

EAST ALDINE MANAGEMENT DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2010

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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, 2010, which collectively comprise the District's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted 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 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 the District as of December 31, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
East Aldine Management District

The Management's Discussion and Analysis on pages 3 through 7 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 29 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.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

June 21, 2011

**EAST ALDINE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, 2010. Please read it in conjunction with the District's financial statements, which begin on page 8.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The first of the government-wide statements is the Statement of Net Assets. This information is found in the Statement of Net Assets column on pages 8 and 9. The Statement of Net Assets is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on pages 11 and 12 reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has 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 ad valorem taxes and financial resources accumulated for servicing bond debt. The Capital Projects Fund accounts for financial resources segregated for acquisition or construction and related costs.

**EAST ALDINE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets on page 10 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 13 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 14 through 27 in this report.

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$4,209,581 as of December 31, 2010.

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

**EAST ALDINE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of the Changes in the Statement of Net Assets		
	2010	2009	Change Positive (Negative)
Current and Other Assets	\$ 17,303,143	\$ 18,817,010	\$ (1,513,867)
Capital Assets (Net of Accumulated Depreciation)	<u>3,235,296</u>	<u>1,597,937</u>	<u>1,637,359</u>
Total Assets	<u>\$ 20,538,439</u>	<u>\$ 20,414,947</u>	<u>\$ 123,492</u>
Long-Term Liabilities	\$ 14,880,000	\$ 15,495,000	\$ 615,000
Other Liabilities	<u>1,448,858</u>	<u>1,110,066</u>	<u>(338,792)</u>
Total Liabilities	<u>\$ 16,328,858</u>	<u>\$ 16,605,066</u>	<u>\$ 276,208</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ (4,582,614)	\$ (5,498,811)	\$ 916,197
Restricted	1,971,274	1,912,801	58,473
Unrestricted	<u>6,820,921</u>	<u>7,395,891</u>	<u>(574,970)</u>
Total Net Assets	<u>\$ 4,209,581</u>	<u>\$ 3,809,881</u>	<u>\$ 399,700</u>

The following table provides a summary of the District's operations for the years ended December 31, 2010 and December 31, 2009. During the current fiscal year, the District's net assets increased by \$399,700.

	Summary of Changes in the Statement of Activities		
	2010	2009	Change Positive (Negative)
Revenues:			
Sales Tax Revenue	\$ 3,203,662	\$ 3,370,052	\$ (166,390)
Other Revenues	<u>174,746</u>	<u>859,786</u>	<u>(685,040)</u>
Total Revenues	\$ 3,378,408	\$ 4,229,838	\$ (851,430)
Expenses for Services	<u>2,978,708</u>	<u>2,182,440</u>	<u>(796,268)</u>
Excess (Deficiency) of Revenues Over Expenses	\$ 399,700	\$ 2,047,398	\$ (1,647,698)
Transfer to (from) Other Governmental Units		34,841	(34,841)
Loss on Disposal of Assets		<u>(10,584)</u>	<u>10,584</u>
Change in Net Assets	\$ 399,700	\$ 2,071,655	\$ (1,671,955)
Net Assets, Beginning of Year	<u>3,809,881</u>	<u>1,738,226</u>	<u>2,071,655</u>
Net Assets, End of Year	<u>\$ 4,209,581</u>	<u>\$ 3,809,881</u>	<u>\$ 399,700</u>

**EAST ALDINE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2010, were \$15,873,412, a decrease of \$1,793,517 from the prior year.

The General Fund fund balance decreased by \$539,035, primarily due to a transfer to the Debt Service Fund.

The Debt Service Fund fund balance increased by \$12,491, primarily due to a transfer from the General Fund which exceeded the debt service payments for the year.

The Capital Projects Fund fund balance decreased by \$1,266,973, primarily due to the expenditure of bond proceeds which were received in the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$42,120 less than budgeted revenues. Actual expenditures were \$615,425 more than budgeted expenditures. See the budget to actual comparison on page 29.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2010, amounts to \$3,235,296 (net of accumulated depreciation). This investment in capital assets includes office equipment and fixtures, leasehold improvements, as well as construction in progress.

<u>Capital Assets At Year-End Net of Accumulated Depreciation</u>	
Land	\$ 94,168
Construction in Progress	2,944,124
Office Equipment & Fixtures	10,840
Leasehold Improvements	<u>186,164</u>
Total Net Capital Assets	<u>\$ 3,235,296</u>

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

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$15,495,000.

