ 30,059	\$ 201,963
Water Service	21,728		21,728
Wastewater Service	14,495		14,495
Penalty and Interest	18,406	6,613	25,019
Tap Connection and Inspection Fees	13,475		13,475
Regional Water Authority Fees	18,182		18,182
Investment Revenues	107		107
Miscellaneous Revenues	<u>720</u>		<u>720</u>
TOTAL REVENUES	<u>\$ 259,017</u>	<u>\$ 36,672</u>	<u>\$ 295,689</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 58,445	\$	\$ 58,445
Contracted Services	17,600		17,600
Regional Water Authority Assessments, Note 12	19,049		19,049
Utilities	19,030		19,030
Repairs and Maintenance	56,829		56,829
Operating Leases, Note 10	101,339		101,339
Depreciation, Note 4		68,376	68,376
Other	<u>21,809</u>		<u>21,809</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 294,101</u>	<u>\$ 68,376</u>	<u>\$ 362,477</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ (35,084)</u>	<u>\$ (31,704)</u>	<u>\$ (66,788)</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances, Note 6	<u>\$ 25,093</u>	<u>\$ (25,093)</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (9,991)</u>	<u>\$ 9,991</u>	<u>\$</u>
CHANGE IN NET ASSETS		(66,788)	(66,788)
FUND BALANCE (DEFICIT) - DECEMBER 1, 2010	<u>(39,875)</u>	<u>(454,489)</u>	<u>(494,364)</u>
FUND BALANCE (DEFICIT), NOTE 11 - NOVEMBER 30, 2011	<u>\$ (49,866)</u>	<u>\$ (511,286)</u>	<u>\$ (561,152)</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, 2011**

Net Change in Fund Balance - Governmental Fund	\$ (9,991)
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.	30,059
Governmental funds report delinquent tax penalty and interest when collected. However, in the Statement of Activities, revenues are recorded when the penalties and interest are assessed.	6,613
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.	(68,376)
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.	<u>(25,093)</u>
Change in Net Assets - Governmental Activities	<u>\$ (66,788)</u>

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, 2011

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") Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting.

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



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
NOTES TO BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2011

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

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

Government-Wide Financial Statements

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

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, 2011

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 2010 tax levy collections during the period October 1, 2010, to November 30, 2011, and taxes collected from December 1, 2010, to November 30, 2011, for the 2009 and prior tax levies. The 2011 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, 2011

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 not 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, 2011

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 Balance

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, requires the classification of fund balances in governmental funds using the following hierarchy:

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

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

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 not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
NOTES TO BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (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.

Subsequent Events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through March 27, 2012, which is the date these statements were available to be issued.

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 \$43,845 and the bank balance was \$76,201. 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, 2011, as listed below:



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
NOTES TO BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2011

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

GENERAL FUND - CASH	\$ <u>43,845</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 on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligation that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program. As of November 30, 2011, the District had no investments.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
NOTES TO BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2011

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2011:

	December 1, 2010	Additions	November 30, 2011
Capital Assets Not Being Depreciated			
Land	\$ 1,145,908	\$ -0-	\$ 1,145,908
Capital Assets at Historical Costs Subject to Depreciation			
Water System	\$ 211,706	\$	\$ 211,706
Wastewater System	927,274		927,274
Drainage System	1,830,504		1,830,504
Total Capital Assets at Historical Costs Subject to Depreciation	<u>\$ 2,969,484</u>	<u>\$ -0-</u>	<u>\$ 2,969,484</u>
Less Accumulated Depreciation			
Water System	\$ 16,950	\$ 4,704	\$ 21,654
Wastewater System	76,074	22,995	99,069
Drainage System	155,305	40,677	195,982
Total Accumulated Depreciation	<u>\$ 248,329</u>	<u>\$ 68,376</u>	<u>\$ 316,705</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,721,155</u>	<u>\$ (68,376)</u>	<u>\$ 2,652,779</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 3,867,063</u>	<u>\$ (68,376)</u>	<u>\$ 3,798,687</u>

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, 2011, the District levied an ad valorem maintenance tax of \$1.50 per \$100 of assessed valuation, which resulted in a tax levy of \$199,244 on the adjusted taxable valuation of \$13,282,939 for the 2011 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.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
NOTES TO BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2011

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 Developers for such advances from a future bond issue. Since inception, the Developers have advanced \$231,253 to the District which has been recorded as a liability in the Statement of Net Assets. Of this total, \$25,093 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, 2011.

