

EAST ALDINE MANAGEMENT DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2007

McCALL, GIBSON & COMPANY, PLLC
Certified Public Accountants

EAST ALDINE MANAGEMENT DISTRICT

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ANNUAL FINANCIAL REPORT

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Board of Directors
East Aldine Management District
Harris County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of East Aldine Management District (the "District"), as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the component unit and each major fund of District as of December 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
East Aldine Management District

The Management's Discussion and Analysis on pages 3 through 8 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 33 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in blue ink that reads "McCall, Gibson & Company, PLLC". The signature is written in a cursive, flowing style.

McCall, Gibson & Company, PLLC
Certified Public Accountants

May 20, 2008

**EAST ALDINE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Our discussion and analysis of East Aldine Management District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the District's financial statements, which begin on page 9.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) government-wide financial statements, (2) the fund financial statements, (3) component unit financial statements and (4) the notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements are prepared utilizing the economic resources measurement focus and the accrual basis of accounting. The Statement of Net Assets on page 9 presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities on page 10 presents information showing how the District's net assets changed during the most recent fiscal year. All of the revenues and expenses are taken into account as soon as the underlying event giving rise to the item occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two kinds of activities:

- **Governmental Activities** - Most of the District's basic services are reported here. Sales tax revenues finance most of these activities.
- **Component Unit** – The District includes one separate legal entity in its report – the East Aldine Water and Sewer Authority. Although legally separate, this component unit is included because the District is financially accountable for it.

**EAST ALDINE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

FUND FINANCIAL STATEMENTS

The basic financial 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 three governmental fund types. The General Fund accounts for resources not accounted for in another fund, sales tax revenues and general expenditures. The Debt Service Fund accounts for the financial resources accumulated for servicing bond debt. The Capital Projects Fund accounts for financial resources segregated for acquisition or construction of facilities and related costs.

Governmental funds are reported in the Governmental Funds Balance Sheet on pages 11 and 12 and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances on pages 14 and 15. 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.

Because 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 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets on page 13 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 16 explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 through 31 in this report.

OTHER INFORMATION

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

**EAST ALDINE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$2,807,078 as of December 31, 2007.

The following is a comparative analysis of government-wide changes in net assets:

	<u>Summary of the Changes in the Statement of Net Assets</u>		
	<u>2007</u>	<u>2006</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 5,567,639	\$ 3,609,378	\$ 1,958,261
Capital Assets (Net of Accumulated Depreciation)	<u>315,048</u>	<u>324,422</u>	<u>(9,374)</u>
Total Assets	<u>\$ 5,882,687</u>	<u>\$ 3,933,800</u>	<u>\$ 1,948,887</u>
Long-Term Liabilities	\$ 2,845,000	\$ 2,965,000	\$ 120,000
Other Liabilities	<u>230,609</u>	<u>232,589</u>	<u>1,980</u>
Total Liabilities	<u>\$ 3,075,609</u>	<u>\$ 3,197,589</u>	<u>\$ 121,980</u>
Net Assets:			
Invested in Capital Assets	\$ 315,048	\$ 324,422	\$ (9,374)
Restricted	395,592	375,969	19,623
Unrestricted	<u>2,096,438</u>	<u>35,820</u>	<u>2,060,618</u>
Total Net Assets	<u>\$ 2,807,078</u>	<u>\$ 736,211</u>	<u>\$ 2,070,867</u>

**EAST ALDINE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the District's operations for the years ended December 31, 2007 and December 31, 2006. During the current fiscal year, the District's net assets increased by \$2,070,867, accounting for a 281% increase in net assets.

	Summary of Changes in the Statement of Activities		
	2007	2006	Change Positive (Negative)
Revenues:			
Sales Tax Revenue	\$ 3,447,249	\$ 2,160,140	\$ 1,287,109
Other Revenues	<u>197,462</u>	<u>127,855</u>	<u>69,607</u>
Total Revenues	\$ 3,644,711	\$ 2,287,995	\$ 1,356,716
Expenses for Services	<u>1,153,844</u>	<u>1,385,626</u>	<u>231,782</u>
Excess (Deficiency) of Revenues Over Expenses	\$ 2,490,867	\$ 902,369	\$ 1,588,498
Transfer to Other Governmental Units	<u>(420,000)</u>	<u>(380,000)</u>	<u>(40,000)</u>
Change in Net Assets	\$ 2,070,867	\$ 522,369	\$ 1,548,498
Net Assets, Beginning of Year	<u>736,211</u>	<u>213,842</u>	<u>522,369</u>
Net Assets, End of Year	<u>\$ 2,807,078</u>	<u>\$ 736,211</u>	<u>\$ 2,070,867</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2007, were \$5,389,460, an increase of \$1,970,060 from the prior year.

The General Fund fund balance increased by \$1,952,377 primarily due to the significant increase in sales tax revenue.

The Debt Service Fund fund balance increased by \$17,567.

The Capital Projects Fund fund balance increased by \$116.

**EAST ALDINE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenue was \$1,288,955 more than budgeted revenue due to higher than anticipated sales tax revenues and interest revenues. Actual expenditures were \$219,612 less than budgeted due to the District occurring less than anticipated economic and community development expenditures.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2007, amounts to \$315,048 (net of accumulated depreciation). This investment in capital assets includes office equipment and fixtures, as well as leasehold improvements.