The changes in the debt position of the District during the fiscal year ended December 31, 2010, are summarized as follows:

**EAST ALDINE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

LONG-TERM DEBT ACTIVITY (Continued)

Bond Debt Payable – January 1, 2010	\$16,090,000
Less: Bond Principal Paid	<u>(595,000)</u>
Bond Debt Payable – December 31, 2010	<u>\$15,495,000</u>

The District's Series 2005 and Series 2009 Bonds carry an underlying rating of "A" by Standard and Poor's. The Series 2005 Bonds have an insured rating of "BB-" from Standard and Poor's by virtue of bond insurance issued by Radian Asset Assurance, Inc. The Series 2009 Bonds have an issued rating of "AA+" from Standard and Poor's by virtue of bond insurance issued by Assured Guaranty. The above ratings reflect all changes during the fiscal year ended December 31, 2010.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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EAST ALDINE MANAGEMENT DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2010

	General Fund	Debt Service Fund
ASSETS		
Cash, Note 5	\$ 1,622,602	\$ 1,461
Investments, Note 5	5,180,042	2,139,859
Receivables:		
Sales Taxes, Note 6	225,500	
Grant Proceeds, Note 8	254,649	
Accrued Interest	2,166	
From Other Funds, Note 14		
From Other Governmental Unit		
Other	15,467	
Prepaid Costs	86,652	
Unamortized Bond Issuance Costs		
Unamortized Bond Discount		
Land, Note 7		
Construction in Progress, Note 7		
Capital Assets (Net of Accumulated Depreciation), Note 7		
TOTAL ASSETS	\$ 7,387,078	\$ 2,141,320
LIABILITIES		
Accounts Payable	\$ 83,026	\$
Accrued Interest Payable		
Retainage Payable		
Due to Other Funds, Note 14	1,119,982	1,157
Unamortized Bond Premium		
Long-Term Liabilities:		
Due Within One Year, Note 3		
Due After One Year, Note 3		
TOTAL LIABILITIES	\$ 1,203,008	\$ 1,157
FUND BALANCES		
Reserved for Debt Service:		
For Debt Service Reserve, Note 4	\$	\$ 1,235,713
For Future Debt Service Obligations		904,450
Reserved for Authorized Construction:		
Bond Proceeds		
Net Investment Revenues		
Reserved for Prepaid Costs	86,652	
Unreserved – Undesignated	6,097,418	
TOTAL FUND BALANCES	\$ 6,184,070	\$ 2,140,163
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,387,078	\$ 2,141,320
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Restricted For:		
Capital Projects		
Debt Service		
Unrestricted		
TOTAL NET ASSETS		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Assets
\$ 5,927,550	\$ 7,551,613	\$	\$ 7,551,613
951,112	8,271,013		8,271,013
	225,500		225,500
	254,649		254,649
	2,166		2,166
1,121,139	1,121,139	(1,121,139)	
27,000	27,000		27,000
	15,467		15,467
	86,652		86,652
		636,851	636,851
		232,232	232,232
		94,168	94,168
		2,944,124	2,944,124
		197,004	197,004
<u>\$ 8,026,801</u>	<u>\$ 17,555,199</u>	<u>\$ 2,983,240</u>	<u>\$ 20,538,439</u>
\$ 419,125	\$ 502,151	\$	\$ 502,151
		236,714	236,714
58,497	58,497		58,497
	1,121,139	(1,121,139)	
		36,496	36,496
		615,000	615,000
		14,880,000	14,880,000
<u>\$ 477,622</u>	<u>\$ 1,681,787</u>	<u>\$ 14,647,071</u>	<u>\$ 16,328,858</u>
\$	\$ 1,235,713	\$ (1,235,713)	\$
	904,450	(904,450)	
		(7,481,354)	
7,481,354	7,481,354	(67,825)	
67,825	67,825	(86,652)	
	86,652	(6,097,418)	
	6,097,418		
<u>\$ 7,549,179</u>	<u>\$ 15,873,412</u>	<u>\$ (15,873,412)</u>	<u>\$ -0-</u>
<u>\$ 8,026,801</u>	<u>\$ 17,555,199</u>		
		\$ (4,582,614)	\$ (4,582,614)
		67,825	67,825
		1,903,449	1,903,449
		6,820,921	6,820,921
		<u>\$ 4,209,581</u>	<u>\$ 4,209,581</u>

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

**EAST ALDINE MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

Total Fund Balances – Governmental Funds		\$ 15,873,412
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Unamortized bond issuance costs and bond discounts in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		869,083
Land used in governmental activities is not a financial resource and therefore is not reported as an asset in the governmental funds.		94,168
Construction in progress in governmental activities is not a financial resource and therefore is not reported as an asset in the governmental funds.		2,944,124
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		197,004
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the governmental funds.		(236,714)
Unamortized bond premiums in governmental activities are not financial resources and therefore are not reported as liabilities in the governmental funds.		(36,496)
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	\$ (615,000)	
Bonds Payable After One Year	<u>(14,880,000)</u>	<u>(15,495,000)</u>
Total Net Assets – Governmental Activities		<u>\$ 4,209,581</u>

