

**EAST ALDINE MANAGEMENT DISTRICT**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2011**

**EAST ALDINE MANAGEMENT DISTRICT**  
**HARRIS COUNTY, TEXAS**  
**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 and each major fund of East Aldine Management District (the "District"), as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors  
East Aldine Management District

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

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



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants

June 19, 2012

**EAST ALDINE MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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, 2011. 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 financial resources restricted, committed or assigned for servicing bond debt. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**EAST ALDINE MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**FUND FINANCIAL STATEMENTS (Continued)**

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets on page 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 \$1,259,657 as of December 31, 2011.

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, 2011**

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

Summary of the Changes in the Statement of Net Assets			
	2011	2010	Change Positive (Negative)
Current and Other Assets	\$ 6,201,604	\$ 17,303,143	\$ (11,101,539)
Capital Assets (Net of Accumulated Depreciation)	<u>10,295,858</u>	<u>3,235,296</u>	<u>7,060,562</u>
Total Assets	<u>\$ 16,497,462</u>	<u>\$ 20,538,439</u>	<u>\$ (4,040,977)</u>
Long-Term Liabilities	\$ 14,245,000	\$ 14,880,000	\$ 635,000
Other Liabilities	<u>992,805</u>	<u>1,448,858</u>	<u>456,053</u>
Total Liabilities	<u>\$ 15,237,805</u>	<u>\$ 16,328,858</u>	<u>\$ 1,091,053</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ (3,605,387)	\$ (4,582,614)	\$ 977,227
Restricted	2,071,238	1,971,274	99,964
Unrestricted	<u>2,793,806</u>	<u>6,820,921</u>	<u>(4,027,115)</u>
Total Net Assets	<u>\$ 1,259,657</u>	<u>\$ 4,209,581</u>	<u>\$ (2,949,924)</u>

The following table provides a summary of the District's operations for the years ended December 31, 2011 and December 31, 2010. During the current fiscal year, the District's net assets decreased by \$2,949,924.

Summary of Changes in the Statement of Activities			
	2011	2010	Change Positive (Negative)
Revenues:			
Sales Tax Revenue	\$ 3,405,477	\$ 3,203,662	\$ 201,815
Other Revenues	<u>25,328</u>	<u>174,746</u>	<u>(149,418)</u>
Total Revenues	\$ 3,430,805	\$ 3,378,408	\$ 52,397
Expenses for Services	<u>4,749,531</u>	<u>2,978,708</u>	<u>(1,770,823)</u>
Excess (Deficiency) of Revenues Over Expenses	\$ (1,318,726)	\$ 399,700	\$ (1,718,426)
Transfer (to) from Other Governmental Units	<u>(1,631,198)</u>	<u>-0-</u>	<u>(1,631,198)</u>
Change in Net Assets	\$ (2,949,924)	\$ 399,700	\$ (3,349,624)
Net Assets, Beginning of Year	<u>4,209,581</u>	<u>3,809,881</u>	<u>399,700</u>
Net Assets, End of Year	<u>\$ 1,259,657</u>	<u>\$ 4,209,581</u>	<u>\$ (2,949,924)</u>



**EAST ALDINE MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

The District's combined fund balances as of December 31, 2011, were \$5,286,571, a decrease of \$10,586,841 from the prior year.

The General Fund fund balance decreased by \$3,991,181, primarily due to expenditures for capital improvements, a transfer to another governmental unit, and transfers to the Debt Service Fund.

The Debt Service Fund fund balance increased by \$114,658, primarily due to transfers from the General Fund which exceeded the debt service payments for the year.

The Capital Projects Fund fund balance decreased by \$6,710,318, primarily due to the expenditure of bond proceeds which were received in a prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$9,413 more than budgeted revenues. Actual expenditures were \$2,340,258 more than budgeted expenditures, primarily due to capital improvements. See the budget to actual comparison on page 29.

**CAPITAL ASSETS**

The District's investment in capital assets as of December 31, 2011, amounts to \$10,295,858 (net of accumulated depreciation). This investment in capital assets includes office equipment and fixtures, leasehold improvements, as well as construction in progress.

Capital Assets At Year-End Net of Accumulated Depreciation	
Land	\$ 94,168
Construction in Progress	9,289,980
Office Equipment & Fixtures	9,410
Leasehold Improvements	290,040
Street Signage	612,260
Total Net Capital Assets	\$ 10,295,858

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 \$14,880,000. The changes in the debt position of the District during the fiscal year ended December 31, 2011, are summarized as follows:

**EAST ALDINE MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**LONG-TERM DEBT ACTIVITY (Continued)**

Bond Debt Payable – January 1, 2011	\$ 15,495,000
Less: Bond Principal Paid	<u>(615,000)</u>
Bond Debt Payable – December 31, 2011	<u>\$ 14,880,000</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 insured 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, 2011.