<u>Capital Assets At Year-End Net of Accumulated Depreciation</u>	
Land	\$ 94,168
Office Equipment & Fixtures	897
Leasehold Improvements	<u>219,983</u>
Total Net Capital Assets	<u>\$ 315,048</u>

Additional information on the District's capital assets can be found in Note 7 on pages 28 and 29 of this report.

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$2,965,000.

The changes in the debt position of the District during the fiscal year ended December 31, 2007, are summarized as follows:

Bond Debt Payable - January 1, 2007	\$ 3,080,000
Less: Bond Principal Paid	<u>115,000</u>
Bond Debt Payable – December 31, 2007	<u>\$ 2,965,000</u>

The District's Series 2005 Bonds carry an underlying rating of "A-" by Standard and Poor's and an insured rating of "AA" from Standard and Poor's by virtue of bond insurance issued by Radian Asset Assurance, Inc. There was no change in the bond ratings during the fiscal year ended December 31, 2007.

**EAST ALDINE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the East Aldine Management District's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to East Aldine Management District, P. O. Box 22167, Houston, Texas 77227-2167.

EAST ALDINE MANAGEMENT DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Primary Government Governmental Activities	Discretely Presented Component Unit Aldine Water and Sewer Authority
ASSETS		
Cash, Note 5	\$ 129,445	\$ 33,371
Investments, Note 5	5,013,669	
Receivables:		
Sales Taxes	218,404	
Grant Proceeds, Note 8	11,955	
Prepaid Costs	75,530	
Unamortized Bond Issuance Costs	118,636	
Land, Note 7	94,168	
Capital Assets (Net of Accumulated Depreciation), Note 7	220,880	
TOTAL ASSETS	\$ 5,882,687	\$ 33,371
LIABILITIES		
Accounts Payable	\$ 59,543	\$ 23,389
Accrued Interest Payable	51,066	
Long-Term Liabilities:		
Due Within One Year, Note 3	120,000	
Due After One Year, Note 3	2,845,000	
TOTAL LIABILITIES	\$ 3,075,609	\$ 23,389
NET ASSETS		
Invested in Capital Assets	\$ 315,048	\$
Restricted For:		
Capital Projects	116	
Debt Service	395,476	
Unrestricted	2,096,438	9,982
TOTAL NET ASSETS	\$ 2,807,078	\$ 9,982

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

**EAST ALDINE MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Primary Government Governmental Activities	Discretely Presented Component Unit Aldine Water and Sewer Authority
REVENUES		
Sales Tax Revenue, Note 6	\$ 3,447,249	\$
Investment Revenues	<u>197,462</u>	<u> </u>
TOTAL REVENUES	<u>\$ 3,644,711</u>	<u>\$ -0-</u>
EXPENSES		
Service Operations:		
Professional Fees	\$ 27,401	\$ 64,962
Contracted Services	29,800	63,002
Public Health, Safety and Security	320,885	
Neighborhood Clean-Up and Beauty	252,491	
Economic and Community Development	214,605	
Environmental and Urban Design	13,650	
Transportation and Mobility	104,348	
Depreciation, Note 7	25,074	
Other	22,008	3,255
Debt Service:		
Bond Interest	<u>143,582</u>	<u> </u>
TOTAL EXPENSES	<u>\$ 1,153,844</u>	<u>\$ 131,219</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 2,490,867</u>	<u>\$ (131,219)</u>
SPECIAL ITEMS		
Transfer to Other Governmental Unit, Notes 10	\$ (420,000)	\$ (350,000)
Transfer from Primary Government, Note 10	<u> </u>	<u>420,000</u>
TOTAL SPECIAL ITEMS	<u>\$ (420,000)</u>	<u>\$ 70,000</u>
CHANGE IN NET ASSETS	\$ 2,070,867	\$ (61,219)
NET ASSETS - JANUARY 1, 2007	<u>736,211</u>	<u>71,201</u>
NET ASSETS - DECEMBER 31, 2007	<u><u>\$ 2,807,078</u></u>	<u><u>\$ 9,982</u></u>

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

**EAST ALDINE MANAGEMENT DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2007**

	General Fund	Debt Service Fund
ASSETS		
Cash, Note 5	\$ 21,606	\$ 107,839
Investments, Note 5	4,674,966	338,703
Receivables:		
Sales Taxes	218,404	
Grant Proceeds, Note 8	11,955	
Due from Other Funds		
Prepaid Costs	75,530	
TOTAL ASSETS	\$ 5,002,461	\$ 446,542
LIABILITIES		
Accounts Payable	\$ 59,543	\$
Due to Other Funds	116	
TOTAL LIABILITIES	\$ 59,659	\$ -0-
FUND BALANCES		
Reserved for Authorized Construction:		
Net Investment Revenues	\$	\$
Reserved for Debt Service:		
For Debt Service Reserve, Note 4		258,938
For Future Debt Service Obligations		187,604
Reserved for Prepaid Costs	75,530	
Reserved for Community Development, Note 12	1,195	
Unreserved – Undesignated	4,866,077	
TOTAL FUND BALANCES	\$ 4,942,802	\$ 446,542
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,002,461	\$ 446,542

