

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS AND CORPORATIONS, EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds will be designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 41424K

\$4,300,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
 (A political subdivision of the State of Texas, located in Harris County, Texas)
UNLIMITED TAX BONDS
SERIES 2016

Dated: October 1, 2016

Due: April 1 (as shown below)

Interest on the Bonds (the "Bonds" or the "Series 2016 Bonds") will accrue from October 1, 2016, and will be payable on April 1 and October 1 of each year, commencing April 1, 2017. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is Amegy Bank, a division of ZB, N.A. See "THE BONDS – Paying Agent/Registrar."

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>
\$100,000	2019	%	%	\$175,000	2031(b)		
\$100,000	2020	%	%	\$175,000	2032(b)	%	%
\$100,000	2021	%	%	\$200,000	2033(b)	%	%
\$125,000	2022(b)	%	%	\$200,000	2034(b)	%	%
\$125,000	2023(b)	%	%	\$200,000	2035(b)	%	%
\$125,000	2024(b)	%	%	\$225,000	2036(b)	%	%
\$125,000	2025(b)	%	%	\$225,000	2037(b)	%	%
\$150,000	2026(b)	%	%	\$225,000	2038(b)	%	%
\$150,000	2027(b)	%	%	\$250,000	2039(b)	%	%
\$150,000	2028(b)	%	%	\$250,000	2040(b)	%	%
\$175,000	2029(b)	%	%	\$275,000	2041(b)	%	%
\$175,000	2030(b)	%	%	\$300,000	2042(b)	%	%

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after April 1, 2022, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2021, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Optional Redemption."

The proceeds of the Bonds will be used by Harris County Municipal Utility District No. 480 (the "District") to reimburse the developer for certain improvements in the District and to pay bond issuance and administrative expenses. See "USE OF BOND PROCEEDS." The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, or the City of Houston is pledged to the payment of the principal of, or interest on, the Bonds. **The Bonds are subject to certain risk factors described under the caption "RISK FACTORS."**

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. The Issuer will be advised on certain legal matters concerning disclosure by Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about October 27, 2016.

Bids Due: Wednesday, September 28, 2016 at 10:00 A.M. Houston Time

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesman, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the District.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not registered or qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robison LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser.

The following statement is provided by the Underwriters. In accordance with their responsibilities under the federal securities laws, the Underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds:

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by _____ (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of _____ of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial number of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligations because the District has not issued more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB through EMMA.

The financial information and operating data which will be provided with respect to the District is found in the APPENDIX A (the District's Audited Financial Report). The District will update and provide this information to EMMA approved by the staff of the United States Securities and Exchange Commission ("SEC") within six months after the end of each of its fiscal years ending in or after 2016. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is November 30. Accordingly, it must provide updated information by May 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of Rule15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule15c2-12or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule15c2-12, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid but, in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The Bonds are the first issuance of bonds by the District therefore the District has not previously made any continuing disclosure agreements in accordance with SEC Rule 15c2-12.

NO MUNICIPAL BOND RATING

The District has not made an application for an underlying rating on the Bonds to any municipal bond rating service. It is not anticipated that the District would have received an investment grade rating had such rating been applied for.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

- Description:** The Unlimited Tax Bonds, Series 2016, are dated October 1, 2016. The Bonds represent the first series of bonds to be issued by the District. See "THE BONDS."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any other political subdivision or agency. See "THE BONDS - Source of and Security for Payment."
- Redemption Provisions:** The Bonds maturing on or after April 1, 2022, are subject to early redemption, in whole or in part, on April 1, 2021, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS."
- Book-Entry-Only System:** The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Use of Proceeds:** Proceeds from the sale of the Bonds will be used to reimburse the developer for certain water supply and wastewater treatment capacity costs, drainage improvements, land acquisition costs, capitalized interest, developer interest, certain District administrative costs, and costs of issuance of the Bonds. See "USE OF BOND PROCEEDS."
- Legal Opinion:** Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
- Payment Record:** This is the District's first bond issue; therefore, the District has never defaulted on the payment of interest or principal on bonds.
- Risk Factors:** The Bonds are subject to certain investment considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
- Qualified Tax Exempt Obligations:** The Bonds will be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.
- NO Municipal Bond Rating:** The District has not made an application for an underlying rating on the Bonds to any municipal bond rating service. It is not anticipated that the District would have received an investment grade rating had such rating been applied for. See "NO MUNICIPAL BOND RATING."

THE DISTRICT

- Description/ Development/ Developers:** The District is a municipal utility district created on January 31, 2007, by the Texas Commission on Environmental Quality ("TCEQ"). The District was created pursuant to the authority of Article XVI, Section 59, of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code. The District is located in north Harris County, Texas and consists of 3 non-contiguous tracts that are generally located approximately 35 miles northwest of the Houston central business district and is located in the City of Houston's extraterritorial jurisdiction.

The District, as it was originally created, included approximately 483 acres and after one annexation in 2014, the District currently includes approximately 503 acres. The District presently includes approximately 74 developed acres, approximately 74 acres that are under development, approximately 287 acres that remain to be developed, and approximately 68 undevelopable acres that include street rights of way, detention ponds, drainage easements, district plant sites, and open spaces.

The first tract in the District is known as Pine Trace Village. The Pine Trace Village tract consists of approximately 170 acres and currently includes 293 completed homes, 4 homes under construction, and 24 vacant developed lots. Additionally, there are approximately 44 acres of land where development work has been started and approximately 15 acres that are available to be developed. The developer in Pine Trace Village was (up until most recently) Pine Trace Village, LLC. Pine Trace Village, LLC sold four improved lots and approximately 80 acres that it owned to DRH Land Opportunities I, Inc., a Delaware corporation ("D.R. Horton" herein) on August 31, 2016. It is currently anticipated that D.R. Horton will develop such acres into approximately 240 lots in the sections to be known as Pine Trace Village, Sections 6, 7, and 8.

The second tract in the District is known as Fairway Farms. The Fairway Farms tract consists of approximately 123 acres. Approximately 59 acres are in the process of being developed into 113 lots (60 foot lots and 65 foot lots) in the section to be known as Fairway Farms, Section 1. The developer in Fairway Farms is BBRR Partners, Ltd. ("BBRR"). According to BBRR, the lots in Fairway Farms, Section 1 will be available for homebuilding during the first quarter of 2017; there are no immediate plans for development of the remaining 64 acres in the Fairway Farms subdivision.

The third tract in the District is known as Twelve Oaks. The Twelve Oaks tract consists of 189 acres of undeveloped land that is presently owned by an investor group that, to the knowledge of the District, has no immediate plans to develop such property. See "THE DISTRICT – Description, – Land Use in the District, and – Current Status of Residential Development" and "APPENDIX B – PHOTOGRAPHS TAKEN IN THE DISTRICT" and "THE DISTRICT'S DEVELOPERS."

**Homebuilding
In the District:**

All of the residential homebuilding in the District to date has taken place in the Pine Trace Village, Sections 1 – 5. As of August 1, 2016, there were approximately 293 completed homes, 4 homes under construction, and 24 vacant developed lots. As of August 1, 2016, approximately 278 of the 293 completed homes were occupied.

The following homebuilders have built homes in Pine Trace Village, Sections 1 – 5 over the course of the last six years: Lennar Homes ("Lennar"), Meritage Homes ("Meritage"), Colina Homes ("Colina"), Megatel Homes ("Megatel"), and Brighton Homes ("Brighton"). Homes in the District have been constructed on 45 foot and 50 foot lots and have been priced in the \$130,000 - \$200,000 price range. New homes in the District are currently being marketed in the \$200,000 price range. See "THE DISTRICT – Current Status of Residential Development."

**SELECTED FINANCIAL INFORMATION
(Unaudited)**

2016 Certified Taxable Valuation	\$60,911,499	(a)
2015 Certified Taxable Valuation	\$50,320,964	(b)
Direct Debt		
Outstanding Bonds	\$0	
The Bonds	<u>\$4,300,000</u>	
Total Direct Debt	\$4,300,000	
Estimated Overlapping Debt	\$2,557,015	
Direct and Estimated Overlapping Debt	\$6,857,015	
Percentage of Direct Debt to:		
2016 Certified Taxable Valuation	7.06%	
2015 Certified Taxable Valuation	8.55%	
Percentage of Direct and Estimated Overlapping Debt to:		
2016 Certified Taxable Valuation	11.26%	
2015 Certified Taxable Valuation	13.63%	
2015 Tax Rate Per \$100 of Assessed Value		
Debt Service Tax	\$0.00	
Maintenance Tax	<u>\$1.48</u>	
Total 2015 Tax Rate	\$1.48	(c)
Cash and Temporary Investment Balances as of August 1, 2016		
General Fund	\$545,846	
Debt Service Fund	\$204,250	(d)

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- (a) Reflects the 2016 taxable value according to Harris County Appraisal District ("HCAD"). The value above includes \$52,223,950 of property that is fully certified and \$8,687,549 of the values (the owner's value) of the properties still in the process of being certified. See "DISTRICT TAX DATA - Analysis of Tax Base."
- (b) Reflects the 2015 taxable value according to data supplied by HCAD. See "DISTRICT TAX DATA - Analysis of Tax Base."
- (c) The District is in the process of setting its 2016 tax rates. It is currently anticipated that the District will set a 2016 debt service tax rate of \$0.45 and a 2016 operations and maintenance of \$0.99 for a total of \$1.44.
- (d) Represents capitalized interest to be funded with bond proceeds to be deposited into the District's Debt Service Fund on the day of closing of the Series 2016 Bonds. Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund. See "DISTRICT TAX DATA - Tax Adequacy of Tax Revenue."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Bonds.