**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.

**EAST ALDINE MANAGEMENT DISTRICT  
GOVERNMENTAL FUNDS BALANCE SHEET  
DECEMBER 31, 2011**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash, Note 5	\$ 1,359,591	\$ 1,462
Investments, Note 5	1,367,257	2,254,516
Receivables:		
Sales Taxes, Note 6	207,009	
Grant Proceeds, Note 8	57,125	
Accrued Interest	2,036	
From Other Funds, Note 13		
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		
<b>TOTAL ASSETS</b>	<b>\$ 3,079,670</b>	<b>\$ 2,255,978</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 84,683	\$
Accrued Interest Payable		
Retainage Payable		
Due to Other Funds, Note 13	802,098	1,157
Unamortized Bond Premium		
Long-Term Liabilities:		
Due Within One Year, Note 3		
Due After One Year, Note 3		
<b>TOTAL LIABILITIES</b>	<b>\$ 886,781</b>	<b>\$ 1,157</b>
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 86,652	\$
Restricted for Authorized Construction:		
Bond Proceeds		
Net Investment Revenues		
Restricted for Debt Service		2,254,821
Assigned for 2012 Budget Deficit, Note 2	130,407	
Unassigned	1,975,830	
<b>TOTAL FUND BALANCES</b>	<b>\$ 2,192,889</b>	<b>\$ 2,254,821</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,079,670</b>	<b>\$ 2,255,978</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt		
Restricted For:		
Capital Projects		
Debt Service		
Unrestricted		
<b>TOTAL NET ASSETS</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Assets
\$ 10,388	\$ 1,371,441	\$	\$ 1,371,441
35,001	3,656,774		3,656,774
	207,009		207,009
	57,125		57,125
	2,036		2,036
803,255	803,255	(803,255)	
	86,652		86,652
		600,917	600,917
		219,650	219,650
		94,168	94,168
		9,289,980	9,289,980
		911,710	911,710
<u>\$ 848,644</u>	<u>\$ 6,184,292</u>	<u>\$ 10,313,170</u>	<u>\$ 16,497,462</u>
\$ 8,668	\$ 93,351	\$	\$ 93,351
		228,820	228,820
1,115	1,115		1,115
	803,255	(803,255)	
		34,519	34,519
		635,000	635,000
		14,245,000	14,245,000
<u>\$ 9,783</u>	<u>\$ 897,721</u>	<u>\$ 14,340,084</u>	<u>\$ 15,237,805</u>
\$	\$ 86,652	\$ (86,652)	\$
	766,624	(766,624)	
766,624	72,237	(72,237)	
72,237	2,254,821	(2,254,821)	
	130,407	(130,407)	
	1,975,830	(1,975,830)	
<u>\$ 838,861</u>	<u>\$ 5,286,571</u>	<u>\$ (5,286,571)</u>	<u>\$ -0-</u>
<u>\$ 848,644</u>	<u>\$ 6,184,292</u>		
		\$ (3,605,387)	\$ (3,605,387)
		45,237	45,237
		2,026,001	2,026,001
		2,793,806	2,793,806
		<u>\$ 1,259,657</u>	<u>\$ 1,259,657</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, 2011**

Total Fund Balances – Governmental Funds		\$ 5,286,571
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.		820,567
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.		9,289,980
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		911,710
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the governmental funds.		(228,820)
Unamortized bond premiums in governmental activities are not financial resources and therefore are not reported as liabilities in the governmental funds.		(34,519)
Certain liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Bonds Payable Within One Year	\$ (635,000)	
Bonds Payable After One Year	<u>(14,245,000)</u>	<u>(14,880,000)</u>
Total Net Assets – Governmental Activities		<u>\$ 1,259,657</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, 2011**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Sales Tax Revenue, Note 6	\$ 3,405,477	\$
Grant Revenues	6,512	
Investment Revenues	12,336	2,068
<b>TOTAL REVENUES</b>	<b>\$ 3,424,325</b>	<b>\$ 2,068</b>
<b>EXPENDITURES</b>		
Service Operations:		
Professional Fees	\$ 138,729	\$
Contracted Services	39,609	1,000
Public Safety and Security	784,658	
Economic Development and Public Relations	317,309	
Environmental and Urban Design	404,432	
Community Development	177,939	
Management Services	103,188	
Transportation and Mobility	63,617	
Depreciation, Note 7		
Other	208,852	
Capital Outlay	2,196,672	
Debt Service:		
Bond Principal		615,000
Bond Interest		620,713
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,435,005</b>	<b>\$ 1,236,713</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (1,010,680)</b>	<b>\$ (1,234,645)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfer In(Out), Note 4	\$ (1,349,303)	\$ 1,349,303
Transfer to Other Governmental Unit, Note 10	(1,631,198)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (2,980,501)</b>	<b>\$ 1,349,303</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (3,991,181)</b>	<b>\$ 114,658</b>
<b>CHANGE IN NET ASSETS</b>		
<b>FUND BALANCES – JANUARY 1, 2011</b>	<b>6,184,070</b>	<b>2,140,163</b>
<b>FUND BALANCES – DECEMBER 31, 2011</b>	<b>\$ 2,192,889</b>	<b>\$ 2,254,821</b>