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

<u>Capital Projects Fund</u>	<u>Primary Government Totals</u>
\$	\$ 129,445
	5,013,669
	218,404
	11,955
116	116
	<u>75,530</u>
<u>\$ 116</u>	<u>\$ 5,449,119</u>
\$	\$ 59,543
	116
<u>\$ -0-</u>	<u>\$ 59,659</u>
\$ 116	\$ 116
	258,938
	187,604
	75,530
	1,195
	<u>4,866,077</u>
<u>\$ 116</u>	<u>\$ 5,389,460</u>
<u>\$ 116</u>	<u>\$ 5,449,119</u>

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

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**EAST ALDINE MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

Total Fund Balances – Governmental Funds		\$ 5,389,460
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Unamortized bond issuance costs in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		118,636
Land used in governmental activities is not a financial resource and therefore is not reported as an asset in governmental funds.		94,168
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		220,880
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the governmental funds.		(51,066)
Certain liabilities, including bonds payable, 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:		
Bonds Payable Within One Year	\$ (120,000)	
Bonds Payable After One Year	<u>(2,845,000)</u>	<u>(2,965,000)</u>
Total Net Assets – Governmental Activities		<u>\$ 2,807,078</u>

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

**EAST ALDINE MANAGEMENT DISTRICT
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General Fund	Debt Service Fund
REVENUES		
Sales Tax Revenue, Note 6	\$ 3,447,249	\$
Investment Revenues	181,706	15,640
TOTAL REVENUES	\$ 3,628,955	\$ 15,640
EXPENDITURES		
Service Operations:		
Professional Fees	\$ 27,401	\$
Contracted Services	29,300	500
Public Health, Safety and Security	320,885	
Neighborhood Clean-Up and Beauty	252,491	
Economic and Community Development	214,605	
Environmental and Urban Design	13,650	
Transportation and Mobility	104,348	
Other	22,008	
Capital Outlay	15,700	
Debt Service:		
Bond Principal		115,000
Bond Interest		138,763
TOTAL EXPENDITURES	\$ 1,000,388	\$ 254,263
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 2,628,567	\$ (238,623)
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS		
Transfer In, Note 4	\$	\$ 256,190
Transfer Out, Note 4	(256,190)	
Transfer to Component Unit, Note 10	(420,000)	
TOTAL OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS	\$ (676,190)	\$ 256,190
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS	\$ 1,952,377	\$ 17,567
FUND BALANCES – JANUARY 1, 2007	2,990,425	428,975
FUND BALANCES – DECEMBER 31, 2007	\$ 4,942,802	\$ 446,542

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

<u>Capital Projects Fund</u>	<u>Primary Government Totals</u>
\$	\$ 3,447,249
<u>116</u>	<u>197,462</u>
\$ 116	\$ 3,644,711
\$	\$ 27,401
	29,800
	320,885
	252,491
	214,605
	13,650
	104,348
	22,008
	15,700
	115,000
	<u>138,763</u>
\$ -0-	\$ 1,254,651
\$ 116	\$ 2,390,060
\$	\$ 256,190
	(256,190)
	<u>(420,000)</u>
\$ -0-	\$ (420,000)
\$ 116	\$ 1,970,060
	<u>3,419,400</u>
\$ 116	\$ 5,389,460

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

**EAST ALDINE MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Change in Fund Balances - Total Governmental Funds	\$ 1,970,060
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report bond principal payments as expenditures. However, in the statement of net assets bond principal payments are reported as decreases in long-term liabilities.	115,000
Governmental funds report capital expenditures in the period purchased. However, in the Statement of Net Assets, capital assets are increased by new purchases.	15,700
Governmental funds report interest expenditures on bonds as expenditures in the year paid. However, in the Statement of Net Assets, interest is accrued on bonds through fiscal year end.	(4,819)
Governmental funds do not account for depreciation. However, in the Statement of Net Assets, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	<u>(25,074)</u>
Change in Net Assets - Governmental Activities	<u>\$ 2,070,867</u>

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

**EAST ALDINE MANAGEMENT DISTRICT
COMPONENT UNIT BALANCE SHEET
DECEMBER 31, 2007**

	<u>Aldine Water and Sewer Authority</u>
ASSETS	
Cash, Note 5	\$ <u>33,371</u>
LIABILITIES	
Accounts Payable	\$ <u>23,389</u>
FUND BALANCE	
Unreserved	\$ <u>9,982</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 33,371</u>

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

**EAST ALDINE MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Aldine Water and Sewer Authority
REVENUES	
Miscellaneous Revenue	\$ <u>-0-</u>
EXPENDITURES	
Service Operations:	
Professional Fees	\$ 64,962
Contracted Services	63,002
Other	<u>3,255</u>
TOTAL EXPENDITURES	\$ <u>131,219</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>(131,219)</u>
OTHER FINANCING SOURCES (USES)	
Transfers from Primary Government, Note 10	\$ 420,000
Transfers to Other Governmental Unit	<u>(350,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>70,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ (61,219)
FUND BALANCE – JANUARY 1, 2007	<u>71,201</u>
FUND BALANCE – DECEMBER 31, 2007	<u><u>9,982</u></u>

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

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1. CREATION OF DISTRICT

The Aldine Community Improvement District (the "District") was created by the Texas Legislature under provisions of House Bill No. 741, of the 77th Legislature, effective June 17, 2001, codified as Chapter 3817, Texas Special District Local Laws Code (formerly Subchapter K, of Chapter 376, Texas Local Government Code) and as amended by House Bill No. 3550, of the 79th Legislature. On September 16, 2003, the District changed its name to the Aldine Improvement District. On April 17, 2007, the District changed its name to East Aldine Management District. The District was created as a special district under Article XVI, Section 59 of the Texas Constitution. Pursuant to the provisions of the Act creating the District, the District is empowered to promote, develop, encourage, and maintain employment, commerce, transportation, housing, tourism, recreation, arts entertainment, economic development, safety, and the public welfare in the District. The Board of Directors held its first meeting on June 25, 2001 and sold its first bonds on July 21, 2005.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The District was created as an independent municipality.