<u>Year</u>	<u>Plus: Debt Service on the 2016 Bonds</u>		<u>Total Debt Service Requirements*</u>
	<u>Principal</u>	<u>Interest*</u>	
2017		\$180,600	\$180,600
2018		\$180,600	\$180,600
2019	\$100,000	\$178,500	\$278,500
2020	\$100,000	\$174,300	\$274,300
2021	\$100,000	\$170,100	\$270,100
2022	\$125,000	\$165,375	\$290,375
2023	\$125,000	\$160,125	\$285,125
2024	\$125,000	\$154,875	\$279,875
2025	\$125,000	\$149,625	\$274,625
2026	\$150,000	\$143,850	\$293,850
2027	\$150,000	\$137,550	\$287,550
2028	\$150,000	\$131,250	\$281,250
2029	\$175,000	\$124,425	\$299,425
2030	\$175,000	\$117,075	\$292,075
2031	\$175,000	\$109,725	\$284,725
2032	\$175,000	\$102,375	\$277,375
2033	\$200,000	\$94,500	\$294,500
2034	\$200,000	\$86,100	\$286,100
2035	\$200,000	\$77,700	\$277,700
2036	\$225,000	\$68,775	\$293,775
2037	\$225,000	\$59,325	\$284,325
2038	\$225,000	\$49,875	\$274,875
2039	\$250,000	\$39,900	\$289,900
2040	\$250,000	\$29,400	\$279,400
2041	\$275,000	\$18,375	\$293,375
2042	<u>\$300,000</u>	<u>\$6,300</u>	<u>\$306,300</u>
TOTALS	\$4,300,000	\$2,910,600	\$7,210,600

Maximum Annual Debt Service Requirements (2042)\$306,300

\$0.53 Tax Rate on 2016 Certified Taxable Valuation of \$60,911,499
 @95% collections produces\$306,689

\$0.65 Tax Rate on 2015 Certified Taxable Valuation of \$50,320,964
 @95% collections produces\$310,732

See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

* Preliminary, subject to change.

OFFICIAL STATEMENT

Relating to

\$4,300,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480

(A political subdivision of the State of Texas located within Harris County, Texas)

UNLIMITED TAX BONDS

SERIES 2016

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$4,300,000 Harris County Municipal Utility District No. 480 Unlimited Tax Bonds, Series 2016 (the "Bonds").

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, as amended, pursuant to a resolution (the "Bond Resolution") adopted by the Board of Directors of Harris County Municipal Utility District No. 480 (the "District"), an approving Order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), and an election held within the District.

This Official Statement includes descriptions of the Bonds, the Bond Resolution, certain information about the District, the District's financial condition, and the developers in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to maintain property taxes to pay debt service at current levels.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the spread between the bid and asked price of more traditional issuers as such bonds are generally bought, sold, or traded in the secondary market.

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through foreclosure may be impaired by: (a) repetitive, annual expensive collections procedures, (b) a federal bankruptcy court's stay of tax collection procedures, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Dependence on Future Development and Potential Impact on District Tax Rates

Assuming no further homebuilding construction within the District other than those that have been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. Assuming no increase or decrease from the 2016 Taxable Valuation and no use of other District funds, a tax rate of \$0.53 per \$100 of Assessed Valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirements. See "DISTRICT TAX DATA."

Registered Owners' Remedies

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. Even if such sovereign immunity was waived and a judgment against the District for money damages was obtained, the judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of, and interest on, the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against the district.

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Economic Factors:

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space (especially during times of relatively low oil and natural gas prices). The relatively low oil and natural gas prices, currently being experienced worldwide, could affect the demand for new residential home construction and commercial development and hence the growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon home-building plans altogether.

The continued growth of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for land development or home building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The housing industry in the Houston area is competitive and the District can give no assurance that current home building programs will be completed. The competitive position of the developers in the sale of their developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses, is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Nationally, there was a significant downturn in new housing construction from 2008 – 2012 caused in part by increasing foreclosures, reduced builder financing, the unavailability of mortgage funds, and contraction in the national economy resulting in a decline in the market value of homes. The Houston area did experience reduced levels of home construction including the area located in the northwest part of Harris County in 2009, 2010, 2011 and 2012 when compared to similar periods in prior years (i.e. 2004 – 2007).

Alternative sites are available for the construction of single-family residential improvements and commercial development within the market area in which the District is located. Such sites could pose competition to the continued home-building development and commercial development on comparable sites within the District.

Landowners/Developer under No Obligation to the District

Neither the Developer nor any other landowner within the District has any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Currently, there is no restriction on any landowner's right (including the Developer's) to sell its land. Failure to construct taxable improvements on developed lots (anticipated to be created by the Developer) or commercial tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District as it has in the past. The District is also dependent upon certain principal taxpayers (see "DISTRICT TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes.

Future Debt

The District's voters have authorized the issuance of a total of \$46,100,000 of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$41,100,000	For certain water, sanitary sewer, storm water facilities, and refunding
\$5,000,000	For certain parks and recreation facilities and refunding

After the issuance of the Bonds, all of the above noted amounts of bonds will remain authorized but unissued except that the District will only have \$36,800,000 of unlimited tax, water, sanitary sewer, and storm water facilities bonds that will remain authorized but unissued.

The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City of Houston to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The District has prepared a park plan but has conducted a park and recreational facilities bond election that authorized \$5,000,000 of park bonds at an election held on May 12, 2007.

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment, and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water, and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality/Greenhouse Gas Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston area ("HGB area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—was designated by the EPA in 2007 as a severe ozone nonattainment area. Such areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA "8-hour" ozone standards are met. The EPA granted the governor's request to voluntarily reclassify the HGB ozone nonattainment area from a moderate to a severe nonattainment area for the 1997 eight-hour ozone standard, effective October 31, 2008. The HGB area's new attainment deadline for the 1997 eight-hour ozone standard must be attained as expeditiously as practicable, but no later than June 15, 2019. If the HGB area fails to demonstrate progress in reducing ozone concentration or fails to meet the EPA's standards, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

On October 1, 2015, the EPA lowered the ozone standard from 75 parts per billion ("ppb") to 70 ppb. This could make it more difficult for the HGB Area to demonstrate progress is reducing ozone concentration.

Water Supply and Discharge Issues. Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) public water supply systems, (2) waste water discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act ("SDWA") and Environmental Protection Agency's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) on February 19, 2013. The TPDES Construction General Permit became effective on March 5, 2013, and is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and must establish the total maximum allowable daily load ("TMDL") of certain pollutants into the water bodies. The TMDLs that municipal utility districts may discharge may have an impact on the municipal utility district's ability to obtain and maintain TPDES permits.

On May 27, 2015, the EPA and the United States Army Corps of Engineers ("USACE") jointly issued a final version of the Clean Water Rule ("CWR"), which expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The final rule became effective on August 28, 2015. On October 9, 2015, the United States Court of Appeals for the Sixth Circuit ("Sixth Circuit") put the CWR on hold nationwide. On February 22, 2016, the Sixth Circuit decided it has jurisdiction to consider lawsuits against the CWR, and on April 21, 2016, denied six petitions for en banc review of this decision. The CWR is also under review by several other appellate and state courts. If the CWR is implemented, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of jurisdictional waters of the United States or associated wetlands that are within the "waters of the United States." The CWR expands the federal definition of what is a jurisdictional water, which could negatively impact development in the District.

The TCEQ renewed the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on December 13, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The renewed MS4 Permit impacts a much greater number of MS4s that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop and implement the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the renewed MS4 Permit.

Conversion to Surface Water

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a District Regulatory Plan (the "1999 Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the 1999 Plan, the District was required to submit to the Subsidence District, a groundwater reduction plan and must have begun construction of surface water conversion infrastructure by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand. This same disincentive fee will be imposed under the 1999 Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2010, exceeds 40% of the District's total water demand beginning January 2025, and exceeds 20% of the District's total water demand beginning January 2035. In addition, if the District does not meet the Subsidence District's requirements as described above, the District may be required to pay the disincentive fees adopted by the Subsidence District.

The District is located within the North Harris County Regional Water Authority (the "Authority"). The Authority was created to provide for the supply of surface water to north Harris County and to prepare a ground water reduction plan to comply with the Subsidence District's 1999 Plan. The Authority submitted its Groundwater Reduction Plan to the Subsidence District and it received final certification on June 11, 2003. The Authority entered into a contract with the City to purchase surface water beginning in 2010. The District currently pays to the Authority a ground water pumpage fee of \$2.40 per 1,000 gallons of water produced from its wells and a fee of \$2.85 per 1,000 gallons of surface water purchased from the Authority. The issuance of additional bonds by the District, in an undetermined amount, may be necessary in the future to develop further surface water infrastructure or to participate in the Authority's regional surface water conversion effort.

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to reimburse the developer for certain water supply and wastewater treatment capacity costs, drainage improvements, land acquisition costs, capitalized interest, developer interest, certain District administrative costs, and costs of issuance of the Bonds.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

	<u>Total Amount</u> (a)
CONSTRUCTION COSTS:	
Developer Contribution Items	
Clearing and Grubbing Pine Trace Village Phase I	\$171,114
Pine Trace Village Sections 1 and 2, W, WW, D	\$1,351,344
Pine Trace Village Detention Pond	\$922,542
Engineering	<u>\$221,878</u>
Total Developer Items	\$2,666,878
District Items	
Lift Station No. 1	\$254,219
Engineering Water and Wastewater Plant Site Work	\$28,879
Engineering Lift Station	<u>\$19,139</u>
Total District Contribution Items	\$302,237
TOTAL CONSTRUCTION COSTS	\$2,969,115 (a)
NON-CONSTRUCTION COSTS:	
Legal Fees	\$122,500
Fiscal Agent Fees	\$86,000
Interest	
Capitalized Interest	\$204,250 (b)
Developer Interest	\$299,770 (b)
Bond Discount	\$129,000
Bond Application Cost	\$40,455
Bond Issuance Cost	\$39,085
Creation Costs	\$65,229
Operating Advances	\$196,346
BAN Interest	\$78,200
BAN Issuance Expense	\$55,000
Attorney General's Fee	\$4,300
TCEQ Bond Issuance Fee	\$10,750
Contingency	<u>\$0</u>
TOTAL NON-CONSTRUCTION COSTS	\$1,330,885 (b)
TOTAL BOND ISSUE REQUIREMENT	\$4,300,000

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The District has been granted a waiver of such requirement.

(b) The District will designate any surplus Bond proceeds resulting from the sale of the Bonds at a lower interest rate than the estimated rate as a contingency line item in the Final Official Statement.