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

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**EAST ALDINE MANAGEMENT DISTRICT
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General Fund	Debt Service Fund
REVENUES		
Sales Tax Revenue, Note 6	\$ 3,203,662	\$
Grant Revenues	106,899	
Investment Revenues	<u>25,863</u>	<u>3,399</u>
TOTAL REVENUES	<u>\$ 3,336,424</u>	<u>\$ 3,399</u>
EXPENDITURES		
Service Operations:		
Professional Fees	\$ 151,597	\$
Contracted Services	36,069	1,000
Public Safety and Security	743,254	
Economic Development and Public Relations	176,053	
Environmental and Urban Design	355,690	
Community Development	232,990	
Management Services	73,468	
Transportation and Mobility	55,238	
Depreciation, Note 7		
Other	49,418	
Capital Outlay	755,490	
Debt Service:		
Bond Principal		595,000
Bond Interest		<u>641,100</u>
TOTAL EXPENDITURES	<u>\$ 2,629,267</u>	<u>\$ 1,237,100</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 707,157</u>	<u>\$ (1,233,701)</u>
OTHER FINANCING SOURCES (USES)		
Transfer In/(Out), Note 4	<u>\$ (1,246,192)</u>	<u>\$ 1,246,192</u>
NET CHANGE IN FUND BALANCES	\$ (539,035)	\$ 12,491
CHANGE IN NET ASSETS		
FUND BALANCES – JANUARY 1, 2010	<u>6,723,105</u>	<u>2,127,672</u>
FUND BALANCES – DECEMBER 31, 2010	<u>\$ 6,184,070</u>	<u>\$ 2,140,163</u>

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

Capital Projects Fund	Total	Adjustments	Statements of Activities
\$	\$ 3,203,662	\$	\$ 3,203,662
	106,899		106,899
<u>38,585</u>	<u>67,847</u>		<u>67,847</u>
\$ <u>38,585</u>	\$ <u>3,378,408</u>	\$ <u>-0-</u>	\$ <u>3,378,408</u>
\$	\$ 151,597	\$	\$ 151,597
	37,069		37,069
	743,254		743,254
	176,053		176,053
	355,690		355,690
	232,990		232,990
	73,468		73,468
	55,238		55,238
		30,508	30,508
	49,418		49,418
1,305,558	2,061,048	(1,667,867)	393,181
	595,000	(595,000)	
	<u>641,100</u>	<u>39,142</u>	<u>680,242</u>
\$ <u>1,305,558</u>	\$ <u>5,171,925</u>	\$ <u>(2,193,217)</u>	\$ <u>2,978,708</u>
\$ <u>(1,266,973)</u>	\$ <u>(1,793,517)</u>	\$ <u>2,193,217</u>	\$ <u>399,700</u>
\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
\$ (1,266,973)	\$ (1,793,517)	\$ 1,793,517	\$
		399,700	399,700
<u>8,816,152</u>	<u>17,666,929</u>	<u>(13,857,048)</u>	<u>3,809,881</u>
\$ <u>7,549,179</u>	\$ <u>15,873,412</u>	\$ <u>(11,663,831)</u>	\$ <u>4,209,581</u>

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, 2010**

Net Change in Fund Balances - Total Governmental Funds	\$ (1,793,517)
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.	595,000
Governmental funds report capital expenditures in the period purchased. However, in the Statement of Net Assets, capital assets are increased by new purchases.	1,667,867
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.	(39,142)
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>(30,508)</u>
Change in Net Assets - Governmental Activities	<u>\$ 399,700</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, 2010

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 in 2005 by House Bill No. 3550, of the 79th Legislature and by House Bill 900 of the 82nd 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 III, Sections 52 and 52-A and 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.

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

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

Government-Wide Financial Statements

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

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

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

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

Governmental Funds

The District has 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 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, 2010**

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.

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.

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

Subsequent Events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through June 21, 2011, which is the date these statements were available to be issued.

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 3. BONDS PAYABLE

On June 16, 2009, the District sold of its \$13,365,000 Series 2009 Bonds as approved by the Texas Commission on Environmental Quality. Proceeds of the bond sale were to be used to fund facility construction projects, including the East of U.S. 59 water distribution and wastewater collection, North Houston Heights water and wastewater, and transportation and mobility projects. Additional proceeds were used to cover issuance costs of the bonds. The District was required to escrow \$9,123,000 of the bond proceeds. On October 12, 2009, \$3,280,000 of the escrowed funds in the Capital Projects Fund was released from escrow for the purpose of reimbursing the General Fund for its payment in a prior year for the North Houston Heights water and wastewater project. The assets acquired have been conveyed to a neighboring utility district which will provide service to the District's residents. On December 14, 2010, the Commission approved the release of \$5,843,000 from escrow to fund the East of U.S. 59 water distribution and wastewater collection projects. As of fiscal year end, no amounts remain in escrow.

