

EAST ALDINE MANAGEMENT DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Aldine Management District
Harris County, Texas

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 20, 2017

**EAST ALDINE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Management's 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, 2016. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) 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 Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of 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 Position. This information is found in the Statement of Net Position column. The Statement of Net Position is the District-wide statement of its financial position presenting information that includes all of the District's assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has 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, 2016**

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$15,579,503 as of December 31, 2016.

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

**EAST ALDINE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of the Changes in the Statement of Net Position			
	2016	2015	Change Positive (Negative)
Current and Other Assets	\$ 26,026,037	\$ 10,765,781	\$ 15,260,256
Capital Assets (Net of Accumulated Depreciation)	<u>22,760,910</u>	<u>16,822,554</u>	<u>5,938,356</u>
Total Assets	<u>\$ 48,786,947</u>	<u>\$ 27,588,335</u>	<u>\$ 21,198,612</u>
Deferred Outflows of Resources	<u>\$ 664,717</u>	<u>\$ -0-</u>	<u>\$ 664,717</u>
Long-Term Liabilities	\$ 27,565,092	\$ 12,974,907	\$ (14,590,185)
Other Liabilities	<u>6,307,069</u>	<u>2,036,110</u>	<u>(4,270,959)</u>
Total Liabilities	<u>\$ 33,872,161</u>	<u>\$ 15,011,017</u>	<u>\$ (18,861,144)</u>
Net Position:			
Net Investment in Capital Assets	\$ 6,585,748	\$ 7,225,180	\$ (639,432)
Restricted	4,606,947	3,170,254	1,436,693
Unrestricted	<u>4,386,808</u>	<u>2,181,884</u>	<u>2,204,924</u>
Total Net Position	<u>\$ 15,579,503</u>	<u>\$ 12,577,318</u>	<u>\$ 3,002,185</u>

The following table provides a summary of the District's operations for the years ended December 31, 2016 and December 31, 2015. During the current fiscal year, the District's net position increased by \$3,002,185.

Summary of Changes in the Statement of Activities			
	2016	2015	Change Positive (Negative)
Revenues:			
Sales Tax Revenue	\$ 7,809,033	\$ 7,979,565	\$ (170,532)
Other Revenues	40,084	15,344	24,740
Contribution from Harris County	<u> </u>	<u>333,691</u>	<u>(333,691)</u>
Total Revenues	<u>\$ 7,849,117</u>	<u>\$ 8,328,600</u>	<u>\$ (479,483)</u>
Expenses for Services	<u>4,846,932</u>	<u>6,958,917</u>	<u>2,111,985</u>
Change in Net Position	\$ 3,002,185	\$ 1,369,683	\$ 1,632,502
Net Position, Beginning of Year	<u>12,577,318</u>	<u>11,207,635</u>	<u>1,369,683</u>
Net Position, End of Year	<u>\$ 15,579,503</u>	<u>\$ 12,577,318</u>	<u>\$ 3,002,185</u>

**EAST ALDINE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2016, were \$24,739,645, an increase of \$14,866,190 from the prior year.

The General Fund fund balance increased by \$2,131,453, primarily due to strong sales tax revenue.

The Debt Service Fund fund balance increased by \$1,720,841, primarily due to transfers from the General Fund and net proceeds from a bond issue which exceeded the debt service payments for the year.

The Capital Projects Fund fund balance increased by \$11,013,896, primarily due to proceeds from a bond issue which exceeded expenditures for capital improvements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$17,893 more than budgeted revenues. Actual expenditures were \$417,350 more than budgeted expenditures, primarily due to capital expenditures being over budget.

CAPITAL ASSETS

The District's capital assets as of December 31, 2016, amount to \$22,760,910 (net of accumulated depreciation). These capital assets include land, office equipment and fixtures, leasehold improvements, street signage, as well as construction in progress.

<u>Capital Assets At Year-End Net of Accumulated Depreciation</u>	
Land	\$ 2,389,325
Construction in Progress	19,116,849
Office Equipment & Fixtures	7,060
Leasehold Improvements	16,645
Street Signage	<u>1,231,031</u>
Total Net Capital Assets	<u>\$ 22,760,910</u>

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

**EAST ALDINE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$28,207,000 and a note payable to a bank in the amount of \$992,907. The changes in the debt position of the District during the fiscal year ended December 31, 2016, are summarized as follows:

Bond Debt Payable – January 1, 2016	\$ 12,726,000
Add: Bond Sale – Series 2016	24,580,000
Less: Bond Principal Refunded	(8,355,000)
Less: Bond Principal Paid During the Year	<u>(744,000)</u>
Bond Debt Payable – December 31, 2016	<u>\$ 28,207,000</u>
Note Payable – January 1, 2016	\$ 1,332,249
Less: Note Principal Paid During the Year	<u>(339,342)</u>
Note Payable – December 31, 2016	<u>\$ 992,907</u>

The District's bonds carry an underlying rating of "A" by Standard and Poor's. The Series 2009 and Series 2016 bonds have an insured rating of "AA" from Standard and Poor's by virtue of bond insurance issued by Assured Guaranty. The Series 2012 Bonds are non-rated. The above ratings reflect all changes during the fiscal year ended December 31, 2016.