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

Capital Projects Fund	Total	Adjustments	Statements of Activities
\$	\$ 3,405,477	\$	\$ 3,405,477
	6,512		6,512
4,412	18,816	_____	18,816
<u>\$ 4,412</u>	<u>\$ 3,430,805</u>	<u>\$ -0-</u>	<u>\$ 3,430,805</u>
\$	\$ 138,729	\$	\$ 138,729
	40,609		40,609
	784,658		784,658
	317,309		317,309
	404,432		404,432
	177,939		177,939
	103,188		103,188
	63,617		63,617
		55,730	55,730
27,000	235,852		235,852
6,687,730	8,884,402	(7,116,292)	1,768,110
	615,000	(615,000)	
	620,713	38,645	659,358
<u>\$ 6,714,730</u>	<u>\$ 12,386,448</u>	<u>\$ (7,636,917)</u>	<u>\$ 4,749,531</u>
<u>\$ (6,710,318)</u>	<u>\$ (8,955,643)</u>	<u>\$ 7,636,917</u>	<u>\$ (1,318,726)</u>
\$	\$	\$	\$
	(1,631,198)		(1,631,198)
<u>\$ -0-</u>	<u>\$ (1,631,198)</u>	<u>\$ -0-</u>	<u>\$ (1,631,198)</u>
\$ (6,710,318)	\$ (10,586,841)	\$ 10,586,841	\$
		(2,949,924)	(2,949,924)
7,549,179	15,873,412	(11,663,831)	4,209,581
<u>\$ 838,861</u>	<u>\$ 5,286,571</u>	<u>\$ (4,026,914)</u>	<u>\$ 1,259,657</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, 2011**

Net Change in Fund Balances - Total Governmental Funds	\$ (10,586,841)
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.	615,000
Governmental funds report capital expenditures in the period purchased. However, in the Statement of Net Assets, capital assets are increased by new purchases.	7,116,292
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.	(38,645)
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>(55,730)</u>
Change in Net Assets - Governmental Activities	<u>\$ (2,949,924)</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, 2011**

**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 in 2011 by House Bill 900 of the 82<sup>nd</sup> 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 ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The GASB 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, 2011**

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

Financial Statement Presentation

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

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net 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, 2011**

**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 restricted, committed or assigned for servicing bond debt.

Capital Projects Fund - To account for financial resources restricted, committed or assigned 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, 2011**

**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 expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

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

	<u>Years</u>
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, 2011**

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

Measurement Focus

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

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

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

*Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

*Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

*Assigned*: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of December 31, 2011, the District has assigned \$130,407 of the General Fund fund balance to use for a budgeted General Fund deficit during the year ending December 31, 2012.

*Unassigned*: all other spendable amounts in the General Fund.

**EAST ALDINE MANAGEMENT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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

Fund Balances (Continued)

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

Accounting Estimates

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

Subsequent Events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through June 19, 2012, which is the date these statements were available to be issued.

**NOTE 3. BONDS PAYABLE**

	<u>Series 2005</u>	<u>Series 2009</u>
Amount Outstanding - December 31, 2011	\$2,470,000	\$12,410,000
Interest Rates	4.50% - 5.00%	3.00% - 4.75%
Maturity Dates – Serially Beginning/Ending	February 15, 2012/2025	February 15, 2012/2029
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.