THE DISTRICT

Authority

The District is a municipal utility district created on January 31, 2007, by the Texas Commission on Environmental Quality ("TCEQ"). The District was created pursuant to the authority of Article XVI, Section 59, of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code. The District is located in north Harris County, Texas and consists of 3 non-contiguous tracts that are generally located approximately 35 miles northwest of the Houston central business district.

Under certain limited circumstances the District also is authorized to construct, develop, and maintain park and recreational facilities and to construct roads. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent of the City of Houston, within whose corporate limits the District lies, to the District's creation, the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the City's approval of certain of the District's construction plans and specifications.

Description and Location

The District, as it was originally created, included approximately 483 acres and after one annexation in 2014, the District currently includes approximately 503 acres. The District presently includes approximately 74 developed acres, approximately 74 acres that are under development, approximately 287 acres that remain to be developed, and approximately 68 undevelopable acres that include street rights of way, detention ponds, drainage easements, district plant sites, and open spaces.

The first tract in the District is known as Pine Trace Village. The Pine Trace Village tract consists of approximately 170 acres and currently includes 293 completed homes, 4 homes under construction, and 24 vacant developed lots. Additionally, there are approximately 44 acres of land where development work has started and approximately 15 acres that are available to be developed. The developer in Pine Trace Village, until most recently, was Pine Trace Village, LLC. Pine Trace Village, LLC sold four improved lots and approximately 80 acres that it owned to DRH Land Opportunities I, Inc., a Delaware corporation ("D.R. Horton" herein) on August 31, 2016. It is currently anticipated that D.R. Horton will develop such acres into approximately 240 lots in the sections to be known as Pine Trace Village, Sections 6, 7, and 8.

The second tract in the District is known as Fairway Farms. The Fairway Farms tract consists of approximately 123 acres. Approximately 60 acres are in the process of being developed into 113 lots in the section to be known as Fairway Farms, Section 1 (60 foot lots and 65 foot lots). The developer in Fairway Farms is BBRR Partners, Ltd. ("BBRR"). According to BBRR, the lots in Fairway Farms, Section 1 will be available for homebuilding during the first quarter of 2017; there are no immediate plans for development of the remaining 64 acres in the fairway Farms subdivision.

The third tract in the District is known as Twelve Oaks. The Twelve Oaks tract consists of 189 acres of undeveloped land that is presently owned by an investor group that, to the knowledge of the District, has no immediate plans to develop such property.

Status of Land Development/Land Uses in the District

A summary of the approximate land use in the District appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Developed and Improved Acres	74	(a)
Acres Under Development	74	(b)
Additional Developable Acreage	287	(c)
Undevelopable Land	68	(d)
Total Approximate Acres	503	

- (a) Represents the land that is located in Pine Trace Village, Sections 1 - 5.
- (b) Represents the land located in Pine Trace Village, Sections 6 and 7 and the land located in Fairway Farms, Section 1.
- (c) Represents 15 acres located in the Pine Trace Village to be known as Pine Trace Village, Section 8, 64 acres located in the Fairway Farms, 189 acres located in the Twelve Oaks, and 19 acres adjacent to Pine Trace Village.
- (d) Includes street rights of way, detention ponds, drainage easement, and open spaces in the District.

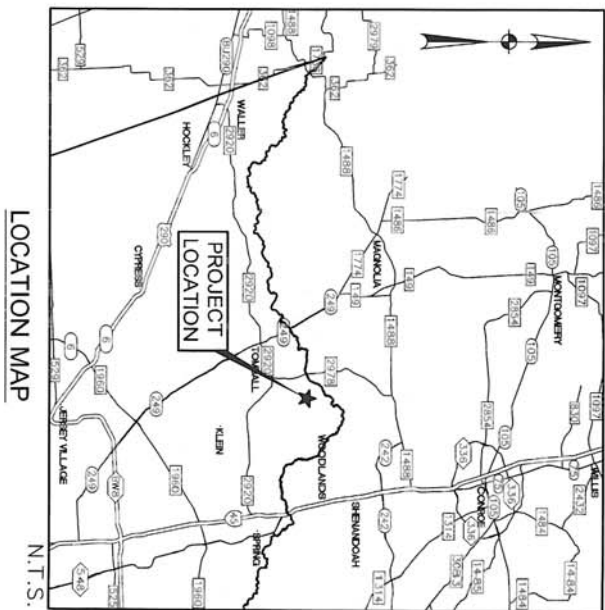
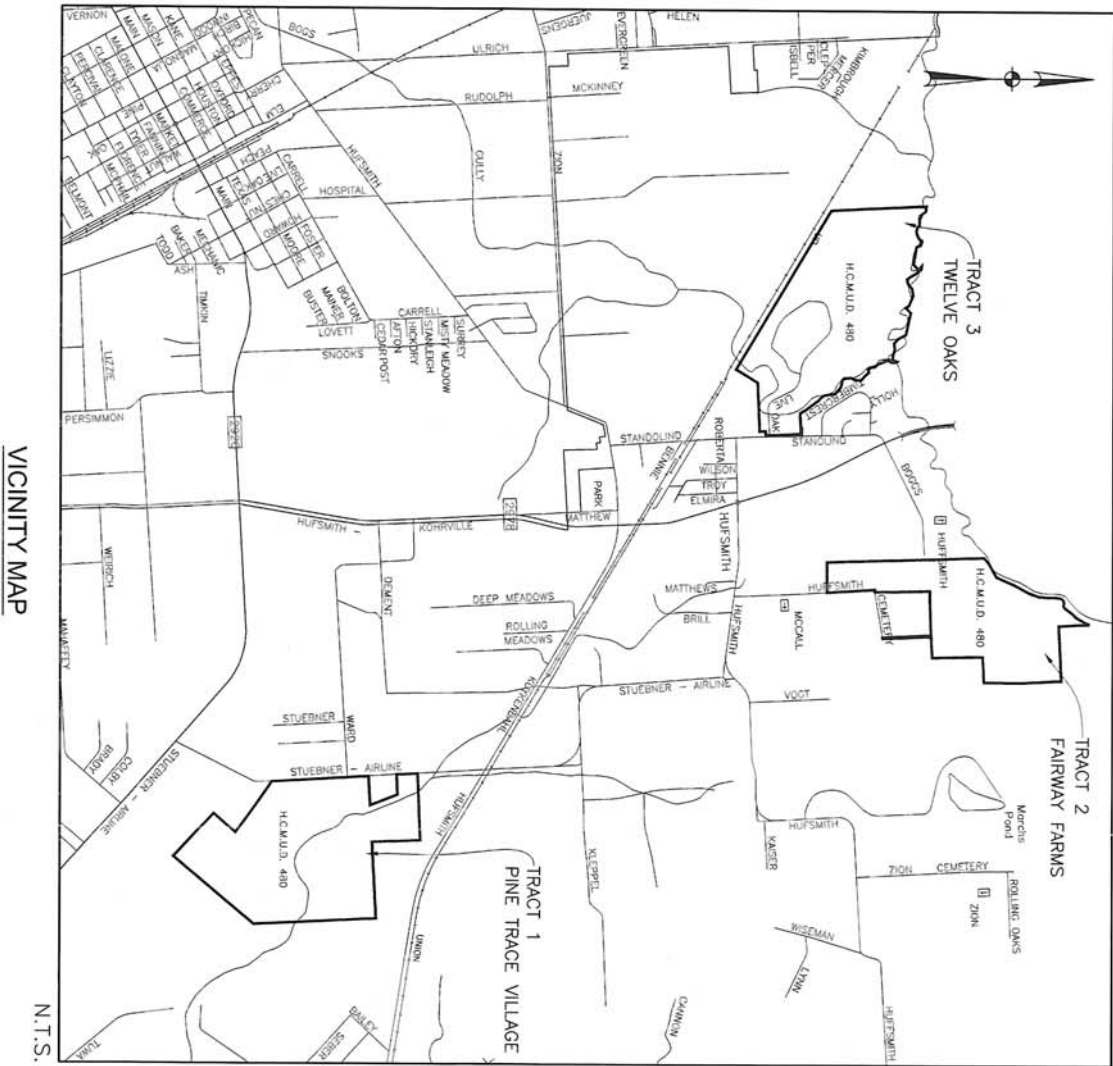
Current Status of Residential Development

All of the residential homebuilding in the District to date has taken place in the Pine Trace Village, Sections 1 – 5. As of August 1, 2016, there were approximately 293 completed homes, 4 homes under construction, and 24 vacant developed lots. As of August 1, 2016, approximately 278 of the 293 completed homes were occupied.

The following homebuilders have built homes in Pine Trace Village, Sections 1 – 5 over the course of the last six years: Lennar, Meritage, Colina, Megatel, and Brighton. Homes in the District have been constructed on 45 foot and 50 foot lots and have been priced in the \$130,000 - \$200,000 price range. New homes in the District are currently being marketed in the \$200,000 price range.

Potential Annexation of Land into the District

The District is currently considering the annexation of approximately 37 acre tract located on Bogs Road, adjacent to the Fairway Farms subdivision. The owner of the tract has indicated that the land would be developed into approximately 138 single-family lots. Preliminary discussions have indicated that there would be on-site detention and that water supply and wastewater treatment facilities would be provided to the tract by Aqua under terms and conditions that are similar to those in place for providing service to the Fairway Farms subdivision. See “THE SYSTEM – Water Supply Facilities” and “ – Wastewater Treatment Facilities.” The District and the land owner are discussing the terms, conditions, and timing of the annexation; the District can make no assurance that such annexation will be completed.