	Series 2005	Series 2009
Amount Outstanding - December 31, 2010	\$ 2,600,000	\$ 12,895,000
Interest Rates	4.50% - 5.00%	3.00% - 4.75%
Maturity Dates – Serially Beginning/Ending	February 15, 2011/2025	February 15, 2011/2029
Interest Payment Dates	February 15/August 15	February 15/August 15
Callable Dates	February 15, 2014*	February 15, 2018*

* 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. Series 2009 term bonds due February 15, 2029 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, 2010:

Bond Debt Payable – January 1, 2010	\$ 16,090,000
Less: Bond Principal Paid – Series 2005	(125,000)
Less: Bond Principal Paid – Series 2009	<u>(470,000)</u>
Bond Debt Payable – December 31, 2010	<u>\$ 15,495,000</u>

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 3. BONDS PAYABLE (Continued)

Bond Debt Payable –	
Due Within One Year	\$ 615,000
Due After One Year	<u>14,880,000</u>
Bond Debt Payable – December 31, 2010	<u>\$ 15,495,000</u>

As of December 31, 2010, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 615,000	\$ 620,713	\$ 1,235,713
2012	635,000	599,313	1,234,313
2013	655,000	577,213	1,232,213
2014	675,000	554,413	1,229,413
2015	700,000	531,213	1,231,213
2016-2020	3,875,000	2,260,034	6,135,034
2021-2025	4,735,000	1,392,278	6,127,278
2026-2029	<u>3,605,000</u>	<u>351,808</u>	<u>3,956,808</u>
	<u>\$ 15,495,000</u>	<u>\$ 6,886,985</u>	<u>\$ 22,381,985</u>

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 2009 bond resolution calls for the establishment of a Reserve Fund requirement to secure payment of all bonds outstanding, including the Series 2005 bonds. The Reserve Fund requirement is \$1,236,100, 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, 2010, the District has established an account in which the Reserve Fund requirement of \$1,235,713 has been deposited.
- B. The Series 2005 and 2009 bond resolutions state, that on or before the last business day of each month any of the bonds remain outstanding, 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. The resolutions state that monies from pledged revenue shall be applied first to the Debt Service Fund for payment of debt service on all outstanding bonds. If on any debt service payment date the amount in the Debt Service Fund is insufficient to make the required payment, the District shall apply amounts from the Reserve Fund to the extent necessary to make such payment. During the current fiscal year, the District transferred \$1,246,182 from the General Fund to the Debt Service Fund for the purpose of making the requirement debt service payments.

**EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS
(Continued)

C. The Series 2005 and 2009 bond resolutions state 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 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.

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 \$8,538,007 and the bank balance was \$8,547,731. Of the bank balance, \$1,501,461 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.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at December 31, 2010, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 1,622,602	\$ 986,394	\$ 2,608,996
DEBT SERVICE FUND	1,461		1,461
CAPITAL PROJECTS FUND	<u>5,927,550</u>	<u> </u>	<u>5,927,550</u>
TOTAL DEPOSITS	<u>\$ 7,551,613</u>	<u>\$ 986,394</u>	<u>\$ 8,538,007</u>

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

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, (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.

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2010, 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	\$ 4,193,648	\$ 4,193,648	\$	\$	\$
Certificates of Deposit	986,394	986,394			
<u>DEBT SERVICE FUND-</u>					
TexSTAR	2,139,859	2,139,859			
<u>CAPITAL PROJECTS</u>					
<u>FUND -</u>					
TexSTAR	951,112	951,112			
Total Investments	<u>\$ 8,271,013</u>	<u>\$ 8,271,013</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, 2010, 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.

Restrictions

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.

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 \$3,203,662 and a receivable of \$225,500 at year end.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010:

	<u>January 1, 2010</u>	<u>Increase</u>	<u>December 31, 2010</u>
Capital Assets Not Being Depreciated			
Land and Land Improvements	\$ 94,168	\$	\$ 94,168
Construction in Progress	<u>1,276,257</u>	<u>1,667,867</u>	<u>2,944,124</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,370,425</u>	<u>\$ 1,667,867</u>	<u>\$ 3,038,292</u>
Capital Assets at Historical Costs Subject to Depreciation			
Office Equipment and Fixtures	\$ 22,164	\$	\$ 22,164
Leasehold Improvements	<u>357,507</u>	<u> </u>	<u>357,507</u>
Total Capital Assets at Historical Costs Subject to Depreciation	<u>\$ 379,671</u>	<u>\$ -0-</u>	<u>\$ 379,671</u>
Less Accumulated Depreciation			
Office Equipment and Fixtures	\$ 9,895	\$ 1,429	\$ 11,324
Leasehold Improvements	<u>142,264</u>	<u>29,079</u>	<u>171,343</u>
Total Accumulated Depreciation	<u>\$ 152,159</u>	<u>\$ 30,508</u>	<u>\$ 182,667</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 227,512</u>	<u>\$ (30,508)</u>	<u>\$ 197,004</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,597,937</u>	<u>\$ 1,637,359</u>	<u>\$ 3,235,296</u>

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 8. TEXAS WATER DEVELOPMENT BOARD GRANTS

During the previous fiscal year, the District received a grant from the Texas Water Development Board (“the Board”) in an amount not to exceed \$450,000 for the purpose of planning an in-depth cost analysis of alternatives for the construction of a transmission line to supply drinking water to its customers. The District requests reimbursement from the Board for qualified expenditures it makes pursuant to the grant agreement. At December 31, 2010, the District had incurred \$426,238 for costs it expects to be reimbursed for under the grant agreement, \$66,155 of which was received during the previous fiscal year and \$105,434 which was received during the current fiscal year. The remaining \$254,649 is reflected as a grant receivable.

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 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.