**EAST ALDINE MANAGEMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE 3. BONDS PAYABLE (Continued)**

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2011:

Bond Debt Payable – January 1, 2011	\$ 15,495,000
Less: Bond Principal Paid – Series 2005	(130,000)
Less: Bond Principal Paid – Series 2009	<u>(485,000)</u>
Bond Debt Payable – December 31, 2011	<u>\$ 14,880,000</u>
Bond Debt Payable –	
Due Within One Year	\$ 635,000
Due After One Year	<u>14,245,000</u>
Bond Debt Payable – December 31, 2011	<u>\$ 14,880,000</u>

As of December 31, 2011, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
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
2017-2021	4,020,000	2,110,393	6,130,393
2022-2026	4,710,000	1,185,410	5,895,410
2027-2029	<u>2,765,000</u>	<u>201,045</u>	<u>2,966,045</u>
	<u>\$ 14,880,000</u>	<u>\$ 6,266,272</u>	<u>\$ 21,146,272</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, 2011, the District has established an account in which the Reserve Fund requirement of \$1,236,100 has been deposited.



**EAST ALDINE MANAGEMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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

- 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 \$1,349,303 from the General Fund to the Debt Service Fund for the purpose of making the requirement debt service payments.
- 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 \$2,354,694 and the bank balance was \$2,369,333. Of the bank balance, \$1,234,716 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, 2011, as listed below:

**EAST ALDINE MANAGEMENT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 1,359,591	\$ 983,253	\$ 2,342,844
DEBT SERVICE FUND	1,462		1,462
CAPITAL PROJECTS FUND	<u>10,388</u>	<u>                    </u>	<u>10,388</u>
TOTAL DEPOSITS	<u>\$ 1,371,441</u>	<u>\$ 983,253</u>	<u>\$ 2,354,694</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 on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

**EAST ALDINE MANAGEMENT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

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, 2011, 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	\$ 384,004	\$ 384,004	\$	\$	\$
Certificates of Deposit	983,253	983,253			
<u>DEBT SERVICE FUND-</u>					
TexSTAR	2,254,516	2,254,516			
<u>CAPITAL PROJECTS FUND -</u>					
TexSTAR	<u>35,001</u>	<u>35,001</u>			
Total Investments	<u>\$ 3,656,774</u>	<u>\$ 3,656,774</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2011, the District's investment in TexSTAR was rated AAAM by Standard and Poor's.

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, 2011**

**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 \$3,405,477 and a receivable of \$207,009 at year end.

On November 8, 2011, an election was held in a specially designated sales tax zone to authorize an additional 1% sales and use tax in the zone for projects benefiting the zone. The voters approved the special tax. No special sale taxes were collected in 2011 and it is not known how much will be received in 2012.

**NOTE 7. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2011:

	<u>January 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 2011</u>
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 94,168	\$	\$	\$ 94,168
Construction in Progress	<u>2,944,124</u>	<u>7,116,291</u>	<u>770,435</u>	<u>9,289,980</u>
<b>Total Capital Assets Not Being Depreciated</b>	<b><u>\$ 3,038,292</u></b>	<b><u>\$ 7,116,291</u></b>	<b><u>\$ 770,435</u></b>	<b><u>\$ 9,384,148</u></b>
<b>Capital Assets at Historical Costs Subject to Depreciation</b>				
Office Equipment and Fixtures	\$ 22,164	\$	\$	\$ 22,164
Leasehold Improvements	357,507	158,176		515,683
Street Signage	<u>                    </u>	<u>612,260</u>	<u>                    </u>	<u>612,260</u>
<b>Total Capital Assets at Historical Costs Subject to Depreciation</b>	<b><u>\$ 379,671</u></b>	<b><u>\$ 770,436</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 1,150,107</u></b>
<b>Less Accumulated Depreciation</b>				
Office Equipment and Fixtures	\$ 11,324	\$ 1,430	\$	\$ 12,754
Leasehold Improvements	<u>171,343</u>	<u>54,300</u>	<u>                    </u>	<u>225,643</u>
<b>Total Accumulated Depreciation</b>	<b><u>\$ 182,667</u></b>	<b><u>\$ 55,730</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 238,397</u></b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b><u>\$ 197,004</u></b>	<b><u>\$ 714,706</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 911,710</u></b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b><u>\$ 3,235,296</u></b>	<b><u>\$ 7,830,997</u></b>	<b><u>\$ 770,435</u></b>	<b><u>\$ 10,295,858</u></b>

**EAST ALDINE MANAGEMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE 8. TEXAS WATER DEVELOPMENT BOARD GRANTS**

During a 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 requested reimbursement from the Board for qualified expenditures it made pursuant to the grant agreement. At December 31, 2011, the District had incurred \$426,238 for costs it expected to be reimbursed for under the grant agreement, \$171,589 of which was received during previous fiscal years and \$197,524 which was received during the current fiscal year. The remaining \$57,125 is reflected as a grant receivable. Such amount was received by the District subsequent to year-end.