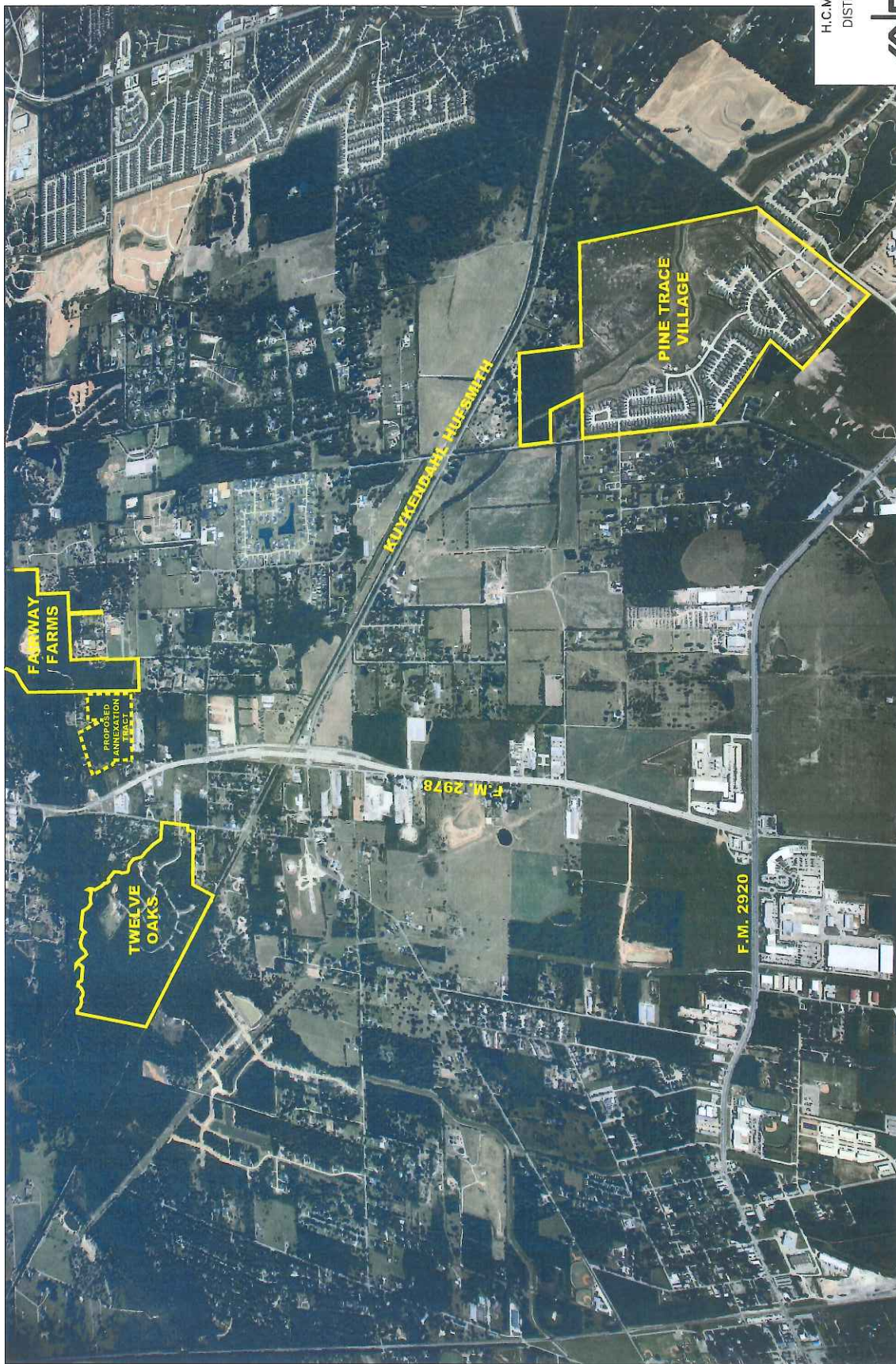
NOTE:
ALL PROJECTS IN BOND ISSUE NO. 1 ARE
WITHIN TRACT 1 - PINE TRACE VILLAGE

H.C.M.U.D. 480 EXHIBIT
ATTACHMENT 3

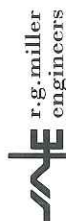


16340 Park Ten Place
Suite 350
Houston, Texas 77084
(713) 461-9600

TEXAS FIRM REGISTRATION NO. F-487
DATE: SEPTEMBER 2015 SCALE: N.T.S.



H.C.M.U.D. 480
DISTRICT MAP



18340 Park Ten Place - Suite 350
Houston, Texas 77056
(713) 461-9888
TXAS 00000000000000000000
DATE: 03/28/2015 SCALE: N.T.S.

HARRIS COUNTY MUD 480

THE DISTRICT'S DEVELOPERS

Role of a Developer

In general, the activities of developers in a municipal utility district such as the District include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders, other developers or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

Pine Trace Village, LLC

The developer of the Pine Trace Village subdivision, until most recently, was Pine Trace Village, LLC. The Pine Trace Village tract consists of approximately 150 acres and currently includes 293 completed homes, 4 homes under construction, and 24 vacant developed lots. Additionally, there are approximately 44 acres of land development work that has been started and approximately 17 acres that are available to be developed. Pine Trace Village, LLC sold four improved lots and approximately 80 acres that it owned to DRH Land Opportunities I, Inc., a Delaware corporation ("D.R. Horton" herein) on August 31, 2016. It is currently anticipated that D.R. Horton will develop such acres into approximately 240 lots in the sections to be known as Pine Trace Village, Sections 6, 7, and 8.

BBRR Partners, Ltd.

The developer of the Fairway Farms subdivision is BBRR Partners, Ltd. ("BBRR"). BBRR is currently in the process of developing 59 acres in Fairway Farms into approximately 113 lots to be known as Fairway Farms, Section 1. According to BBRR, the Section 1 lots will be available for homebuilding during the first quarter of 2017; there are no immediate plans for development of the remaining 64 acres in the Fairway Farms subdivision.

THE SYSTEM

Regulation

The water and wastewater facilities serving land within the District have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, City of Houston and Harris County. According to the Engineer, the design of all such facilities has been approved by all required governmental agencies.

Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the United States Environmental Protection Agency ("EPA") and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Construction and operation of the System as it now exists or as it may be expanded from time to time is subject to the regulatory jurisdiction of various federal, state and local authorities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to regulatory authority of the TCEQ and the EPA. Provision of potable water in the District is subject to regulatory authority of the TCEQ and the EPA. Withdrawal of groundwater and the issuance of water well permits are subject to the regulatory authority of the Harris-Galveston Coastal Subsidence District. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District. Harris County and the City of Houston also exercise regulatory jurisdiction over the District's System.

Description of the System

The water, wastewater, drainage facilities, and the accompanying rights of use therein (the "System") which the District has financed with the proceeds of the Bonds are described below, based upon information obtained from the District's Engineer:

– Water Supply Facilities –

The water supply facilities that serve the Pine Trace Village subdivision consists of a single leased water plant that has capacity of serving approximately 792 equivalent single family connections (“ESFCs”).

The lots being developed located in Fairway Farms subdivision will be served with water supply facilities pursuant to a wholesale water contract with Aqua Texas, Inc. (“Aqua”), a private water company that provides water to approximately 20,000 homes in the Houston area. Aqua’s water supply facilities that will service the Fairway Farms subdivision includes a water plant located approximately a half a mile from the District and an eight inch water line that runs to a “point of connection” located in Fairway Farms to Aqua’s water supply facility.

The contract provides that the District will pay a wholesale price for water equal to \$5.01 per 1,000 gallons and that future rates will be subject to the review and approval of the appropriate state agency (currently the TCEQ).

The District currently plans to implement changes to its rate order, at the appropriate time that will, to the extent possible, attempt to equalize the cost of water/sewer system for all the residents in the District including those that receive water from Aqua (Fairway Farms) and those that receive water directly from the District’s facilities (Pine Trace Village).

The contract includes specific terms designed to insure that the appropriate levels of service will be provided to the residents in Fairway Farms and for provisions to remedy a breach of contract by either Aqua or the District.

The term of the contract runs until May 1, 2054, and includes provisions for the extension of the contract if mutually agreeable to Aqua and the District.

– Wastewater Treatment Facilities –

The wastewater treatment facilities that serve the Pine Trace Village subdivision consists of a leased wastewater treatment plant that is capable of servicing a total of 522 ESFCs.

The lots being developed located in Fairway Farms subdivision will be served with wastewater treatment facilities pursuant to a wholesale wastewater treatment contract with Aqua, a private water/sewer company that provides wastewater services to approximately 10,000 homes in the Houston area. Aqua’s wastewater treatment facilities that service the Fairway Farms subdivision include a wastewater treatment plant located approximately 300 feet from the District. Wastewater will be transferred from the District to the wastewater treatment plant by way of a 24 inch round concrete pipe and a six inch force main that run from a “point of connection” located in Fairway Farms to Aqua’s wastewater treatment plant.

The contract provides that the District will pay Aqua a wholesale price for wastewater treatment equal to \$63.80 per ESFC per month and that future prices for wastewater treatment will be subject to the review and approval of the appropriate state agency (currently the TCEQ).

The District currently plans to implement changes to its rate order, at the appropriate time that will, to the extent possible, attempt to equalize the cost of water/sewer system for all the residents in the District including those that are provided with receive wastewater treatment from Aqua (Fairway Farms) and those that are provided with wastewater treatment facilities directly from the District (Pine Trace Village).

The contract includes specific terms designed to insure that the appropriate levels of service will be provided to the residents in Fairway Farms and for provisions to remedy a breach of contract by either Aqua or the District.

– Storm Drainage/Detention –

Each of the above subdivisions has, or will have, their own storm drainage systems and detention pond systems. The land in Pine Trace Village generally drains into Roan Gully and from there into Willow Creek. Fairway Farms generally drains into three minor natural tributaries and from there into Spring Creek. Twelve Oaks generally drains into Boggs Bully and Spring Creek.

According to the District’s Engineer, the Flood Hazard Boundary Map, currently in effect, published by the Federal Emergency Management Agency (FEMA), which covers land located in the District, indicates that there may be portions of the District that are within the 100-year flood plain; however, any areas planned for future development will be mitigated as necessary as part of the design of that development. All of the land within the flood plain, with the exception of future mitigated developments is made up of drainage easements, detention ponds, or other designated drainage facilities; none of the developed and improved land is in the 100-year flood plain.

Conversion to Surface Water

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has adopted a District Regulatory Plan (the "Subsidence District Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the Subsidence District Plan, the District was required to submit to the Subsidence District, a groundwater reduction plan and begin construction of surface water conversion infrastructure by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand. This same disincentive fee will be imposed under the Subsidence District Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2010, exceeds 40% of the District's total water demand beginning January 2025, and exceeds 20% of the District's total water demand beginning January 2035. If the District does not meet the Subsidence District's requirements as described above, the District may be required to pay the disincentive fees adopted by the Subsidence District.