NOTE 10. INTERLOCAL AGREEMENTS

During the year, the District entered into several agreements with other governmental agencies. In one such agreement with Harris County, the District agrees to pay the County for services rendered in regard to the award, management, execution, and oversight of agreed-upon contracts for the design and/or construction of sanitary sewer systems and water distribution systems serving areas not currently served by such systems. Pursuant to this agreement and subsequent to year end, the District transferred \$7,348,500 to Harris County for the construction of a sewer project to serve an area within the District. Of the total transferred, \$5,843,000 was from bond proceeds and \$1,505,500 was from available General Fund revenues. Any unused funds will be returned to the District upon completion of the project.

During the year, the District entered into an agreement with a utility district which operates within the boundaries of the District. The parties intend that the utility district will rehabilitate a currently existing wastewater treatment plant which will serve areas within the District at a later

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 10. INTERLOCAL AGREEMENTS (Continued)

date. The estimated construction cost of the rehabilitation of the facilities is \$1,740,000 which is to be paid by the District after the project is completed.

Also during the year, the District entered into an agreement with Harris County and the utility district mentioned above. The agreement contemplates that the District and the County will enter into a future agreement for the District to fund and the County to construct a sanitary sewer system to serve customers of the District. The utility district agrees that capacity in its wastewater treatment and conveyance system will be reserved to the District in the amount of 250 equivalent single family connections and that the District or the County shall be entitled to connect to the District's utility system. It was agreed that upon completion, this project will be conveyed to the utility district for ownership and operation.

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, real and personal property, boiler and machinery, crime, 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, 2010, the District contributed \$12,199 to the fund for this insurance coverage. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 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. Although members of the Aldine Community Development Committee continue their duties, the ACD Fund was merged with the General Fund during the year. It is anticipated that amounts will be budgeted each year for community development disbursements to be paid by the General Fund.

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EAST ALDINE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 13. OTHER RECEIVABLE

In prior years, the District contributed \$3,150,000 to Harris County to fund its portion of the North Houston Heights Water and Sewer Improvements Project. The cost of the project was recalculated and the District overpaid its share of the project by approximately \$486,276. The District received \$459,276 during the year, leaving an estimated \$27,000 as Other Receivable.

NOTE 14. INTERFUND PAYABLES AND RECEIVABLES

As of December 31, 2010, the District had the following interfund liabilities: the General Fund owed the Capital Projects Fund \$1,119,982 for items paid by the Capital Projects Fund which were not to be paid from bond proceeds and the Debt Service Fund owed the Capital Projects \$1,157 for the over transfer of proceeds from the Series 2009 bond sale.

NOTE 15. CONTRIBUTION TO CITY OF HOUSTON PARK

During the current year, the District made a contribution to the City of Houston Parks and Recreation Department in the amount of \$393,180. The funds were to be used for modifying and relocating a building to Keith Weiss Park and providing water and sewer service, storm drainage, and lighting. The Houston city park is located within the boundaries of the District.

EAST ALDINE MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2010

**EAST ALDINE MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Sales Tax Revenue	\$ 2,864,544	\$ 3,203,662	\$ 339,118
Grant Revenue	500,000	106,899	393,101
Investment Revenues	<u>14,000</u>	<u>25,863</u>	<u>11,863</u>
TOTAL REVENUES	<u>\$ 3,378,544</u>	<u>\$ 3,336,424</u>	<u>\$ (42,120)</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 43,500	\$ 151,597	\$ (108,097)
Contracted Services	35,419	36,069	(650)
Public Safety and Security	847,270	743,254	104,016
Economic Development & Public Relations	277,447	176,053	101,394
Environmental and Urban Design	372,508	355,690	16,818
Community Development	274,960	232,990	41,970
Management Services	73,900	73,468	432
Transportation and Mobility	55,238	55,238	
Other	33,600	49,418	(15,818)
Capital Outlay		<u>755,490</u>	<u>(755,490)</u>
TOTAL EXPENDITURES	<u>\$ 2,013,842</u>	<u>\$ 2,629,267</u>	<u>\$ (615,425)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,364,702</u>	<u>\$ 707,157</u>	<u>\$ (657,545)</u>
OTHER FINANCING SOURCES (USES)			
Transfer Out	<u>\$ (6,239,382)</u>	<u>\$ (1,246,192)</u>	<u>\$ 4,993,190</u>
NET CHANGE IN FUND BALANCE	\$ (4,874,680)	\$ (539,035)	\$ 4,335,645
FUND BALANCE – JANUARY 1, 2010	<u>6,723,105</u>	<u>6,723,105</u>	
FUND BALANCE – DECEMBER 31, 2010	<u>\$ 1,848,425</u>	<u>\$ 6,184,070</u>	<u>\$ 4,335,645</u>

See accompanying independent auditor's report.