Based on the previously discussed criteria, the District's basic financial statements include the East Aldine Water and Sewer Authority (Authority), as a component unit of the District. The Authority was incorporated on January 18, 2005 as a not-for-profit corporation for the specific public purpose of aiding, assisting, and acting on behalf on the District in the performance of its governmental functions; specifically, to provide water, wastewater and drainage services to the East Aldine area. The Authority may issue bonds with the consent of the District. The Authority is managed by a board of directors consisting of five members who serve four year terms. The District has sole authority to appoint the directors of the Authority. The assets are managed by the board of directors. The financial records are maintained by a consultant for the board of directors. Separate financial statements for the Authority are not available. See Note 10.

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

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

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

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

Government-Wide Financial Statements

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

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

The District's fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three major governmental funds.

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

Debt Service Fund - To account for the financial resources accumulated for servicing bond debt.

Capital Projects Fund - To account for financial resources segregated for acquisition or construction of facilities and related costs.

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 sixty (60) days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

**EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Capital Assets

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

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

	Years
Office Equipment and Fixtures	3
Leasehold Improvements	Life of Lease

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.

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that the 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 Assets and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net assets on the Statement of Net Assets.

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

Reserved:

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

Unreserved:

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

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

Accounting Estimates

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

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 3. BONDS PAYABLE

	Series 2005
Amount Outstanding - December 31, 2007	\$ 2,965,000
Interest Rates	4.50% - 5.00%
Maturity Dates – Serially Beginning/Ending	February 15, 2008/2025
Interest Payment Dates	February 15/August 15
Callable Dates	February 15, 2014*

* Or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Series 2005 term bonds due February 15, 2016, February 15, 2018, February 15, 2020, February 15, 2022 and February 15, 2025 are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on February 15 in the years and amounts as reflected in the debt service schedules.

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2007:

Bond Debt Payable – January 1, 2007	\$ 3,080,000
Less: Bond Principal Paid – Series 2005	115,000
Bond Debt Payable – December 31, 2007	\$ 2,965,000
Bond Debt Payable –	
Due Within One Year	\$ 120,000
Due After One Year	2,845,000
Bond Debt Payable – December 31, 2007	\$ 2,965,000

As of December 31, 2007, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 120,000	\$ 133,475	\$ 253,475
2009	120,000	128,075	248,075
2010	125,000	122,563	247,563
2011	130,000	116,500	246,500
2012	135,000	109,875	244,875
2013-2017	750,000	444,688	1,194,688
2018-2022	920,000	256,500	1,176,500
2023-2025	665,000	46,012	711,012
	\$ 2,965,000	\$ 1,357,688	\$ 4,322,688

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 3. BONDS PAYABLE (Continued)

The bonds are payable from the proceeds of the 1% sales and use tax collected within the District.

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

- A. The Series 2005 bond resolution calls for the establishment of a Reserve Fund requirement. The Reserve Fund requirement is established and stipulated to be \$258,938, which is the lesser of (i) the maximum annual debt service requirement or (ii) the maximum amount in a reasonably required reserve fund that can be invested without restriction to yield. As of December 31, 2007, the District has established an account in which the Reserve Fund requirement has been deposited.
- B. The Series 2005 bond resolution states, that on or before the last business day of each month that any of the bonds remain outstanding, that the District is required to transfer to the Debt Service Fund, in approximately equal monthly installments, an amount that will be sufficient to accumulate the amount required to pay the next interest and principal payments on the outstanding bonds. To meet the bond resolution requirements related to the Series 2005 bonds, the District's General Fund transferred \$256,190 to the Debt Service Fund during the current fiscal year.
- C. The Series 2005 bond resolution states that the District will provide continuing disclosure of certain financial information and operating data to each nationally recognized municipal securities information repository and the state information depository. This information, along with the audited annual financial statements, is to be provided within six (6) months after the end of each fiscal year.

NOTE 5. 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.

**EAST ALDINE MANAGEMENT DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2007**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$162,816 and the bank balance was \$167,672. Of the bank balance, \$159,833 was fully 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.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet, the Component Unit Balance Sheet and the Statement of Net Assets at December 31, 2007, as listed below:

GENERAL FUND	\$	21,606
DEBT SERVICE FUND		107,839
COMPONENT UNIT		<u>33,371</u>
TOTAL DEPOSITS	\$	<u>162,816</u>

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

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The District invests in TexSTAR, an external investment pool that is not SEC-registered. First Southwest Asset Management, Inc. and JPMorgan Chase manage the daily operations of TexSTAR. The fair value of the District's position in the pool is the same as the value of pool shares.