The District is located within the North Harris County Regional Water Authority (the "Authority"). The Authority was created to provide for the supply of surface water to north Harris County and to prepare a ground water reduction plan to comply with the Subsidence District Plan. The Authority submitted its Groundwater Reduction Proposal to the Subsidence District and it received final certification on June 11, 2003. This plan covers the area of the District and the District will not owe any disincentive fees to the Subsidence District. However, if the Authority fails to comply with the Subsidence District Plan, the Authority could be subjected to disincentive fees, which may cause the Authority to increase the fees it charges within its boundaries including those fees charged to the District. The Authority has entered into a contract with the City of Houston to purchase surface water beginning in 2010. The District currently pays the Authority a ground water pumpage fee of \$2.40 per 1,000 gallons of water produced from its ground water wells and a fee of \$2.85 per 1,000 gallons of surface water purchased from the Authority. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to develop surface water conversion infrastructure or to participate in the Authority's regional surface water conversion effort.

100-Year Flood Plain

According to the Engineer, the Flood Hazard Boundary Map, currently in effect, published by the Federal Emergency Management Agency (FEMA), which covers land located in the District, indicates that there may be portions of the District that are within the 100-year flood plain; however, any areas planned for future development will be mitigated as necessary as part of the design of that development. All of the land within the flood plain, with the exception of future mitigated developments, is made up of drainage easements, detention ponds, or other designated drainage facilities; none of the developed and improved land is in the 100-year flood plain.

Historical Operations of the System

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District and are additionally secured by a pledge of the System's net revenues. It is not presently anticipated that the net revenues will provide for a significant amount of the District's Annual Debt Service Requirements. The information included in the table below relating to the District's water and sewer system operations is provided for information purposes only.

GENERAL FUND	Fiscal Year Ended November 30 (a)				
	2015	2014	2013	2012	2011
REVENUES					
Property Taxes	\$491,184	\$331,055	\$181,991	\$225,653	\$171,904
Water Service	\$93,875	\$71,928	\$59,442	\$29,379	\$21,728
Wastewater Service	\$73,570	\$56,930	\$40,441	\$24,481	\$14,495
Regional Water Authority Fees	\$46,688	\$35,333	\$24,727	\$17,134	\$18,182
Penalty and Interest	\$14,771	\$13,019	\$7,713	\$30,913	\$18,406
Tap Connection and Inspection Fees	\$43,727	\$50,480	\$75,600	\$40,075	\$13,475
Investment Revenues	\$0	\$0	\$0	\$0	\$107
Miscellaneous Revenues	\$5,032	\$4,210	\$3,717	\$1,304	\$720
TOTAL REVENUES	\$768,847	\$562,955	\$393,631	\$368,939	\$259,017
EXPENDITURES					
Professional Fees	\$84,604	\$120,340	\$87,318	\$56,883	\$58,445
Contracted Services	\$70,058	\$58,902	\$39,058	\$22,977	\$17,600
Utilities	\$17,302	\$18,301	\$15,457	\$16,807	\$19,030
Regional Water Authority Assessment	\$46,998	\$36,522	\$22,286	\$19,156	\$19,049
Repairs and Maintenance	\$116,907	\$95,089	\$46,494	\$78,795	\$56,829
Operating Leases	\$170,384	\$57,600	\$101,339	\$101,339	\$101,339
Other	\$74,850	\$74,325	\$53,552	\$39,072	\$21,809
TOTAL EXPENDITURES	\$581,103	\$461,079	\$365,504	\$335,029	\$294,101
EXCESS REVENUES (EXPENDITURES)	\$187,744	\$101,876	\$28,127	\$33,910	-\$35,084
OTHER FINANCING SOURCES (USES)	\$0	\$0	\$0	\$0	\$25,093
NET CHANGE IN FUND BALANCE	\$187,744	\$101,876	\$28,127	\$33,910	-\$9,991
BEGINNING FUND BALANCE	\$114,047	\$12,171	-\$15,956	-\$49,866	-\$39,875
ENDING FUND BALANCE (b)	\$301,791	\$114,047	\$12,171	-\$15,956	-\$49,866

(a) Data is taken from District's audited financial statements. See "APPENDIX A."

(b) As of August 1, 2016, the District's General Fund had an unaudited cash and investment balance of approximately \$545,846. For the fiscal year ending November 30, 2016, the District's General Fund budget currently calls for revenues of approximately \$973,350 and expenditures of approximately \$677,859.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board"), which has control over and management supervision of all affairs of the District. None of the directors reside in the District; each of the directors owns a parcel of land in the District subject to a note and deed of trust. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires May</u>
Josh Hawes	President	2018
William Ehler	Vice President	2018
April Konopka	Assistant Vice President	2020
Gina LaRoche	Secretary	2020
Vacant	Assistant Secretary	2018

The District does not employ a general manager or any other full-time employees. The District has contracted for utility system operating, bookkeeping, tax assessing and collecting services, and annual auditing of its financial statements as follows:

Tax Assessor/Collector - The District's Tax Assessor/Collector is Assessments of the Southwest, Inc., who is employed under an annual contract and represents approximately 200 other utility districts.

Bookkeeper - The District's Bookkeeper is Myrtle Cruz, Inc., which acts as bookkeeper for approximately 337 other utility districts.

Auditor - The District's annual financial statements as of and for the year ended November 30, 2015, have been audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's November 30, 2015, audited financial statements. McCall Gibson Swedlund Barfoot PLLC, was not requested to perform any updating procedures subsequent to the date of its audit report on the November 30, 2015, financial statements.

Utility System Operator - The District's Operator is Water District Management who serves as the operator for 25 other utility districts.

Engineer - The consulting engineer for the District is R.G. Miller Engineers, Inc. (the "Engineer").

Financial Advisor - The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds if and when such bonds are delivered.

Bond Counsel – Allen Boone Humphries Robinson LLP serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – Norton Rose Fulbright US LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; however, such fees are not contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield in its portfolio. Funds of the District are invested in short-term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the District portfolio.

DISTRICT DEBT

2016 Certified Taxable Valuation	\$60,911,499	(a)
2015 Certified Taxable Valuation	\$50,320,964	(b)
Direct Debt		
Outstanding Bonds	\$0	
The Bonds	<u>\$4,300,000</u>	
Total Direct Debt	\$4,300,000	
Estimated Overlapping Debt	\$2,557,015	
Direct and Estimated Overlapping Debt	\$6,857,015	
Percentage of Direct Debt to:		
2016 Certified Taxable Valuation	7.06%	
2015 Certified Taxable Valuation	8.55%	
Percentage of Direct and Estimated Overlapping Debt to:		
2016 Certified Taxable Valuation	11.26%	
2015 Certified Taxable Valuation	13.63%	
2015 Tax Rate Per \$100 of Assessed Value		
Debt Service Tax	\$0.00	
Maintenance Tax	<u>\$1.48</u>	
Total 2015 Tax Rate	\$1.48	(c)
Cash and Temporary Investment Balances as of August 1, 2016		
General Fund	\$545,846	
Debt Service Fund	\$204,250	(d)

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- (a) Reflects the 2016 taxable value according to HCAD. The value above includes \$52,223,950 of property that is fully certified and \$8,687,549 of the values (the owner's value) of the properties still in the process of being certified. See "DISTRICT TAX DATA - Analysis of Tax Base."
- (b) Reflects the 2015 taxable value according to data supplied by HCAD. See "DISTRICT TAX DATA - Analysis of Tax Base."
- (c) The District is in the process of setting its 2016 tax rates. It is currently anticipated that the District will set a 2016 debt service tax rate of \$0.45 and a 2016 operations and maintenance of \$0.99 for a total of \$1.44.
- (d) Represents capitalized interest to be funded with bond proceeds to be deposited into the District's Debt Service Fund on the day of closing of the Series 2016 Bonds. Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund. See "DISTRICT TAX DATA - Tax Adequacy of Tax Revenue."

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds, the amount of which has not been reported. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Percent</u>	<u>Amount</u>
Houston Independent School District	\$386,125,000	0.55%	\$2,123,687
Harris County	\$2,430,303,330	0.01%	\$243,030
Harris County Flood Control District	\$83,075,000	0.01%	\$8,307
Port of Houston Authority	\$674,269,397	0.01%	\$67,426
Harris County Department of Education	\$7,000,000	0.01%	\$700
Lone Star College System	\$569,325,000	0.02%	\$113,865
Total Estimated Overlapping Debt			\$2,557,015
The District's Direct Debt (a)			\$4,300,000
Total Direct and Estimated Overlapping Debt			\$6,857,015

(a) Reflects the Series 2016 Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2011 through 2015. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Tax Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Cumulative Tax Collections</u>	<u>Tax Year Ended September 30</u>
2015	\$50,320,964	\$1.48	\$744,750	96.02%	(a)
2014	\$35,817,700	\$1.48	\$530,101	99%	2015
2013	\$19,247,419	\$1.48	\$284,861	100%	2014
2012	\$12,849,053	\$1.50	\$192,735	100%	2013
2011	\$13,104,249	\$1.50	\$196,563	100%	2012

(a) Represents tax collections as of August 24, 2016.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters have authorized a maintenance tax of up to \$1.50 per \$100.00 of assessed valuation at an election held on May 12, 2007. See "Tax Rate Distribution" herein.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2011 and 2015.

	<u>2015</u> (a)	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Debt Service	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Maintenance/Operations	<u>\$1.48</u>	<u>\$1.48</u>	<u>\$1.48</u>	<u>\$1.50</u>	<u>\$1.50</u>
Total	\$1.48	\$1.48	\$1.48	\$1.50	\$1.50

(a) The District is in the process of setting its 2016 tax rates. It is currently anticipated that the District will set a 2016 debt service tax rate of \$0.45 and a 2016 operations and maintenance of \$0.99 for a total of \$1.44.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of 20% of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Principal Taxpayers

The list of principal taxpayers for 2015 and the other information provided by this table were provided by Harris County Appraisal District to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of HCAD.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
Pine Trace Village LLC (a)	Land and Improvements	\$2,656,903	5.28%
LA ReservaGated Community	Land and Improvements	\$2,348,853	4.67%
CTMGT Pine Trace Village	Land and Improvements	\$1,750,267	3.48%
BBRR Partners Ltd	Land and Improvements	\$1,522,042	3.02%
12 Oaks LLC	Land and Improvements	\$746,683	1.48%
Lexington 26 LP	Land and Improvements	\$516,129	1.03%
Intermaq LLC	Land and Improvements	\$456,968	0.91%
Jurni LP	Land and Improvements	\$301,091	0.60%
Homeowner	Personal Property	\$273,242	0.54%
Homeowner	Personal Property	<u>\$220,259</u>	<u>0.44%</u>
		\$10,792,437	21.45%

(a) All of the land owned by Pine Trace Village, LLC was purchased by D.R. Horton on August 31, 2016.