EAST ALDINE MANAGEMENT DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2010

**EAST ALDINE MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>-0-</u>
PROFESSIONAL FEES:	
Audit	\$ 15,500
Engineer	102,758
Legal	<u>33,339</u>
TOTAL PROFESSIONAL FEES	\$ <u>151,597</u>
PURCHASED SERVICES FOR RESALE:	
Public Safety and Security	\$ 743,254
Economic Development and Public Relations	176,053
Environmental and Urban Design	355,690
Community Development	232,990
Management Services	73,468
Transportation and Mobility	<u>55,238</u>
TOTAL PURCHASED SERVICES FOR RESALE	\$ <u>1,636,693</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 8,450
District Administrator	<u>27,619</u>
TOTAL CONTRACTED SERVICES	\$ <u>36,069</u>
UTILITIES:	
Electricity	\$ <u>-0-</u>
REPAIRS AND MAINTENANCE	\$ <u>-0-</u>
ADMINISTRATIVE EXPENDITURES:	
Insurance	\$ 12,609
Other	<u>36,809</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>49,418</u>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

CAPITAL OUTLAY:		
Capital Assets		\$ 755,490
Expenditures not Capitalized		<u> </u>
TOTAL CAPITAL OUTLAY		<u>\$ 755,490</u>
FIRE FIGHTING		<u>\$ -0-</u>
PARKS AND RECREATION		<u>\$ -0-</u>
OTHER EXPENDITURES		<u>\$ -0-</u>
TOTAL EXPENDITURES		<u>\$ 2,629,267</u>

Number of persons employed by the District	<u>-0-</u>	Full-Time	<u>-0-</u>	Part-Time
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See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
INVESTMENTS
DECEMBER 31, 2010**

<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	\$ 4,193,648	\$
Certificate of Deposit	3300041224	1.15%	8/5/11	240,000	1,119
Certificate of Deposit	100604	0.50%	9/3/11	249,711	96
Certificate of Deposit	4022600	1.50%	8/5/11	247,112	568
Certificate of Deposit	4087573	1.00%	8/5/11	<u>249,571</u>	<u>383</u>
TOTAL GENERAL FUND				<u>\$ 5,180,042</u>	<u>\$ 2,166</u>
<u>DEBT SERVICE FUND</u>					
TexSTAR	10106-3333-000	Varies	Daily	\$ 900,121	\$
TexSTAR	10106-6233-000	Varies	Daily	<u>1,239,738</u>	<u> </u>
TOTAL DEBT SERVICE FUND				<u>\$ 2,139,859</u>	<u>\$ -0-</u>
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	10106-2005-000	Varies	Daily	<u>\$ 951,112</u>	<u>\$ -0-</u>
TOTAL – ALL FUNDS				<u>\$ 8,271,013</u>	<u>\$ 2,166</u>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2010**

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
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
2026			
2027			
2028			
2029			
TOTAL	<u>\$ 2,600,000</u>	<u>\$ 973,575</u>	<u>\$ 3,573,575</u>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2010**

S E R I E S - 2 0 0 9

Due During Fiscal Years Ending December 31	Principal Due February 15	Interest Due February 15/ August 15	Total
2011	\$ 485,000	\$ 504,213	\$ 989,213
2012	500,000	489,438	989,438
2013	515,000	474,213	989,213
2014	530,000	458,538	988,538
2015	550,000	442,338	992,338
2016	565,000	425,259	990,259
2017	585,000	406,925	991,925
2018	605,000	386,831	991,831
2019	625,000	364,681	989,681
2020	650,000	340,525	990,525
2021	675,000	314,431	989,431
2022	705,000	286,391	991,391
2023	735,000	256,231	991,231
2024	765,000	223,400	988,400
2025	800,000	188,188	988,188
2026	840,000	150,763	990,763
2027	880,000	110,438	990,438
2028	920,000	67,688	987,688
2029	965,000	22,919	987,919
TOTAL	<u>\$ 12,895,000</u>	<u>\$ 5,913,410</u>	<u>\$ 18,808,410</u>

See accompanying independent auditor's report.

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**EAST ALDINE MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2010**

**ANNUAL REQUIREMENTS
FOR ALL SERIES**

Due During Fiscal Years Ending December 31	Principal Due February 15	Interest Due February 15/ August 15	Total
2011	\$ 615,000	\$ 620,713	\$ 1,235,713
2012	635,000	599,313	1,234,313
2013	655,000	577,213	1,232,213
2014	675,000	554,413	1,229,413
2015	700,000	531,213	1,231,213
2016	720,000	507,272	1,227,272
2017	745,000	481,850	1,226,850
2018	775,000	454,331	1,229,331
2019	800,000	424,419	1,224,419
2020	835,000	392,162	1,227,162
2021	865,000	357,631	1,222,631
2022	905,000	320,816	1,225,816
2023	945,000	281,431	1,226,431
2024	985,000	238,925	1,223,925
2025	1,035,000	193,475	1,228,475
2026	840,000	150,763	990,763
2027	880,000	110,438	990,438
2028	920,000	67,688	987,688
2029	965,000	22,919	987,919
TOTAL	<u>\$ 15,495,000</u>	<u>\$ 6,886,985</u>	<u>\$ 22,381,985</u>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2010**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2010
East Aldine Management District Sales Tax Revenue Bonds – Series 2005	\$ 3,195,000	\$ 2,725,000
East Aldine Management District Sales Tax Revenue Bonds – Series 2009	<u>13,365,000</u>	<u>13,365,000</u>
TOTAL	<u>\$ 16,560,000</u>	<u>\$ 16,090,000</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><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