As of December 31, 2007, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND -</u> TexSTAR	\$ 4,674,966	\$ 4,674,966	\$	\$	\$
<u>DEBT SERVICE</u> <u>FUND -</u> TexSTAR	<u>338,703</u>	<u>338,703</u>	<u> </u>	<u> </u>	<u> </u>
Total Investments	<u>\$ 5,013,669</u>	<u>\$ 5,013,669</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2007, the District's investment in TexSTAR was rated AAAM by Standard and Poor's.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexSTAR to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

**EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Restrictions

All cash and investments of the Component Unit are restricted for activities of the East Aldine Water and Sewer Authority.

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. SALES AND USE TAX

In accordance with Chapter 3817, Texas Special Districts Local Laws Code, as amended, the District may levy a sales and use tax if authorized by a majority of the qualified voters of the District. The sales and use tax is to be used for the purpose to promote, develop, encourage, and maintain employment commerce, transportation, housing, tourism, recreation, arts, entertainment, economic development, safety, and the public welfare in the District.

On August 11, 2001, the voters of the District approved the collection of a one (1%) percent sales and use tax. On November 13, 2001, the District entered into a contract with the Comptroller of Public Accounts of the State of Texas to administer and collect the sales and use tax on the District's behalf. During the current fiscal year, the District recorded sales tax revenues in the amount of \$3,447,249.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007:

	<u>January 1, 2007</u>	<u>Net Change</u>	<u>December 31, 2007</u>
Capital Assets Not Being Depreciated			
Land and Land Improvements	\$ 94,168	\$ -0-	\$ 94,168
Capital Assets at Historical Costs Subject to Depreciation			
Office Equipment and Fixtures	\$ 7,870	\$	\$ 7,870
Leasehold Improvements	<u>304,213</u>	<u>15,700</u>	<u>319,913</u>
Total Capital Assets at Historical Costs Subject to Depreciation	<u>\$ 312,083</u>	<u>\$ 15,700</u>	<u>\$ 327,783</u>

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 7. CAPITAL ASSETS (Continued)

	<u>January 1, 2007</u>	<u>Net Change</u>	<u>December 31, 2007</u>
Less Accumulated Depreciation			
Office Equipment and Fixtures	\$ 5,399	\$ 1,574	\$ 6,973
Leasehold Improvements	<u>76,430</u>	<u>23,500</u>	<u>99,930</u>
Total Accumulated Depreciation	<u>\$ 81,829</u>	<u>\$ 25,074</u>	<u>\$ 106,903</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 230,254</u>	<u>\$ (9,374)</u>	<u>\$ 220,880</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 324,422</u>	<u>\$ (9,374)</u>	<u>\$ 315,048</u>

NOTE 8. TEXAS WATER DEVELOPMENT BOARD GRANT

On August 21, 2002, the District received a grant from the Texas Water Development Board (the "Board") from the Research and Planning Fund. The funds were granted for a Regional Water Supply and Wastewater Facilities Planning Study. The Board's share of the \$445,533 study cost is \$207,323 or 46.5 percent of the total study cost. The District was responsible for \$25,000 in cash and \$213,210 of in-kind services or 53.5 percent of the total study cost. The District entered into a contract with Water Engineers, Inc. in the amount of \$232,323 to provide engineering consulting services for the East Aldine Regional Water Supply and Wastewater Facilities Planning. In-kind services were performed by Harris County, Texas Onsite Wastewater Association and Bracewell & Patterson, L.L.P. During a prior fiscal year, the study was completed. The total cost of the study was \$257,099, including in-kind services in the amount of \$81,171. The District had recorded a grant receivable in the amount of \$119,551, 46.5 percent of the total study costs. During the prior fiscal year, the District received \$107,596 of this amount. \$11,955 (10% retainage) remains as a receivable balance as of December 31, 2007.

NOTE 9. SUBLEASE AGREEMENT

On May 23, 2003, the District entered into a sublease agreement with Aldine Communities Together, Inc. ("ACT"). On January 1, 2002, ACT had previously entered into a lease agreement for a 4,601 square foot storefront space being used as a Police Store Front. The original lease agreement was for a five year period from February 1, 2002 to January 31, 2007. In April 2003, the lease was extended ten (10) years and will run through January 31, 2017. The lease amount is \$24 per year. The lease also included a provision for a \$31.50 monthly charge for water service. All provisions of the original lease will now be applicable to the District. The District entered into the sublease in order to assist ACT in carrying out its organizational purpose and to provide funding and professional services to accomplish the renovation and expansion of the Police Store Front facilities.

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 10. ALDINE WATER AND SEWER AUTHORITY

During the 2004 fiscal year, the District authorized the creation of the Aldine Water and Sewer Authority (the "Authority"), a non-profit corporation, for the purpose of aiding, assisting, and acting on behalf of the District in the performance of its governmental functions to promote the common good and general welfare of the area included within the District and neighboring areas. Specifically, the Authority is created for the purpose of providing water, wastewater and drainage services to the East Aldine area. The Authority was created pursuant to Subchapter D, Chapter 431 of Texas Transportation Code. The Authority was created as a local government corporation.

The Authority has a board of directors, consisting of five persons. The board is appointed by the board of the District. Any director may be removed from office at any time, with or without cause, by the District.