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2011 through 2016.

<u>Tax Roll Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Gross Valuations</u>	<u>Exemptions</u>	<u>Taxable Valuations</u>
2016						\$60,911,499 (a)
2015	\$18,032,137	\$32,315,505	\$451,195	\$50,798,837	\$477,873	\$50,320,964
2014	\$13,654,717	\$22,040,153	\$444,025	\$36,138,895	\$321,195	\$35,817,700
2013	\$9,697,368	\$10,929,186	\$338,702	\$20,965,256	\$1,717,837	\$19,247,419
2012	\$8,065,074	\$6,021,980	\$250,892	\$14,337,946	\$1,488,893	\$12,849,053
2011	\$8,536,649	\$4,532,357	\$62,486	\$13,131,492	\$27,243	\$13,104,249

(a) Reflects the 2016 taxable value according to HCAD. The value above includes \$52,223,950 of property that is fully certified and \$8,687,549 of the values (the owner's value) of the properties still in the process of being certified.

Estimated Overlapping Taxes

The following table sets forth all 2015 taxes levied by overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2015 Tax Rate</u>
Houston Independent School District	\$1.340000
Harris County (a)	\$0.635402
Lone Star College District	\$0.107900
Harris County ESD No. 15	<u>\$0.050000</u>
Overlapping Taxes	\$2.133302
The District	<u>\$1.480000</u>
Total Direct & Overlapping Taxes	\$ 3.613302

(a) Includes taxes levied by Harris County, Port of Houston, Harris County Department of Education, Harris County Hospital District, and the Harris County Flood Control District.

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District’s Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the 2016 Certified Taxable Valuation and the 2015 Certified Taxable Valuation. The calculations utilize a tax rate adequate to service the District’s total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2042).....	\$306,300
Requires a \$0.53 debt service tax rate on the 2016 Certified Taxable Valuation at 95% collections.....	\$306,689
Requires a \$0.65 debt service tax rate on the 2015 Certified Taxable Valuation at 95% collections.....	\$310,732

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See “RISK FACTORS – Future Debt.” The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully in this Official Statement under the caption “THE BONDS - Source of and Security for Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by the voters in the District. See “DISTRICT TAX DATA – Maintenance Tax.”

Tax Code and County-Wide Appraisal District

The Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. Each Appraisal District has the responsibility for appraising property for all taxing units within its respective county. Such appraisal values are subject to review and change by the Harris Central Appraisal District (the “Appraisal Review Board”). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas) and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property that are covered by the Freeport Exemption, if, for prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For the tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in, or imported into, Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland. Note: land owners in the District have waived their rights to agricultural use, open space, or timber land exemptions.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone-wide or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal orders of the Appraisal Review Board by filing a timely petition for review in state district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. Similarly, a delinquent tax on real property incurs such additional penalty on July 1 of the year in which taxes become delinquent. The taxes billed at a later date that become delinquent on or after June 1 will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney not to exceed 20%. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment, and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "DISTRICT TAX DATA – Estimated Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property and land designated for agricultural use and six months for all other property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

ANNEXATION AND CONSOLIDATION

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston without the District's consent. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District within 90 days. The District makes no representation concerning the ability of the City to pay debt service on the District's bonds. If annexation were to occur, annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt, nor does the District make any representation that annexation might occur.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

THE BONDS

General

The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Resolution. Capitalized terms in such summary are used as defined in the Bond Resolution. Such summary is not a complete description of the entire Bond Resolution and is qualified in its entirety by reference to the Bond Resolution, a copy of which is available from the District's Bond Counsel upon request.

The Bonds are dated and will bear interest from October 1, 2016, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2017, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of the principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

In the event that the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Optional Redemption

The Bonds maturing on and after April 1, 2022, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2021, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal Districts fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and redemption price thereon in any manner permitted by law. Under current tax law such discharge may be accomplished either: (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of and all interest to accrue on the Bonds to maturity or redemption, or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision or a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and that mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner that would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

Funds

In the Bond Resolution, the Debt Service Fund is created and the proceeds from all taxes levied, appraised, and collected for and on account of the Bonds authorized by the Bond Resolution, shall be deposited as collected in such fund.

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developer for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund after completion of construction of the system will be used as described in the Bond Resolution or ultimately transferred to the Debt Service Fund.

Paying Agent/Registrar

Pursuant to the Bond Resolution, the initial paying agent and initial registrar with respect to the Bonds is Amegy Bank, a division of ZB, N.A. Houston, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, any outstanding bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Resolution to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Houston, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to keep them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

- “(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of authorities, public agencies, and bodies politic.
- (b) A district’s bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of authorities, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured interest coupons attached to them.”

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

Issuance of Additional Debt

The District's voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$41,100,000	For certain water, sanitary sewer, storm water facilities, and refunding
\$5,000,000	For certain parks and recreation facilities and refunding

After the issuance of the Bonds, all of the above noted amounts of bonds will remain authorized but unissued except that the District will only have \$36,800,000 unlimited tax bonds for water, sanitary sewer, and storm water facilities bonds that will remain authorized but unissued.

The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City of Houston to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Securities is to be transferred and how the principal of, premium, if any, Maturity Value and interest on the Securities are to be paid to and credited by DTC while the Securities are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriters believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Securities, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Securities), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Securities. The Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Securities, each in the aggregate principal amount or Maturity Value, as the case may be, of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive securities representing their ownership interests in Securities except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners.

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If fewer than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, securities are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, securities will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriters takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriters a transcript (the "Transcript") of certain certified proceedings incident to the issuance and authorization of the Bonds. Such Transcript will include the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that: (i) the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against all taxable property within the District; (ii) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law; and (iii) interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations. Bond Counsel's fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds.

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "ANNEXATION AND CONSOLIDATION," "THE BONDS," "LEGAL MATTERS - Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel) and " – Legal Review," "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind, with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with issuance of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations except for certain alternative minimum tax consequences for corporations.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States, and a requirement that the District file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor, and the Underwriters with respect to matters solely within the knowledge of the District, the District's Financial Advisor, and the Underwriters, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds regardless of the date on which the event causing such taxability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC, or FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") may be less than the stated redemption price at maturity. In such case, under existing law and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that: (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the District as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c) (3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and will represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2016 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2016.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, and other sources that are believed to be reliable, but no representation is made as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions, and engineering and other related reports set forth in the Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Consultants

In approving this Official Statement, the District has relied upon the following consultants:

Engineer - The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM," "USE OF BOND PROCEEDS," and certain engineering matters included in "THE DISTRICT – Description and Location," and "THE DISTRICT - Status of Land Development/Land Uses in the District" has been provided by R.G. Miller Engineers, Inc., and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector - The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by the Appraisal Districts and by Assessments of the Southwest, Inc., in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor - The District's annual financial statements as of and for the year ended November 30, 2015, have been audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's November 30, 2015, audited financial statements. McCall Gibson Swedlund Barfoot PLLC, was not requested to perform any updating procedures subsequent to the date of its audit report on the November 30, 2015, financial statements for this Official Statement.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District audit report is required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

Certification as to Official Statement

The Board of Directors of the District, acting in its official capacity and in reliance upon the consultants listed above and certain certificates of representation to be provided to the Board, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Underwriters.

MISCELLANEOUS

All estimates, statements, and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statement in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated is intended as such and not a representation of fact and no representation is made that any such statement will be realized.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 480 as of the date shown on the cover page.

APPENDIX A

AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

NOVEMBER 30, 2015

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
NOVEMBER 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and major fund of Harris County Municipal Utility District No. 480 (the "District"), as of and for the year ended November 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Harris County Municipal
Utility District No. 480

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of November 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

March 23, 2016

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED NOVEMBER 30, 2015**

Management's 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, 2015. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. 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 Position. This information is found in the Statement of Net Position column. The Statement of Net Position 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 position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

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. The General Fund accounts for property tax revenues, customer service revenues, operating costs and general expenditures.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED NOVEMBER 30, 2015**

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 Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the 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 position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets by \$492,257 as of November 30, 2015.

A portion of the District's net position reflects its net investment in capital assets (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 Position.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED NOVEMBER 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2015	2014	Change Positive (Negative)
Current and Other Assets	\$ 1,122,323	\$ 675,316	\$ 447,007
Capital Assets (Net of Accumulated Depreciation)	4,373,361	4,461,246	(87,885)
Total Assets	\$ 5,495,684	\$ 5,136,562	\$ 359,122
Due to Developer	\$ 5,224,515	\$ 5,224,515	\$
Other Liabilities	147,702	57,713	(89,989)
Total Liabilities	\$ 5,372,217	\$ 5,282,228	\$ (89,989)
Deferred Inflows of Resources	\$ 615,724	\$ 491,298	\$ (124,426)
Net Position:			
Net Investment in Capital Assets	\$ (619,901)	\$ (532,016)	\$ (87,885)
Unrestricted	127,644	(104,948)	232,592
Total Net Position	\$ (492,257)	\$ (636,964)	\$ 144,707

The following table provides a summary of the District's operations for the years ended November 30, 2015, and November 30, 2014. The District's net position increased by \$144,707.