**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 are 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 an agreement with Harris County, in which the District agreed to contribute up to \$250,000 toward the construction of a water distribution system to benefit residents of the District. The estimated cost of the project is \$730,056, and the County has grant funds available in the amount of \$524,114 to contribute toward the cost of the project. Should the cost of the project be less than the total of the amount the County has available plus the \$250,000 contributed by the District during the current fiscal year, the County will remit payment to the District in the amount of the difference, not to exceed \$250,000. Upon completion, the project is intended to be transferred to the City of Houston.

During the year, the District entered into another agreement with Harris County, in which the District agreed to contribute up to \$300,000 toward the construction of a sanitary sewer system in the Mary Eleanor and Mary Francis subdivisions to benefit residents of the District. The

**EAST ALDINE MANAGEMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE 10. INTERLOCAL AGREEMENTS (Continued)**

estimated cost of the project is \$1,227,225, and the County has grant funds available in the amount of \$1,000,000 to contribute toward the cost of the project. Should the cost of the project be less than the total of the amount the County has available plus the \$300,000 contributed by the District during the current fiscal year, the County will remit payment to the District in the amount of the difference, not to exceed \$300,000. Upon completion, the project is intended to be transferred to a utility district that operates within the boundaries of the District.

During the prior fiscal year, the District entered into an agreement with Harris County, in which the District agreed 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 during the current year, 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 prior fiscal year, the District entered into an agreement with a utility district which operates within the boundaries of the District. The parties intended that the utility district would rehabilitate an existing wastewater treatment plant which would serve areas within the District at a later date. The estimated construction cost of the rehabilitation of the facilities was \$1,740,000 which was to be paid by the District after the project was completed. During the current fiscal year, the District paid the utility district \$1,631,198 from available General Fund revenues.

**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, 2011, the District contributed \$12,946 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, 2011**

**NOTE 12. OFFICE LEASE AGREEMENT**

During the current year, the District completed the construction of new office facilities in a shopping center within the District at a total cost to the District of \$158,176. The District entered into a lease agreement with the shopping center for an initial term of 60 months beginning in March, 2011. The District is currently paying \$3,821 per month, or \$45,857 per year, during the initial lease term. Lease expense for the current fiscal year was \$38,214.

**NOTE 13. INTERFUND PAYABLES AND RECEIVABLES**

As of December 31, 2011, the District had the following interfund liabilities: the General Fund owed the Capital Projects Fund \$802,098 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 14. SPECIAL SALES AND USE TAX ELECTION**

On November 8, 2011, an election was held to determine whether the District should be able to levy and collect a one percent special sales and use tax within the special sales and use tax zone established by the District. Such tax would be in addition to the existing sales and use tax levied within the District. Voters in the District approved the one percent special sales and use tax. The special sales and use tax was levied by the District on November 16, 2011.

**EAST ALDINE MANAGEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2011**



**EAST ALDINE MANAGEMENT DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Sales Tax Revenue	\$ 3,400,000	\$ 3,405,477	\$ 5,477
Grant Revenue	6,512	6,512	
Investment Revenues	8,400	12,336	3,936
<b>TOTAL REVENUES</b>	<b>\$ 3,414,912</b>	<b>\$ 3,424,325</b>	<b>\$ 9,413</b>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 48,000	\$ 138,729	\$ (90,729)
Contracted Services	40,309	39,609	700
Public Safety and Security	790,726	784,658	6,068
Economic Development & Public Relations	340,021	317,309	22,712
Environmental and Urban Design	381,198	404,432	(23,234)
Community Development	192,729	177,939	14,790
Management Services	104,731	103,188	1,543
Transportation and Mobility	63,617	63,617	
Other	133,416	208,852	(75,436)
Capital Outlay		2,196,672	(2,196,672)
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,094,747</b>	<b>\$ 4,435,005</b>	<b>\$ (2,340,258)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 1,320,165</b>	<b>\$ (1,010,680)</b>	<b>\$ (2,330,845)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer Out	\$ (7,279,951)	\$ (1,349,303)	\$ 5,930,648
Transfer to Other Governmental Unit		(1,631,198)	(1,631,198)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (7,279,951)</b>	<b>\$ (2,980,501)</b>	<b>\$ 4,299,450</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (5,959,786)</b>	<b>\$ (3,991,181)</b>	<b>\$ 1,968,605</b>
<b>FUND BALANCE – JANUARY 1, 2011</b>	<b>6,184,070</b>	<b>6,184,070</b>	
<b>FUND BALANCE – DECEMBER 31, 2011</b>	<b>\$ 224,284</b>	<b>\$ 2,192,889</b>	<b>\$ 1,968,605</b>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**DECEMBER 31, 2011**