Debt Service Fund cash, investments and cash with paying agent balances as of December 31, 2010: \$ 2,141,320

Average annual debt service payment (principal and interest) for remaining term of all bond debt: \$ 1,177,999

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, 2010</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 125,000	\$ 122,562	\$ 2,600,000	Wells Fargo Bank, N.A. Houston, TX
	<u>470,000</u>	<u>518,538</u>	<u>12,895,000</u>	Wells Fargo Bank, N.A. Houston, TX
<u>\$ -0-</u>	<u>\$ 595,000</u>	<u>\$ 641,100</u>	<u>\$ 15,495,000</u>	

See accompanying independent auditor's report.

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

	Amounts		
	2010	2009	2008
REVENUES			
Sales Tax Revenue	\$ 3,203,662	\$ 3,370,052	\$ 3,540,248
Grant Revenue	106,899		
Investment Revenues	<u>25,863</u>	<u>21,888</u>	<u>80,640</u>
TOTAL REVENUES	<u>\$ 3,336,424</u>	<u>\$ 3,391,940</u>	<u>\$ 3,620,888</u>
EXPENDITURES			
Professional Fees	\$ 151,597	\$ 87,940	\$ 31,309
Contracted Services	36,069	111,676	31,750
Public Safety and Security	743,254	724,084	644,579
Neighborhood Cleanup and Beauty		287,794	281,210
Economic Development and Public Relations	176,053	320,039	322,513
Environmental and Urban Design	355,690	11,525	15,015
Community Development	232,990		
Management Services	73,468		
Transportation and Mobility	55,238	48,680	30,504
Other	49,418	94,152	27,037
Capital Outlay	<u>755,490</u>	<u>55,895</u>	<u>14,294</u>
TOTAL EXPENDITURES	<u>\$ 2,629,267</u>	<u>\$ 1,741,785</u>	<u>\$ 1,398,211</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 707,157</u>	<u>\$ 1,650,155</u>	<u>\$ 2,222,677</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	\$	\$ 3,280,000	\$
Transfer Out	(1,246,192)	(2,007,854)	(251,225)
Transfer (to) from Component Unit		<u>34,841</u>	<u>(3,148,291)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (1,246,192)</u>	<u>\$ 1,306,987</u>	<u>\$ (3,399,516)</u>
NET CHANGE IN FUND BALANCE	\$ (539,035)	\$ 2,957,142	\$ (1,176,839)
BEGINNING FUND BALANCE	<u>6,723,105</u>	<u>3,765,963</u>	<u>4,942,802</u>
ENDING FUND BALANCE	<u>\$ 6,184,070</u>	<u>\$ 6,723,105</u>	<u>\$ 3,765,963</u>

See accompanying independent auditor's report.

		Percent of Total Revenues					
<u>2007</u>	<u>2006</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	
\$ 3,447,249	\$ 2,160,140	96.0%	99.4%	97.8%	95.0%	95.1%	
<u>181,706</u>	<u>110,971</u>	<u>3.2</u>	<u>0.6</u>	<u>2.2</u>	<u>5.0</u>	<u>4.9</u>	
<u>\$ 3,628,955</u>	<u>\$ 2,271,111</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	
\$ 27,401	\$ 41,615	4.5%	2.6%	0.9%	0.8%	1.8%	
29,300	29,882	1.1	3.3	0.9	0.8	1.3	
320,885	232,295	22.3	21.3	17.8	8.8	10.2	
252,491	191,938		8.5	7.8	7.0	8.5	
214,605	242,062	5.3	9.4	8.9	5.9	10.7	
13,650	13,000	10.7	0.3	0.4	0.4	0.6	
		7.0					
		2.2					
104,348	80,079	1.7	1.4	0.8	2.9	3.5	
22,008	20,486	1.5	2.8	0.7	0.6	0.9	
<u>15,700</u>	<u>94,168</u>	<u>22.6</u>	<u>1.7</u>	<u>0.4</u>	<u>0.4</u>	<u>4.1</u>	
<u>\$ 1,000,388</u>	<u>\$ 945,525</u>	<u>78.9%</u>	<u>51.3%</u>	<u>38.6%</u>	<u>27.6%</u>	<u>41.6%</u>	
<u>\$ 2,628,567</u>	<u>\$ 1,325,586</u>	<u>21.1%</u>	<u>48.7%</u>	<u>61.4%</u>	<u>72.4%</u>	<u>58.4%</u>	
\$	\$						
(256,190)	(266,365)						
<u>(420,000)</u>	<u>(380,000)</u>						
<u>\$ (676,190)</u>	<u>\$ (646,365)</u>						
\$ 1,952,377	\$ 679,221						
<u>2,990,425</u>	<u>2,311,204</u>						
<u>\$ 4,942,802</u>	<u>\$ 2,990,425</u>						

See accompanying independent auditor's report.