	Summary of Changes in the Statement of Activities		
	2015	2014	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 528,024	\$ 329,431	\$ 198,593
Charges for Services	280,639	227,352	53,287
Other Revenues	5,032	4,210	822
Total Revenues	\$ 813,695	\$ 560,993	\$ 252,702
Expenses for Services	668,988	539,449	(129,539)
Change in Net Position	\$ 144,707	\$ 21,544	\$ 123,163
Net Position, Beginning of Year	(636,964)	(658,508)	21,544
Net Position, End of Year	\$ (492,257)	\$ (636,964)	\$ 144,707

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED NOVEMBER 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The General Fund fund balance increased by \$187,744, primarily due to tax and operating revenues being more than the cost of operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$8,553 less than budgeted revenues. Actual expenditures were \$17,128 more than budgeted expenditures primarily due to higher than anticipated lease costs. See the budget to actual comparison.

CAPITAL ASSETS

Capital assets as of November 30, 2015, total \$4,373,361 (net of accumulated depreciation) and include land as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2015	2014	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,145,908	\$ 1,145,908	\$
Capital Assets, Net of Accumulated Depreciation:			
Water System	252,600	259,168	(6,568)
Wastewater System	948,530	976,387	(27,857)
Drainage System	2,026,323	2,079,783	(53,460)
Total Net Capital Assets	\$ 4,373,361	\$ 4,461,246	\$ (87,885)

LONG-TERM DEBT

As of November 30, 2015, the District recorded a liability to its Developers of \$5,224,515. See Note 6 for further disclosure.

CONTACTING THE DISTRICT'S 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 POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
NOVEMBER 30, 2015

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 409,095	\$	\$ 409,095
Receivables:			
Property Taxes	655,022		655,022
Penalty and Interest on Delinquent Taxes		10,568	10,568
Service Accounts	23,394		23,394
Prepaid Costs	24,244		24,244
Land		1,145,908	1,145,908
Capital Assets (Net of Accumulated Depreciation)		3,227,453	3,227,453
TOTAL ASSETS	\$ 1,111,755	\$ 4,383,929	\$ 5,495,684
LIABILITIES			
Accounts Payable	\$ 112,452	\$	\$ 112,452
Due to Developers		5,224,515	5,224,515
Security Deposits	35,250		35,250
TOTAL LIABILITIES	\$ 147,702	\$ 5,224,515	\$ 5,372,217
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 662,262	\$ (46,538)	\$ 615,724
FUND BALANCE/NET POSITION			
FUND BALANCE			
Nonspendable: Prepaid Costs	\$ 24,244	\$ (24,244)	\$
Unassigned	277,547	(277,547)	
TOTAL FUND BALANCE	\$ 301,791	\$ (301,791)	\$ - 0 -
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,111,755		
NET POSITION			
Net Investment in Capital Assets		\$ (619,901)	\$ (619,901)
Unrestricted		127,644	127,644
TOTAL NET POSITION		\$ (492,257)	\$ (492,257)

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
NOVEMBER 30, 2015

Total Fund Balance - Governmental Fund	\$	301,791
--	----	---------

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		4,373,361
--	--	-----------

Deferred tax revenues and deferred penalty and interest revenues on delinquent taxes for the 2014 and prior tax levies became part of recognized revenue in the governmental activities of the District.		57,106
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer		<u>(5,224,515)</u>
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Total Net Position - Governmental Activities	\$	<u><u>(492,257)</u></u>
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The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property Taxes	\$ 491,184	\$ 36,840	\$ 528,024
Water Service	93,875		93,875
Wastewater Service	73,570		73,570
Regional Water Authority Fees	46,688		46,688
Penalty and Interest	14,771	8,008	22,779
Tap Connection and Inspection Fees	43,727		43,727
Miscellaneous Revenues	5,032		5,032
	<u>768,847</u>	<u>44,848</u>	<u>813,695</u>
TOTAL REVENUES	\$ 768,847	\$ 44,848	\$ 813,695
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 84,604	\$	\$ 84,604
Contracted Services	70,058		70,058
Utilities	17,302		17,302
Regional Water Authority Assessments	46,998		46,998
Repairs and Maintenance	116,907		116,907
Operating Leases	170,384		170,384
Depreciation		87,885	87,885
Other	74,850		74,850
	<u>581,103</u>	<u>87,885</u>	<u>668,988</u>
TOTAL EXPENDITURES/EXPENSES	\$ 581,103	\$ 87,885	\$ 668,988
NET CHANGE IN FUND BALANCE	\$ 187,744	\$ (187,744)	\$
CHANGE IN NET POSITION		144,707	144,707
FUND BALANCE/NET POSITION - DECEMBER 1, 2014	<u>114,047</u>	<u>(751,011)</u>	<u>(636,964)</u>
FUND BALANCE/NET POSITION - NOVEMBER 30, 2015	<u><u>\$ 301,791</u></u>	<u><u>\$ (794,048)</u></u>	<u><u>\$ (492,257)</u></u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED NOVEMBER 30, 2015**

Net Change in Fund Balance - Governmental Fund	\$	187,744
--	----	---------

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, revenue is recorded in the accounting period for which the taxes are levied.		36,840
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Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		8,008
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(87,885)
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Change in Net Position - Governmental Activities	\$	<u>144,707</u>
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The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015

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

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

Financial Statement Presentation

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

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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.

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 Balance.

Governmental Fund - The General Fund is considered a major fund and accounts for property tax revenues, customer service revenues, operating costs and general expenditures.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2014 tax levy collections during the period October 1, 2014, to November 30, 2015, and taxes collected from December 1, 2014, to November 30, 2015, for the 2013 and prior tax levies. The 2015 tax levy has been fully deferred.

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures 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:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

	Years
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.

Measurement Focus

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

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

Accounting Estimates

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

NOTE 3. 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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits (Continued)

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 \$409,095 and the bank balance was \$407,330. Of the bank balance, \$289,172 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

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, 2015, the District had no investments.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2015:

	December 1, 2014	Increases	Decreases	November 30, 2015
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,145,908	\$ - 0 -	\$ - 0 -	\$ 1,145,908
Capital Assets Subject to Depreciation				
Water System	\$ 295,567	\$	\$	\$ 295,567
Wastewater System	1,146,113			1,146,113
Drainage System	2,405,674			2,405,674
Total Capital Assets Subject to Depreciation	\$ 3,847,354	\$ - 0 -	\$ - 0 -	\$ 3,847,354
Less Accumulated Depreciation				
Water System	\$ 36,399	\$ 6,568	\$	\$ 42,967
Wastewater System	169,726	27,857		197,583
Drainage System	325,891	53,460		379,351
Total Accumulated Depreciation	\$ 532,016	\$ 87,885	\$ - 0 -	\$ 619,901
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 3,315,338	\$ (87,885)	\$ - 0 -	\$ 3,227,453
Total Capital Assets, Net of Accumulated Depreciation	\$ 4,461,246	\$ (87,885)	\$ - 0 -	\$ 4,373,361

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 water and wastewater system. During the year ended November 30, 2015, the District levied an ad valorem maintenance tax of \$1.48 per \$100 of assessed valuation, which resulted in a tax levy of \$615,724 on the adjusted taxable valuation of \$41,602,999 for the 2015 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 THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015

NOTE 6. UNREIMBURSED COSTS

The District has entered into certain financing and reimbursement agreements with Developers within the District which provide for the Developers to make payments on behalf of the District for various projects and operating advances. 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 \$5,224,515 for completed projects as of November 30, 2015. Approximately \$4,815,000 of the developer liability is applicable to Pine Trace Village, LLC with the balance due to another Developer. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developers.

NOTE 7. 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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 8. 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 9. OPERATING LEASES

Interim Wastewater Treatment Plant

The District leases an interim wastewater treatment plant from AUC Group, L.P. The monthly lease payments are \$4,800. Current year lease payments totaled \$57,600 with a prepaid balance of \$10,600. On July 22, 2015, the District signed an agreement to expand the interim wastewater treatment plant to 240,000 gallons-per-day. The expansion was not complete as of year-end.

Water Well and Water Treatment Plant

The District leases a potable water well and water treatment plant from Bussell & Sons, LLC. The lease payments, which commenced March 2015, are \$12,532 per month. Current year lease payments totaled \$112,784 with a prepaid balance of \$12,464.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015

NOTE 10. 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 currently charges a fee of \$2.00 per 1,000 gallons of water pumped from each well. The District made payments of \$46,998 to the Authority during the current fiscal year.

NOTE 11. EMERGENCY WATER SUPPLY AGREEMENT

On April 1, 2014, the District entered into an Emergency Water Supply Agreement (Agreement) with Dowdell Public Utility District (Dowdell). Each party will fund one-half of the design and construction of the interconnect facilities with Dowdell’s share not to exceed \$25,000. Costs to maintain the point of connection facilities will be borne equally by both districts, with the costs to be billed by the District to Dowdell. The cost of water will be equal to the base rate per 1,000 gallons charged by the supplying district for single family residential users within its district at 5,000 gallons usage during a month, plus any pumpage fee, unless the fee is already included in the rate. The term of the agreement is 20 years, with automatic successive five-year renewals.

NOTE 12. AGREEMENTS FOR WATER AND WASTEWATER SERVICE

On September 24, 2014, the District entered into an agreement with Aqua Texas, Inc. (Aqua) for the provision of water services. Water supplied will be billed to the District at the volumetric rate established for wholesale water users as provided in the applicable tariff approved by the State agency with jurisdiction, currently \$5.01 per 1,000 gallons of water. The agreement expires May 1, 2054.

On September 24, 2014, the District entered into an agreement with Aqua Texas, Inc. (Aqua) for the provision of wastewater services. Wastewater treatment will be billed to the District based on the number of active single family connections for the preceding month at the rate established for retail residential wastewater users as provided in the applicable tariff approved by the State agency with jurisdiction, currently \$63.80 per single family equivalent connection. The agreement expires May 1, 2054.