**EAST ALDINE MANAGEMENT DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>-0-</u>
PROFESSIONAL FEES:	
Audit	\$ 14,750
Engineer	58,949
Legal	<u>65,030</u>
TOTAL PROFESSIONAL FEES	\$ <u>138,729</u>
PURCHASED SERVICES FOR RESALE:	
Public Safety and Security	\$ 784,658
Economic Development and Public Relations	317,309
Environmental and Urban Design	404,432
Community Development	177,939
Management Services	103,188
Transportation and Mobility	<u>63,617</u>
TOTAL PURCHASED SERVICES FOR RESALE	\$ <u>1,851,143</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 7,800
District Administrator	<u>31,809</u>
TOTAL CONTRACTED SERVICES	\$ <u>39,609</u>
UTILITIES:	
Electricity	\$ <u>-0-</u>
REPAIRS AND MAINTENANCE	\$ <u>-0-</u>
ADMINISTRATIVE EXPENDITURES:	
Insurance	\$ 13,605
Office Operations	77,932
Rent	38,214
Other	<u>79,101</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>208,852</u>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

CAPITAL OUTLAY:	
Capital Assets	\$ 2,196,672
Expenditures not Capitalized	<u>                    </u>
TOTAL CAPITAL OUTLAY	<u>\$ 2,196,672</u>
FIRE FIGHTING	<u>\$ -0-</u>
PARKS AND RECREATION	<u>\$ -0-</u>
OTHER EXPENDITURES	<u>\$ -0-</u>
TOTAL EXPENDITURES	<u>\$ 4,435,005</u>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT  
INVESTMENTS  
DECEMBER 31, 2011**

<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>
<b><u>GENERAL FUND</u></b>					
TexSTAR	10106-1111-000	Varies	Daily	\$ 384,004	\$
Certificate of Deposit	3300041224	0.75%	8/5/2012	242,760	738
Certificate of Deposit	100604	0.55%	9/3/2012	245,335	104
Certificate of Deposit	4022600	0.80%	8/5/2012	249,526	810
Certificate of Deposit	4087573	1.02%	8/5/2012	<u>245,632</u>	<u>384</u>
<b>TOTAL GENERAL FUND</b>				<b><u>\$ 1,367,257</u></b>	<b><u>\$ 2,036</u></b>
<b><u>DEBT SERVICE FUND</u></b>					
TexSTAR	10106-3333-000	Varies	Daily	\$ 1,013,483	\$
TexSTAR	10106-6233-000	Varies	Daily	<u>1,241,033</u>	<u>          </u>
<b>TOTAL DEBT SERVICE FUND</b>				<b><u>\$ 2,254,516</u></b>	<b><u>\$ -0-</u></b>
<b><u>CAPITAL PROJECTS FUND</u></b>					
TexSTAR	10106-2005-000	Varies	Daily	<u>35,001</u>	<u>\$ -0-</u>
<b>TOTAL - ALL FUNDS</b>				<b><u>\$ 3,656,774</u></b>	<b><u>\$ 2,036</u></b>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
DECEMBER 31, 2011**

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
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			
<b>TOTAL</b>	<b><u>\$ 2,470,000</u></b>	<b><u>\$ 857,075</u></b>	<b><u>\$ 3,327,075</u></b>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
DECEMBER 31, 2011**

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
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	<u>965,000</u>	<u>22,919</u>	<u>987,919</u>
<b>TOTAL</b>	<b><u>\$ 12,410,000</u></b>	<b><u>\$ 5,409,197</u></b>	<b><u>\$ 17,819,197</u></b>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
DECEMBER 31, 2011**

**ANNUAL REQUIREMENTS  
FOR ALL SERIES**

Due During Fiscal Years Ending December 31	Principal Due February 15	Interest Due February 15/ August 15	Total
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
<b>TOTAL</b>	<b><u>\$ 14,880,000</u></b>	<b><u>\$ 6,266,272</u></b>	<b><u>\$ 21,146,272</u></b>

See accompanying independent auditor's report.



**EAST ALDINE MANAGEMENT DISTRICT  
CHANGES IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2011
East Aldine Management District Sales Tax Revenue Bonds – Series 2005	\$ 3,195,000	\$ 2,600,000
East Aldine Management District Sales Tax Revenue Bonds – Series 2009	<u>13,365,000</u>	<u>12,895,000</u>
<b>TOTAL</b>	<u><b>\$ 16,560,000</b></u>	<u><b>\$ 15,495,000</b></u>

Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
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 and investment balances as of December 31, 2011: \$ 2,255,978

Average annual debt service payment (principal and interest) for remaining term of all bond debt: \$ 1,174,793

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, 2011</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 130,000	\$ 116,500	\$ 2,470,000	Wells Fargo Bank, N.A. Houston, TX
<u>          </u>	<u>485,000</u>	<u>504,213</u>	<u>12,410,000</u>	Wells Fargo Bank, N.A. Houston, TX
<u>\$ -0-</u>	<u>\$ 615,000</u>	<u>\$ 620,713</u>	<u>\$ 14,880,000</u>	

See accompanying independent auditor's report.