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. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide general liability, automobile, and errors and omissions coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. During the current fiscal year, the District contributed \$4,377 to the fund for this insurance coverage. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past 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.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
NOTES TO BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2011

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 gallons-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 \$57,600 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 \$43,739 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 and/or provide operating advances could directly affect the District's ability to meet its financial obligations. See also 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 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
NOTES TO BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2011

NOTE 12. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

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 \$19,049 to the Authority during the current fiscal year.



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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480

REQUIRED SUPPLEMENTARY INFORMATION

NOVEMBER 30, 2011



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, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 188,000	\$ 171,904	\$ (16,096)
Service Revenues	46,000	87,006	41,006
Investment Revenues	<u> </u>	<u>107</u>	<u>107</u>
TOTAL REVENUES	<u>\$ 234,000</u>	<u>\$ 259,017</u>	<u>\$ 25,017</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 42,700	\$ 58,445	\$ (15,745)
Contracted Services	17,000	17,600	(600)
Utilities	30,000	19,030	10,970
Repairs and Maintenance	50,000	56,829	(6,829)
Operating Leases	106,340	101,339	5,001
Other	<u>52,090</u>	<u>40,858</u>	<u>11,232</u>
TOTAL EXPENDITURES	<u>\$ 298,130</u>	<u>\$ 294,101</u>	<u>\$ 4,029</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (64,130)</u>	<u>\$ (35,084)</u>	<u>\$ 29,046</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ 64,130</u>	<u>\$ 25,093</u>	<u>\$ (39,037)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -0-</u>	<u>\$ (9,991)</u>	<u>\$ (9,991)</u>
FUND BALANCE - DECEMBER 1, 2010	<u>(39,875)</u>	<u>(39,875)</u>	<u> </u>
FUND BALANCE - NOVEMBER 30, 2011	<u>\$ (39,875)</u>	<u>\$ (49,866)</u>	<u>\$ (9,991)</u>

See accompanying independent auditor's report.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

NOVEMBER 30, 2011



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
SERVICES AND RATES
FOR THE YEAR ENDED NOVEMBER 30, 2011

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.

	<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

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.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
SERVICES AND RATES
FOR THE YEAR ENDED NOVEMBER 30, 2011

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>74</u>	<u>64</u>	x 1.0	<u>64</u>
1"	<u>2</u>	<u>2</u>	x 2.5	<u>5</u>
1½"			x 5.0	
2"	<u>1</u>	<u>1</u>	x 8.0	<u>8</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>77</u>	<u>67</u>		<u>77</u>
Total Wastewater Connections	<u>71</u>	<u>61</u>	x 1.0	<u>61</u>

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

Gallons pumped into the system:	10,153,000	Water Accountability Ratio: 95.7%
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	9,716,000	

See accompanying independent auditor's report.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
SERVICES AND RATES
FOR THE YEAR ENDED NOVEMBER 30, 2011

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, 2011

PROFESSIONAL FEES:

Auditing	\$ 7,500
Engineering	12,266
Legal	<u>38,679</u>

TOTAL PROFESSIONAL FEES **\$ 58,445**

CONTRACTED SERVICES:

Appraisal District Fees	\$ 1,686
Bookkeeping	2,075
Operations and Billing	4,615
Garbage Service	5,624
Tax Assessor/Collector	<u>3,600</u>

TOTAL CONTRACTED SERVICES **\$ 17,600**

UTILITIES **\$ 19,030**

REPAIRS AND MAINTENANCE **\$ 56,829**

ADMINISTRATIVE EXPENDITURES:

Director Fees	\$ 3,900
Insurance	4,507
Legal Notices	841
Office Supplies and Postage	3,549
Payroll Taxes and Administration	287
Travel and Meetings	149
Other	<u>352</u>

TOTAL ADMINISTRATIVE EXPENDITURES **\$ 13,585**

TAP CONNECTION EXPENDITURES **\$ 3,200**

SOLID WASTE DISPOSAL **\$ -0-**

OTHER EXPENDITURES:

Chemicals	\$ 1,621
Laboratory Fees	1,863
Inspection Fees	535
Permit Fees	620
Reconnection Fees	75
Regulatory Assessment	310
Regional Water Authority Assessments	19,049
Lease Payments	<u>101,339</u>

TOTAL OTHER EXPENDITURES **\$ 125,412**

TOTAL EXPENDITURES **\$ 294,101**

See accompanying independent auditor's report.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED NOVEMBER 30, 2011

	<u>Maintenance Tax</u>	
TAXES RECEIVABLE – DECEMBER 1, 2010	\$ 197,236	
Adjustments to Beginning Balance	<u>360</u>	\$ 197,596
Original 2011 Tax Levy	\$ 184,298	
Adjustment to 2011 Tax Levy	<u>14,946</u>	<u>199,244</u>
TOTAL TO BE ACCOUNTED FOR		\$ 396,840
TAX COLLECTIONS:		
Prior Years	\$ 167,538	
Current Year	<u>3,895</u>	<u>171,433</u>
TAXES RECEIVABLE – NOVEMBER 30, 2011		<u>\$ 225,407</u>
TAXES RECEIVABLE BY YEAR:		
2011		\$ 195,349
2010		<u>30,058</u>
		<u>\$ 225,407</u>

See accompanying independent auditor's report.



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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED NOVEMBER 30, 2011