NOTE 13. SUBSEQUENT EVENT – SALE OF BOND ANTICIPATION NOTE

Subsequent to year end, the District sold a \$2,300,000 Bond Anticipation Note (BAN) to reimburse a Developer for the following: Pine Trace Village Sections 1 and 2 water, sewer and drainage facilities and related clearing and grubbing; Pine Trace Village detention phase 1; Pine Trace Village lift station no. 1; and operating advances.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480

REQUIRED SUPPLEMENTARY INFORMATION

NOVEMBER 30, 2015

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, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 492,000	\$ 491,184	\$ (816)
Water Service	95,000	93,875	(1,125)
Wastewater Service	65,000	73,570	8,570
Regional Water Authority Fees	52,000	46,688	(5,312)
Penalty and Interest	3,100	14,771	11,671
Tap Connection and Inspection Fees	70,000	43,727	(26,273)
Miscellaneous Revenues	<u>300</u>	<u>5,032</u>	<u>4,732</u>
TOTAL REVENUES	<u>\$ 777,400</u>	<u>\$ 768,847</u>	<u>\$ (8,553)</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 122,750	\$ 84,604	\$ 38,146
Contracted Services	56,000	70,058	(14,058)
Utilities	20,000	17,302	2,698
Regional Water Authority Assessment	55,000	46,998	8,002
Repairs and Maintenance	130,000	116,907	13,093
Operating Leases	118,000	170,384	(52,384)
Other	<u>62,225</u>	<u>74,850</u>	<u>(12,625)</u>
TOTAL EXPENDITURES	<u>\$ 563,975</u>	<u>\$ 581,103</u>	<u>\$ (17,128)</u>
NET CHANGE IN FUND BALANCE	\$ 213,425	\$ 187,744	\$ (25,681)
FUND BALANCE - DECEMBER 1, 2014	<u>114,047</u>	<u>114,047</u>	<u></u>
FUND BALANCE - NOVEMBER 30, 2015	<u>\$ 327,472</u>	<u>\$ 301,791</u>	<u>\$ (25,681)</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, 2015

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
SERVICES AND RATES
FOR THE YEAR ENDED NOVEMBER 30, 2015

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	260	252	x 1.0	252
1"	2	2	x 2.5	5
1½"			x 5.0	
2"	3	3	x 8.0	24
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>265</u>	<u>257</u>		<u>281</u>
Total Wastewater Connections	<u>257</u>	<u>249</u>	x 1.0	<u>249</u>

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

Gallons pumped into the system: 23,296,000 Water Accountability Ratio: 92.6%
(Gallons billed/Gallons pumped)

Gallons billed to customers: 21,569,000

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
SERVICES AND RATES
FOR THE YEAR ENDED NOVEMBER 30, 2015

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ 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, 2015

PROFESSIONAL FEES:	
Auditing	\$ 8,500
Engineering	13,404
Legal	<u>62,700</u>
TOTAL PROFESSIONAL FEES	<u>\$ 84,604</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 4,471
Bookkeeping	5,004
Operations and Billing	14,298
Tax Collector	<u>4,526</u>
TOTAL CONTRACTED SERVICES	<u>\$ 28,299</u>
UTILITIES:	
Electricity	<u>\$ 17,302</u>
REPAIRS AND MAINTENANCE	<u>\$ 116,907</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 3,750
Dues	565
Insurance	4,790
Legal Notices	416
Office Supplies and Postage	8,545
Payroll Taxes and Administration	331
Travel and Meetings	1,155
Other	<u>5,188</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 24,740</u>
TAP CONNECTIONS	<u>\$ 21,507</u>
SOLID WASTE DISPOSAL	<u>\$ 41,759</u>
OTHER EXPENDITURES:	
Chemicals	\$ 4,566
Laboratory Fees	10,686
Reconnection Fees	1,670
Inspection Fees	7,153
Regulatory Assessment	729
Regional Water Authority Assessments	46,998
Sludge Hauling	3,799
Operating Leases	<u>170,384</u>
TOTAL OTHER EXPENDITURES	<u>\$ 245,985</u>
TOTAL EXPENDITURES	<u><u>\$ 581,103</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED NOVEMBER 30, 2015

	Maintenance Taxes	
TAXES RECEIVABLE -		
DECEMBER 1, 2014	\$ 488,872	
Adjustments to Beginning		
Balance	36,726	\$ 525,598
Original 2015 Tax Levy	\$ 598,275	
Adjustment to 2015 Tax Levy	17,449	615,724
TOTAL TO BE		
ACCOUNTED FOR		\$ 1,141,322
TAX COLLECTIONS:		
Prior Years	\$ 479,060	
Current Year	7,240	486,300
TAXES RECEIVABLE -		
NOVEMBER 30, 2015		\$ 655,022
TAXES RECEIVABLE BY		
YEAR:		
2015		\$ 608,484
2014		42,804
2013		3,433
2012		301
TOTAL		\$ 655,022

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, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
PROPERTY VALUATIONS:				
Land	\$ 11,705,673	\$ 11,157,324	\$ 8,762,905	\$ 8,231,084
Improvements	29,715,506	21,915,465	10,718,744	6,021,980
Personal Property	368,123	342,963	338,202	248,460
Exemptions	<u>(186,303)</u>	<u>(220,010)</u>	<u>(1,717,837)</u>	<u>(1,567,329)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 41,602,999</u>	<u>\$ 33,195,742</u>	<u>\$ 18,102,014</u>	<u>\$ 12,934,195</u>
MAINTENANCE TAX RATES PER \$100 VALUATION				
	<u>\$ 1.48</u>	<u>\$ 1.48</u>	<u>\$ 1.48</u>	<u>\$ 1.50</u>
ADJUSTED TAX LEVY*	<u>\$ 615,724</u>	<u>\$ 491,298</u>	<u>\$ 267,910</u>	<u>\$ 194,013</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	<u>1.18 %</u>	<u>91.29 %</u>	<u>98.72 %</u>	<u>99.84 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters 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

	Amounts		
	2015	2014	2013
REVENUES			
Property Taxes	\$ 491,184	\$ 331,055	\$ 181,991
Water Service	93,875	71,928	59,442
Wastewater Service	73,570	56,930	40,441
Regional Water Authority Fees	46,688	35,333	24,727
Penalty and Interest	14,771	13,019	7,713
Tap Connection and Inspection Fees	43,727	50,480	75,600
Miscellaneous Revenues	5,032	4,210	3,717
TOTAL REVENUES	\$ 768,847	\$ 562,955	\$ 393,631
EXPENDITURES			
Professional Fees	\$ 84,604	\$ 120,340	\$ 87,318
Contracted Services	70,058	58,902	39,058
Utilities	17,302	18,301	15,457
Regional Water Authority Assessments	46,998	36,522	22,286
Repairs and Maintenance	116,907	95,089	46,494
Operating Leases	170,384	57,600	101,339
Other	74,850	74,325	53,552
TOTAL EXPENDITURES	\$ 581,103	\$ 461,079	\$ 365,504
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 187,744	\$ 101,876	\$ 28,127
OTHER FINANCING SOURCES (USES)			
Developer Advances	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 187,744	\$ 101,876	\$ 28,127
BEGINNING FUND BALANCE	114,047	12,171	(15,956)
ENDING FUND BALANCE	\$ 301,791	\$ 114,047	\$ 12,171
TOTAL ACTIVE RETAIL WATER CONNECTIONS	257	225	177
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	249	224	171

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2012	2011	2015	2014	2013	2012	2011
\$ 225,653	\$ 171,904	63.8 %	58.8 %	46.2 %	61.1 %	66.4 %
29,379	21,728	12.2	12.8	15.1	8.0	8.4
24,481	14,495	9.6	10.1	10.3	6.6	5.6
17,134	18,182	6.1	6.3	6.3	4.6	7.0
30,913	18,406	1.9	2.3	2.0	8.4	7.1
40,075	13,475	5.7	9.0	19.2	10.9	5.2
1,304	827	0.7	0.7	0.9	0.4	0.3
<u>\$ 368,939</u>	<u>\$ 259,017</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 56,883	\$ 58,445	11.0 %	21.4 %	22.2 %	15.4 %	22.6 %
22,977	17,600	9.1	10.5	9.9	6.2	6.8
16,807	19,030	2.3	3.3	3.9	4.6	7.3
19,156	19,049	6.1	6.5	5.7	5.2	7.4
78,795	56,829	15.2	16.9	11.8	21.4	21.9
101,339	101,339	22.2	10.2	25.7	27.5	39.1
<u>39,072</u>	<u>21,809</u>	<u>9.7</u>	<u>13.2</u>	<u>13.6</u>	<u>10.6</u>	<u>8.4</u>
<u>\$ 335,029</u>	<u>\$ 294,101</u>	<u>75.6 %</u>	<u>82.0 %</u>	<u>92.8 %</u>	<u>90.9 %</u>	<u>113.5 %</u>
<u>\$ 33,910</u>	<u>\$ (35,084)</u>	<u>24.4 %</u>	<u>18.0 %</u>	<u>7.2 %</u>	<u>9.1 %</u>	<u>(13.5) %</u>
<u>\$ - 0 -</u>	<u>\$ 25,093</u>					
\$ 33,910	\$ (9,991)					
<u>(49,866)</u>	<u>(39,875)</u>					
<u>\$ (15,956)</u>	<u>\$ (49,866)</u>					
<u>102</u>	<u>67</u>					
<u>61</u>	<u>61</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 480
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
NOVEMBER 30, 2015

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 November 30, 2015	Expense Reimbursements for the year ended November 30, 2015	Title
Josh Hawes	05/14 - 05/18 (Elected)	\$ 750	\$ -0-	President
William Ehler	05/14 - 05/18 (Elected)	\$ 750	\$ -0-	Vice President
April Konopka	05/12 – 05/16 (Elected)	\$ 450	\$ -0-	Assistant Vice President
Gina Laroche	05/12 05/16 (Elected)	\$ 900	\$ 145	Secretary
Tony Garza	05/14 - 05/18 (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): May 28, 2014.

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, 2015

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended November 30, 2015</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	02/28/07	\$ 59,069	General Counsel
McCall Gibson Swedlund Barfoot PLLC	01/29/08	\$ 8,500	Auditor
Myrtle Cruz, Inc.	04/12/07	\$ 6,108	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	05/08/08	\$ 3,631	Delinquent Tax Attorney
R.G. Miller Engineers, Inc.	04/12/07	\$ 13,404	Engineer
The GMS Group, LLC	05/23/07	\$ -0-	Financial Advisor
Mary Jarmon	02/26/14	\$ -0-	Investment Officer
Water District Management	04/12/07	\$ 113,519	Operator
Assessments of the Southwest	04/12/07	\$ 5,051	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

PHOTOGRAPHS TAKEN IN THE DISTRICT