On February 21, 2005, the District entered into an agreement with the Authority. In accordance with the agreement, all purposes, powers and functions of the District have been delegated to the Authority for the purpose of providing water, wastewater and drainage services to the East Aldine area. To assist the Authority in providing the services described, the District appropriated the sum of \$850,000 for the fiscal year ending December 31, 2007. During the current fiscal year, the District transferred \$420,000 to the Authority. In succeeding years, the District shall appropriate additional sums to the Authority in accordance with the provisions of the agreement.

The agreement also allows the Authority to incur debts and obligations for purposes for which it was established.

The term of the agreement is forty (40) years, however, the District may dissolve the Authority at its discretion at any time, with or without cause.

NOTE 11. 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 participated in the Texas Municipal League Intergovernmental risk Pool (TML) to provide general liability, automobile, errors and omissions, law enforcement and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. During the fiscal year ended December 31, 2007, the District contributed \$5,257 to the fund for this insurance coverage. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 12. ALDINE COMMUNITY DEVELOPMENT FUND

On February 21, 2006, the District created the Aldine Community Development Fund (the “ACD Fund”) as a separate district fund for the purpose of accepting monies and other donations and disbursing funds to approved entities and individuals meeting the requirements set forth in the District’s ACD Fund Disbursement Guidelines. The District created the Aldine Community Development Committee, comprised of no fewer than 3 board members of the District, that will meet monthly to evaluate request for funds, evaluate eligibility for funding, and make recommendations to the Board for disbursements from the ACD Fund. The ACD Fund has been combined with the General Fund and shown as a reserve as of December 31, 2007, of \$1,195.

EAST ALDINE MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2007

**EAST ALDINE MANAGEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Sales Tax Revenue	\$ 2,220,000	\$ 3,447,249	\$ 1,227,249
Investment Revenues	<u>120,000</u>	<u>181,706</u>	<u>61,706</u>
TOTAL REVENUES	<u>\$ 2,340,000</u>	<u>\$ 3,628,955</u>	<u>\$ 1,288,955</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 44,000	\$ 27,401	\$ 16,599
Contracted Services	22,100	29,300	(7,200)
Public Health, Safety and Security	361,655	320,885	40,770
Neighborhood Clean-Up and Beauty	221,925	252,491	(30,566)
Economic and Community Development	523,745	214,605	309,140
Environmental and Urban Design	13,650	13,650	
Transportation and Mobility	8,925	104,348	(95,423)
Other	24,000	22,008	1,992
Capital Outlay		<u>15,700</u>	<u>(15,700)</u>
TOTAL EXPENDITURES	<u>\$ 1,220,000</u>	<u>\$ 1,000,388</u>	<u>\$ 219,612</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,120,000</u>	<u>\$ 2,628,567</u>	<u>\$ 1,508,567</u>
OTHER FINANCING SOURCES (USES)			
Transfer Out	\$ (270,000)	\$ (256,190)	\$ 13,810
Transfer to Component Unit	<u>(850,000)</u>	<u>(420,000)</u>	<u>430,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (1,120,000)</u>	<u>\$ (676,190)</u>	<u>\$ 443,810</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 1,952,377	\$ 1,952,377
FUND BALANCE – JANUARY 1, 2007	<u>2,990,425</u>	<u>2,990,425</u>	
FUND BALANCE – DECEMBER 31, 2007	<u>\$ 2,990,425</u>	<u>\$ 4,942,802</u>	<u>\$ 1,952,377</u>

See accompanying independent auditor's report.

EAST ALDINE MANAGEMENT DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2007

**EAST ALDINE MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>-0-</u>
PROFESSIONAL FEES:	
Audit	\$ 8,500
Legal	<u>18,901</u>
TOTAL PROFESSIONAL FEES	\$ <u>27,401</u>
PURCHASED SERVICES FOR RESALE:	
Public Health, Safety and Security	\$ 320,885
Neighborhood Cleanup and Beauty	252,491
Economic and Community Development	214,605
Environmental and Urban Design	13,650
Transportation and Mobility	<u>104,348</u>
TOTAL PURCHASED SERVICES FOR RESALE	\$ <u>905,979</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 4,800
District Administrator	<u>24,500</u>
TOTAL CONTRACTED SERVICES	\$ <u>29,300</u>
UTILITIES:	
Electricity	\$ <u>-0-</u>
REPAIRS AND MAINTENANCE	\$ <u>-0-</u>
ADMINISTRATIVE EXPENDITURES:	
Insurance	\$ 5,617
Other	<u>16,391</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>22,008</u>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

CAPITAL OUTLAY:	
Capital Assets	\$ 15,700
Expenditures not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY	<u>\$ 15,700</u>
FIRE FIGHTING	<u>\$ -0-</u>
PARKS AND RECREATION	<u>\$ -0-</u>
OTHER EXPENDITURES	<u>\$ -0-</u>
TOTAL EXPENDITURES	<u>\$ 1,000,388</u>

Number of persons employed by the District -0- Full-Time -0- Part-Time

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
INVESTMENTS
DECEMBER 31, 2007**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexSTAR	10106-1111-000	Varies	Daily	\$ 4,674,966	\$ -0-
<u>DEBT SERVICE FUND</u>					
TexSTAR	10106-3333-000	Varies	Daily	\$ 76,048	\$
TexSTAR	10106-6233-000	Varies	Daily	<u>262,655</u>	<u> </u>
TOTAL DEBT SERVICE FUND				<u>\$ 338,703</u>	<u>\$ -0-</u>
TOTAL – ALL FUNDS				<u>\$ 5,013,669</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