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

	<u>Amounts</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
REVENUES			
Investment Revenues	\$ <u>3,399</u>	\$ <u>3,044</u>	\$ <u>7,740</u>
EXPENDITURES			
Tax Collection Expenditures	\$	\$	\$
Debt Service Principal	595,000	120,000	120,000
Debt Service Interest and Fees	<u>642,100</u>	<u>214,758</u>	<u>133,975</u>
TOTAL EXPENDITURES	\$ <u>1,237,100</u>	\$ <u>334,758</u>	\$ <u>253,975</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>(1,233,701)</u>	\$ <u>(331,714)</u>	\$ <u>(246,235)</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	\$ <u>1,246,192</u>	\$ <u>2,007,854</u>	\$ <u>251,225</u>
NET CHANGE IN FUND BALANCE	\$ 12,491	\$ 1,676,140	\$ 4,990
BEGINNING FUND BALANCE	<u>2,127,672</u>	<u>451,532</u>	<u>446,542</u>
ENDING FUND BALANCE	<u>\$ 2,140,163</u>	<u>\$ 2,127,672</u>	<u>\$ 451,532</u>

See accompanying independent auditor's report.

		Percent of Total Revenues					
<u>2007</u>	<u>2006</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	
\$ <u>15,640</u>	\$ <u>12,417</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	
\$ 115,000	\$ 15	%	%	%	%	0.1%	
<u>139,263</u>	<u>115,000</u>	<u>17,505.1</u>	<u>3,942.2</u>	<u>1,550.4</u>	<u>735.3</u>	<u>926.1</u>	
\$ <u>254,263</u>	\$ <u>144,438</u>	<u>18,890.9</u>	<u>7,055.1</u>	<u>1,730.9</u>	<u>890.4</u>	<u>1,163.2</u>	
	\$ <u>259,453</u>	<u>36,396.0%</u>	<u>0,997.3%</u>	<u>3,281.3%</u>	<u>1,625.7%</u>	<u>2,089.4%</u>	
\$ <u>(238,623)</u>	\$ <u>(247,036)</u>	<u>(36,296.0)%</u>	<u>(10,897.3)%</u>	<u>(3,181.3)%</u>	<u>(1,525.7)%</u>	<u>(1,989.4)%</u>	
\$ <u>256,190</u>	\$ <u>266,365</u>						
\$ <u>17,567</u>	\$ <u>19,329</u>						
<u>428,975</u>	<u>409,646</u>						
\$ <u>446,542</u>	\$ <u>428,975</u>						

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2010**

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>2010</u>	Expense Reimbursements for the year ended December 31, <u>2010</u>	<u>Position</u>
Clyde Bailey	06/07 06/11	\$ -0-	\$ -0-	1 Chairman
John Broussard	06/07 06/11	\$ -0-	\$ -0-	2
Reyes Garcia, Jr.	06/07 06/11	\$ -0-	\$ -0-	3
Patti Acosta	09/10 06/11	\$ -0-	\$ -0-	4
Deborah Foster	06/07 06/11	\$ -0-	\$ -0-	5 Assistant Secretary
Bob Beasley	06/09 06/13	\$ -0-	\$ -0-	6 Vice Chairman
Gerald Overturff	06/09 06/13	\$ -0-	\$ -0-	7 Secretary
Gilbert Hoffman	06/09 06/13	\$ -0-	\$ -0-	8
Lloyd Whatley	09/10 06/13	\$ -0-	\$ -0-	9 Treasurer

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2010**

Consultants:	Date Hired	Fees for the year ended December 31, 2010	Title
Hawes Hill Calderon, LLP P. O. Box 22167 Houston, TX 77227-2167	10/16/01	\$ 402,870	Administrator (1)
Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027	08/19/03	\$ 33,794	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	10/19/02	\$ 11,000	Auditor
Roland, Fry & Warren, LLC 1525 Lakeville Drive, Suite 121 Kingwood, TX 77339	07/22/03	\$ 12,940	Bookkeeper
Water Engineers, Inc. 17230 Huffmeister Road Cypress, TX 77429-1643	10/23/02	\$ 5,196	Engineer
Montgomery & Barnes, Inc. 400 Gears Road, Suite 200 Houston, TX 77067	02/18/03	\$ 749,874	Engineer
Wilbur Smith Associates P.O. Box 7339 Columbia, SC 29202-7993	06/16/09	\$ 148,119	Engineer
Kudela & Weinheimer 7155 Old Katy Road, Suite 270 Houston, TX 77024	06/16/09	\$ 53,333	Landscape Architect
McDonough Engineering Corporation 5625 Schumacher Lane Houston, TX 77057-7123	12/15/09	\$ 71,802	Engineer
First Southwest Company 700 Milam Street, Suite 500 Houston, TX 77002	05/20/03	\$ 3,500	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

Richard Cantu – Director of Services

Scott Bean – Infrastructure Director and Executive Director Aldine Water and Sewer Authority

See accompanying independent auditor's report.