	2011	2010	2009	2008
PROPERTY VALUATIONS				
Land	\$ 8,715,339	\$ 8,656,501	\$ 7,730,386	\$ **
Improvements	4,532,357	4,746,661	4,673,185	
Personal Property	62,486	69,170	85,997	
Exemptions	<u>(27,243)</u>	<u>(32,107)</u>	<u>(56,291)</u>	
TOTAL PROPERTY VALUATIONS	<u>\$ 13,282,939</u>	<u>\$ 13,440,225</u>	<u>\$ 12,433,277</u>	<u>\$ 9,152,778</u>
MAINTENANCE TAX RATE PER \$100 VALUATION	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>
ADJUSTED TAX LEVY*	<u>\$ 199,244</u>	<u>\$ 201,603</u>	<u>\$ 186,454</u>	<u>\$ 137,292</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>1.96%</u>	<u>85.09%</u>	<u>100.00%</u>	<u>100.00%</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>2011</u>	<u>2010</u>	<u>2009</u>
REVENUES			
Property Taxes	\$ 171,904	\$ 208,281	\$ 237,514
Water Service	21,728	17,775	16,618
Wastewater Service	14,495	12,597	11,557
Penalty and Interest	18,406	13,296	47,262
Tap Connection and Inspection Fees	13,475	10,500	6,900
Regional Water Authority Fees	18,182	12,267	9,696
Investment Revenues	107	86	41
Miscellaneous Revenues	<u>720</u>	<u>770</u>	<u>1,102</u>
TOTAL REVENUES	<u>\$ 259,017</u>	<u>\$ 275,572</u>	<u>\$ 330,690</u>
EXPENDITURES			
Professional Fees	\$ 58,445	\$ 41,402	\$ 70,661
Contracted Services	17,600	18,176	17,889
Regional Water Authority Assessment	19,049	12,801	5,410
Utilities	19,030	30,550	25,425
Repairs and Maintenance	56,829	71,545	54,038
Operating Leases	101,339	78,494	153,228
Other	<u>21,809</u>	<u>14,642</u>	<u>71,641</u>
TOTAL EXPENDITURES	<u>\$ 294,101</u>	<u>\$ 267,610</u>	<u>\$ 398,292</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (35,084)</u>	<u>\$ 7,962</u>	<u>\$ (67,602)</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ 25,093</u>	<u>\$ 45,000</u>	<u>\$ 68,160</u>
NET CHANGE IN FUND BALANCE	<u>\$ (9,991)</u>	<u>\$ 52,962</u>	<u>\$ 558</u>
BEGINNING FUND BALANCE	<u>(39,875)</u>	<u>(92,837)</u>	<u>(93,395)</u>
ENDING FUND BALANCE	<u>\$ (49,866)</u>	<u>\$ (39,875)</u>	<u>\$ (92,837)</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>67</u>	<u>50</u>	<u>41</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>61</u>	<u>44</u>	<u>35</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>2008**</u>	<u>2007*</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008**</u>	<u>2007*</u>
\$	\$	66.4%	75.5%	71.9%		%
	2,502	8.4	6.5	5.0		13.8
	888	5.6	4.6	3.5		4.9
	133	7.1	4.8	14.3		0.7
	12,599	5.2	3.8	2.1		69.4
	808	7.0	4.5	2.9		4.5
	1,197					6.6
	25	0.3	0.3	0.3		0.1
<u>\$</u>	<u>\$ 18,152</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>		<u>100.0%</u>
\$	\$ 50,546	22.6%	15.2%	21.4%		278.5%
	3,550	6.8	6.6	5.4		19.6
		7.4	4.6	1.6		
		7.3	11.1	7.7		
	34,673	21.9	26.0	16.3		191.0
	14,580	39.1	28.5	46.3		80.3
	22,989	8.4	5.3	21.6		126.6
<u>\$</u>	<u>\$ 126,338</u>	<u>113.5%</u>	<u>97.3%</u>	<u>120.3%</u>		<u>696.0%</u>
<u>\$</u>	<u>\$ (108,186)</u>	<u>(13.5)%</u>	<u>2.7%</u>	<u>(20.3)%</u>	<u>N/A</u>	<u>(596.0)%</u>
<u>\$</u>	<u>\$ 85,000</u>					
<u>\$</u>	<u>\$ (23,186)</u>					
	-0-					
<u>\$</u>	<u>N/A</u>					
<u>27</u>	<u>N/A</u>					
<u>20</u>	<u>N/A</u>					

See accompanying independent auditor's report.



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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
NOVEMBER 30, 2011

Consultants:	Date Hired	Fees for the year ended November 30, 2011	Title
Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	02/28/07	\$ 30,796	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	01/29/08	\$ 7,500	Auditor
Myrtle Cruz, Inc. 1621 Milam Street, 3 rd Floor Houston, TX 77002-8017	04/12/07	\$ 2,741	Bookkeeper
Harris County Appraisal District 13013 Northwest Freeway Houston, TX 77040-6304	Legislative Action	\$ 1,686	Central Appraisal District
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, TX 77008-1772	05/08/08	\$ 7,883	Delinquent Tax Attorney
R.G. Miller Engineers, Inc. 12121 Wickchester Lane, Suite 200 Houston, TX 77079-1200	04/12/07	\$ 12,266	Engineer
The GMS Group, LLC 5075 Westheimer, Suite 1175 Houston, TX 77056	05/23/07	\$ -0-	Financial Advisor
Fredia Conley 1621 Milam Street, 3 rd Floor Houston, TX 77002-8017	09/28/10	\$ -0-	Investment Officer
Water District Management P. O. Box 579 Spring, TX 77383	04/12/07	\$ 36,137	Operator
North Harris County Regional Water Authority 3648 FM 1960 West, Suite 110 Houston, TX 77068	Legislative Action	\$ 19,049	Regional Water Authority
Assessments of the Southwest P. O. Box 1368 Friendswood, TX 77549-1368	04/12/07	\$ 3,878	Tax Assessor/ Collector

See accompanying independent auditor's report.