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**EAST ALDINE MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2007**

S E R I E S - 2 0 0 5

Due During Fiscal Years Ending December 31	Principal Due February 15	Interest Due February 15/ August 15	Total
2008	\$ 120,000	\$ 133,475	\$ 253,475
2009	120,000	128,075	248,075
2010	125,000	122,563	247,563
2011	130,000	116,500	246,500
2012	135,000	109,875	244,875
2013	140,000	103,000	243,000
2014	145,000	95,875	240,875
2015	150,000	88,875	238,875
2016	155,000	82,013	237,013
2017	160,000	74,925	234,925
2018	170,000	67,500	237,500
2019	175,000	59,738	234,738
2020	185,000	51,637	236,637
2021	190,000	43,200	233,200
2022	200,000	34,425	234,425
2023	210,000	25,200	235,200
2024	220,000	15,525	235,525
2025	235,000	5,287	240,287
TOTAL	<u>\$ 2,965,000</u>	<u>\$ 1,357,688</u>	<u>\$ 4,322,688</u>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2007**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2007
East Aldine Management District Sales Tax Revenue Bonds – Series 2005	<u>\$ 3,195,000</u>	<u>\$ 3,080,000</u>
Bond Authority:	Tax Bonds	Refunding Bonds
Amount Authorized by Voters	\$ -0-	\$ -0-
Amount Issued	<u>-0-</u>	<u>-0-</u>
Remaining to be Issued	<u>\$ -0-</u>	<u>\$ -0-</u>
Debt Service Fund cash, investments and cash with paying agent balances as of December 31, 2007:		<u>\$ 446,542</u>
Average annual debt service payment (principal & interest) for remaining term of all bond debt:		<u>\$ 240,149</u>

For interest rates, interest payment dates and maturity dates, see Note 3.

See accompanying independent auditor's report.

Current Year Transactions

<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding December 31, 2007</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
<u>\$ -0-</u>	<u>\$ 115,000</u>	<u>\$ 138,763</u>	<u>\$ 2,965,000</u>	Wells Fargo Bank, N.A. Houston, TX

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2007	2006	2005
REVENUES			
Sales Tax Revenue	\$ 3,447,249	\$ 2,160,140	\$ 1,650,460
Grant Revenue			
Investment Revenues	<u>181,706</u>	<u>110,971</u>	<u>25,423</u>
TOTAL REVENUES	<u>\$ 3,628,955</u>	<u>\$ 2,271,111</u>	<u>\$ 1,675,883</u>
EXPENDITURES			
Professional Fees	\$ 27,401	\$ 41,615	\$ 34,969
Contracted Services	29,300	29,882	36,000
Public Health, Safety and Security	320,885	232,295	112,416
Neighborhood Cleanup and Beauty	252,491	191,938	105,877
Economic and Community Development	214,605	242,062	158,290
Environmental and Urban Design	13,650	13,000	8,400
Transportation and Mobility	104,348	80,079	32,118
Other	22,008	20,486	13,410
Capital Outlay	<u>15,700</u>	<u>94,168</u>	<u></u>
TOTAL EXPENDITURES	<u>\$ 1,000,388</u>	<u>\$ 945,525</u>	<u>\$ 501,480</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 2,628,567</u>	<u>\$ 1,325,586</u>	<u>\$ 1,174,403</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	\$	\$	\$ 154,622
Transfer Out	(256,190)	(266,365)	(415,823)
Transfer to Component Unit	<u>(420,000)</u>	<u>(380,000)</u>	<u>(170,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (676,190)</u>	<u>\$ (646,365)</u>	<u>\$ (431,201)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ 1,952,377	\$ 679,221	\$ 743,202
BEGINNING FUND BALANCE	<u>2,990,425</u>	<u>2,311,204</u>	<u>1,568,002</u>
ENDING FUND BALANCE	<u>\$ 4,942,802</u>	<u>\$ 2,990,425</u>	<u>\$ 2,311,204</u>

* Audit period from September 1, 2002 to December 31, 2003.

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2004</u>	<u>2003*</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003*</u>
\$ 1,179,652	\$ 1,400,656	95.0%	95.1%	98.5%	94.7%	95.7%
62,300	57,251				5.0	3.9
<u>3,468</u>	<u>6,364</u>	<u>5.0</u>	<u>4.9</u>	<u>1.5</u>	<u>0.3</u>	<u>0.4</u>
<u>\$ 1,245,420</u>	<u>\$ 1,464,271</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 34,299	\$ 21,621	0.8%	1.8%	2.1%	2.8%	1.5%
13,000	83,084	0.8	1.3	2.1	1.0	5.7
90,681	98,364	8.8	10.2	6.7	7.3	6.7
12,759	31,330	7.0	8.5	6.3	1.0	2.1
120,333	7,604	5.9	10.7	9.4	9.7	0.5
112,646	82,609	0.4	0.6	0.5	9.0	5.6
380,090	165,112	2.9	3.5	1.9	30.5	11.3
26,940	55,741	0.6	0.9	0.8	2.2	3.8
<u>11,150</u>	<u>310,901</u>	<u>0.4</u>	<u>4.1</u>		<u>0.9</u>	<u>21.2</u>
<u>\$ 801,898</u>	<u>\$ 856,366</u>	<u>27.6%</u>	<u>41.6%</u>	<u>29.8%</u>	<u>64.4%</u>	<u>58.4%</u>
<u>\$ 443,522</u>	<u>\$ 607,905</u>	<u>72.4%</u>	<u>58.4%</u>	<u>70.2%</u>	<u>35.6%</u>	<u>41.6%</u>
\$	\$					
<u>\$ -0-</u>	<u>\$ -0-</u>					
\$ 443,522	\$ 607,905					
<u>1,124,480</u>	<u>516,575</u>					
<u>\$ 1,568,002</u>	<u>\$ 1,124,480</u>					