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

	Amounts		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>			
Sales Tax Revenue	\$ 3,405,477	\$ 3,203,662	\$ 3,370,052
Grant Revenue	6,512	106,899	
Investment Revenues	<u>12,336</u>	<u>25,863</u>	<u>21,888</u>
<b>TOTAL REVENUES</b>	<u>\$ 3,424,325</u>	<u>\$ 3,336,424</u>	<u>\$ 3,391,940</u>
<b>EXPENDITURES</b>			
Professional Fees	\$ 138,729	\$ 151,597	\$ 87,940
Contracted Services	39,609	36,069	111,676
Public Safety and Security	784,658	743,254	724,084
Neighborhood Cleanup and Beauty			287,794
Economic Development and Public Relations	317,309	176,053	320,039
Environmental and Urban Design	404,432	355,690	11,525
Community Development	177,939	232,990	
Management Services	103,188	73,468	
Transportation and Mobility	63,617	55,238	48,680
Other	208,852	49,418	94,152
Capital Outlay	<u>2,196,672</u>	<u>755,490</u>	<u>55,895</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,435,005</u>	<u>\$ 2,629,267</u>	<u>\$ 1,741,785</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (1,010,680)</u>	<u>\$ 707,157</u>	<u>\$ 1,650,155</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	\$	\$	\$ 3,280,000
Transfer Out	(1,349,303)	(1,246,192)	(2,007,854)
Transfer to Other Governmental Unit	(1,631,198)		
Transfer (to) from Component Unit			<u>34,841</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ (2,980,501)</u>	<u>\$ (1,246,192)</u>	<u>\$ 1,306,987</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (3,991,181)	\$ (539,035)	\$ 2,957,142
<b>BEGINNING FUND BALANCE</b>	<u>6,184,070</u>	<u>6,723,105</u>	<u>3,765,963</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 2,192,889</u>	<u>\$ 6,184,070</u>	<u>\$ 6,723,105</u>

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2008</u>	<u>2007</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 3,540,248	\$ 3,447,249	99.4%	96.0%	99.4%	97.8%	95.0%
		0.2	3.2			
<u>80,640</u>	<u>181,706</u>	<u>0.4</u>	<u>0.8</u>	<u>0.6</u>	<u>2.2</u>	<u>5.0</u>
\$ <u>3,620,888</u>	\$ <u>3,628,955</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 31,309	\$ 27,401	4.1%	4.5%	2.6%	0.9%	0.8%
31,750	29,300	1.2	1.1	3.3	0.9	0.8
644,579	320,885	22.9	22.3	21.3	17.8	8.8
281,210	252,491			8.5	7.8	7.0
322,513	214,605	9.3	5.3	9.4	8.9	5.9
15,015	13,650	11.8	10.7	0.3	0.4	0.4
		5.2	7.0			
		3.0	2.2			
30,504	104,348	1.9	1.7	1.4	0.8	2.9
27,037	22,008	6.1	1.5	2.8	0.7	0.6
<u>14,294</u>	<u>15,700</u>	<u>64.1</u>	<u>22.6</u>	<u>1.7</u>	<u>0.4</u>	<u>0.4</u>
\$ <u>1,398,211</u>	\$ <u>1,000,388</u>	<u>129.6%</u>	<u>78.9%</u>	<u>51.3%</u>	<u>38.6%</u>	<u>27.6%</u>
\$ <u>2,222,677</u>	\$ <u>2,628,567</u>	<u>(29.6)%</u>	<u>21.1%</u>	<u>48.7%</u>	<u>61.4%</u>	<u>72.4%</u>
\$	\$					
(251,225)	(256,190)					
<u>(3,148,291)</u>	<u>(420,000)</u>					
\$ <u>(3,399,516)</u>	\$ <u>(676,190)</u>					
\$ (1,176,839)	\$ 1,952,377					
<u>4,942,802</u>	<u>2,990,425</u>					
\$ <u>3,765,963</u>	\$ <u>4,942,802</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>2011</u>	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>			
Investment Revenues	\$ 2,068	\$ 3,399	\$ 3,044
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$	\$	\$
Debt Service Principal	615,000	595,000	120,000
Debt Service Interest and Fees	<u>621,713</u>	<u>642,100</u>	<u>214,758</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,236,713</u>	<u>\$ 1,237,100</u>	<u>\$ 334,758</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (1,234,645)</u>	<u>\$ (1,233,701)</u>	<u>\$ (331,714)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	<u>\$ 1,349,303</u>	<u>\$ 1,246,192</u>	<u>\$ 2,007,854</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 114,658	\$ 12,491	\$ 1,676,140
<b>BEGINNING FUND BALANCE</b>	<u>2,140,163</u>	<u>2,127,672</u>	<u>451,532</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 2,254,821</u>	<u>\$ 2,140,163</u>	<u>\$ 2,127,672</u>