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2007	2006	2005
REVENUES			
Investment Revenues	\$ 15,640	\$ 12,417	\$ 3,606
EXPENDITURES			
Tax Collection Expenditures	\$	\$ 15	\$ 15
Debt Service Principal	115,000	115,000	
Debt Service Interest and Fees	<u>139,263</u>	<u>144,438</u>	<u>9,768</u>
TOTAL EXPENDITURES	<u>\$ 254,263</u>	<u>\$ 259,453</u>	<u>\$ 9,783</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (238,623)</u>	<u>\$ (247,036)</u>	<u>\$ (6,177)</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	\$ 256,190	\$ 266,365	\$ 415,823
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ 17,567	\$ 19,329	\$ 409,646
BEGINNING FUND BALANCE	<u>428,975</u>	<u>409,646</u>	<u></u>
ENDING FUND BALANCE	<u>\$ 446,542</u>	<u>\$ 428,975</u>	<u>\$ 409,646</u>

* August period from September 1, 2002 to December 31, 2003.

See accompanying independent auditor's report.

		Percent of Total Revenues				
2004	2003*	2007	2006	2005	2004	2003*
\$ _____	\$ _____	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	_____	_____
\$ _____	\$ _____	735.3 <u>890.4</u>	0.1% 926.1 <u>1,163.2</u>	0.4% <u>270.9</u>	_____	_____
\$ _____	\$ _____	<u>1,625.7%</u>	<u>2,089.4%</u>	<u>271.3%</u>	_____	_____
\$ _____	\$ _____	<u>(1,525.7)%</u>	<u>(1,989.4)%</u>	<u>(171.3)%</u>	<u>N/A</u>	<u>N/A</u>
\$ _____	\$ _____					
\$ _____	\$ _____					
<u>\$ N/A</u>	<u>\$ N/A</u>					

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2007**

District Mailing Address - East Aldine Management District
P. O. Box 22167
Houston, TX 77227-2167

District Telephone Number - (713) 541-0447

Board Members	Term of Office (Appointed)	Fees of Office for the year ended December 31, <u>2007</u>	Expense Reimbursements for the year ended December 31, <u>2007</u>	<u>Position</u>
Clyde Bailey	06/07 06/11	\$ -0-	\$ -0-	1
John Broussard	06/07 06/11	\$ -0-	\$ -0-	2
Reyes Garcia, Jr.	06/07 06/11	\$ -0-	\$ -0-	3
William Townsend, Jr.	06/07 06/11	\$ -0-	\$ -0-	4
Deborah Foster	06/07 06/11	\$ -0-	\$ -0-	5
Bob Beasley	10/05 06/09	\$ -0-	\$ -0-	6
Gerald Overturff	10/05 06/09	\$ -0-	\$ -0-	7
Ray Shotwell	10/05 06/09	\$ -0-	\$ -0-	8
Maria Espinoza	10/05 06/09	\$ -0-	\$ -0-	9

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2007**

<u>Consultants:</u>	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2007</u>	<u>Title</u>
Hawes Hill Calderon, LLP P. O. Box 22167 Houston, TX 77227-2167	10/16/01	\$ 253,697	Administrator (1)
Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027	08/19/03	\$ 18,901	Attorney
McCall, Gibson & Company, PLLC Certified Public Accountants 13831 Northwest Freeway, Suite 610 Houston, TX 77040-5216	10/19/02	\$ 8,500	Auditor
Roland, Fry & Warren, LLC 1525 Lakeville Drive, Suite 121 Kingwood, TX 77339	07/22/03	\$ 8,324	Bookkeeper
Water Engineers, Inc. 17230 Huffmeister Road Cypress, TX 77429-1643	10/23/02	\$ 114,724	Engineer
Montgomery & Associates 480 N. Sam Houston Parkway East Suite 100 Houston, TX 77060	02/18/03	\$ 11,888	Engineer
First Southwest Company 1021 Main Street, Suite 2200 Houston, TX 77002-4102	05/20/03	\$ -0-	Financial Advisor
Jack Roland 1525 Lakeville Drive, Suite 121 Kingwood, TX 77339	07/20/04	\$ -0-	Investment Officer

(1) Provides Personnel for Various Positions

David W. Hawes – Executive Director
Michael E. Ledbetter – Director of Services
Scott Bean – Infrastructure Director and Executive Director Aldine Water and Sewer Authority
Steve Pittman – Communications Director
Roy Hill – Community Liaison

See accompanying independent auditor's report.