See accompanying independent auditor's report.

		Percent of Total Revenues						
<u>2008</u>	<u>2007</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>		
\$ <u>7,740</u>	\$ <u>15,640</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>		
\$	\$	%	%	%	%	%		
<u>120,000</u>	<u>115,000</u>	<u>29,738.9</u>	<u>17,505.1</u>	<u>3,942.2</u>	<u>1,550.4</u>	<u>735.3</u>		
<u>133,975</u>	<u>139,263</u>	<u>30,063.5</u>	<u>18,890.9</u>	<u>7,055.1</u>	<u>1,730.9</u>	<u>890.4</u>		
\$ <u>253,975</u>	\$ <u>254,263</u>	<u>59,802.4%</u>	<u>36,396.0%</u>	<u>10,997.3%</u>	<u>3,281.3%</u>	<u>1,625.7%</u>		
\$ <u>(246,235)</u>	\$ <u>(238,623)</u>	<u>(59,702.4)%</u>	<u>(36,296.0)%</u>	<u>(10,897.3)%</u>	<u>(3,181.3)%</u>	<u>(1,525.7)%</u>		
\$ <u>251,225</u>	\$ <u>256,190</u>							
\$ <u>4,990</u>	\$ <u>17,567</u>							
<u>446,542</u>	<u>428,975</u>							
\$ <u>451,532</u>	\$ <u>446,542</u>							

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
DECEMBER 31, 2011**

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

District Telephone Number - (713) 541-0447

<b>Board Members</b>	Term of Office (Appointed)	Fees of Office for the year ended December 31, <u>2011</u>	Expense Reimbursements for the year ended December 31, <u>2011</u>	<u>Position</u>
Joyce Wiley	01/12 06/15	\$ -0-	\$ -0-	1
John Broussard	06/11 06/15	\$ -0-	\$ -0-	2
Reyes Garcia, Jr.	06/11 06/15	\$ -0-	\$ -0-	3 Assistant Secretary
Patti Acosta	06/11 06/15	\$ -0-	\$ -0-	4
Deborah Foster	06/11 06/15	\$ -0-	\$ -0-	5 Secretary
Bob Beasley	06/09 06/13	\$ -0-	\$ -0-	6 Vice Chairman
Gerald Overturff	06/09 06/13	\$ -0-	\$ -0-	7 Chairman
Gilbert Hoffman	06/09 06/13	\$ -0-	\$ -0-	8
John Meinke	08/11 06/13	\$ -0-	\$ -0-	9 Treasurer

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
DECEMBER 31, 2011**

<u>Consultants:</u>	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2011</u>	<u>Title</u>
Hawes Hill Calderon, LLP P. O. Box 22167 Houston, TX 77227-2167	10/16/01	\$ 510,692	Administrator (1)
Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027	08/19/03	\$ 65,030	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	10/19/02	\$ 10,000	Auditor
Roland, Fry & Warren, LLC 1525 Lakeville Drive, Suite 121 Kingwood, TX 77339	07/22/03	\$ 13,330	Bookkeeper
Water Engineers, Inc. 17230 Huffmeister Road Cypress, TX 77429-1643	10/23/02	\$ -0-	Engineer
Montgomery & Barnes, Inc. 400 Gears Road, Suite 200 Houston, TX 77067	02/18/03	\$ 226,904	Engineer
Wilbur Smith Associates P.O. Box 7339 Columbia, SC 29202-7993	06/16/09	\$ 2,284	Engineer
Kudela & Weinheimer 7155 Old Katy Road, Suite 270 Houston, TX 77024	06/16/09	\$ 5,866	Landscape Architect
McDonough Engineering Corporation 5625 Schumacher Lane Houston, TX 77057-7123	12/15/09	\$ 22,829	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

- (t) 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  
 Gretchen Larson – Business and Economic Director  
 Roy Hill – Community Liaison

See accompanying independent auditor's report.