CONTACTING THE DISTRICT'S MANAGEMENT

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

**EAST ALDINE MANAGEMENT DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2016**

	General Fund	Debt Service Fund
ASSETS		
Cash, Note 5	\$ 613,991	\$ 33,448
Investments, Note 5	2,809,598	4,986,712
Receivables:		
Sales Taxes, Note 6	774,705	
Accrued Interest	1,195	
From Other Funds, Note 14	164,279	
Prepaid Costs		
Unamortized Bond Discount		
Land, Note 7		
Construction in Progress, Note 7		
Capital Assets (Net of Accumulated Depreciation), Note 7		
TOTAL ASSETS	\$ 4,363,768	\$ 5,020,160
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,363,768	\$ 5,020,160
LIABILITIES		
Accounts Payable	\$ 42,095	\$
Accrued Interest Payable		
Due to Other Funds, Note 14		
Retainage Payable	8,336	
Unamortized Bond Premium		
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 50,431	\$ -0-
FUND BALANCES		
Restricted for Authorized Construction:		
Bond Proceeds	\$	\$
Grant Proceeds		
Net Investment Revenues		
Restricted for Debt Service		5,020,160
Unassigned	4,313,337	
TOTAL FUND BALANCES	\$ 4,313,337	\$ 5,020,160
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,363,768	\$ 5,020,160
NET POSITION		
Net Investment in Capital Assets		
Restricted For:		
Capital Projects		
Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 13,684,214	\$ 14,331,653	\$	\$ 14,331,653
2,997,630	10,793,940		10,793,940
	774,705		774,705
	1,195		1,195
	164,279	(164,279)	
		73,471	73,471
		51,073	51,073
		2,389,325	2,389,325
		19,116,849	19,116,849
		<u>1,254,736</u>	<u>1,254,736</u>
<u>\$ 16,681,844</u>	<u>\$ 26,065,772</u>	<u>\$ 22,721,175</u>	<u>\$ 48,786,947</u>
\$ -0-	\$ -0-	\$ 664,717	\$ 664,717
<u>\$ 16,681,844</u>	<u>\$ 26,065,772</u>	<u>\$ 23,385,892</u>	<u>\$ 49,451,664</u>
\$ 625,320	\$ 667,415	\$	\$ 667,415
		497,117	497,117
164,279	164,279	(164,279)	
486,097	494,433		494,433
		3,013,289	3,013,289
		1,634,815	1,634,815
		<u>27,565,092</u>	<u>27,565,092</u>
<u>\$ 1,275,696</u>	<u>\$ 1,326,127</u>	<u>\$ 32,546,034</u>	<u>\$ 33,872,161</u>
\$ 13,865,080	\$ 13,865,080	\$ (13,865,080)	\$
1,457,164	1,457,164	(1,457,164)	
83,904	83,904	(83,904)	
	5,020,160	(5,020,160)	
	<u>4,313,337</u>	<u>(4,313,337)</u>	
<u>\$ 15,406,148</u>	<u>\$ 24,739,645</u>	<u>\$ (24,739,645)</u>	<u>\$ -0-</u>
<u>\$ 16,681,844</u>	<u>\$ 26,065,772</u>		
		\$ 6,585,748	\$ 6,585,748
		83,904	83,904
		4,523,043	4,523,043
		<u>4,386,808</u>	<u>4,386,808</u>
		<u>\$ 15,579,503</u>	<u>\$ 15,579,503</u>

The accompanying notes to the 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 POSITION
DECEMBER 31, 2016**

Total Fund Balances – Governmental Funds	\$	24,739,645
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Prepaid bond insurance is amortized over the term of the refunding bonds.		73,471
Unamortized bond discounts in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		51,073
Land used in governmental activities is not a financial resource and, therefore, is not reported as an asset in the governmental funds.		2,389,325
Construction in progress in governmental activities is not a financial resource and, therefore, is not reported as an asset in the governmental funds.		19,116,849
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,254,736
Deferred charges on refunding bonds are not expenditures of the current period.		664,717
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the governmental funds.		(497,117)
Unamortized bond premiums in governmental activities are not financial resources and therefore are not reported as liabilities in the governmental funds.		(3,013,289)
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:		
Note Payable to Bank Within One Year	(350,815)	
Note Payable to Bank After One Year	(642,092)	
Bonds Payable Within One Year	(1,284,000)	
Bonds Payable After One Year	<u>(26,923,000)</u>	<u>(29,199,907)</u>
Total Net Position – Governmental Activities	\$	<u>15,579,503</u>

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

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**EAST ALDINE MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Fund	Debt Service Fund
REVENUES		
Sales Tax Revenue, Note 6	\$ 7,809,033	\$
Investment Revenues	12,598	13,981
Miscellaneous Revenues	3,662	
TOTAL REVENUES	\$ 7,825,293	\$ 13,981
EXPENDITURES		
Service Operations:		
Professional Fees	\$ 47,728	\$
Contracted Services	254,624	1,000
Public Health and Neighborhood Services	53,385	
Public Safety and Security	1,084,150	
Economic Development and Public Relations	196,039	
Environmental and Urban Design	971,827	
Community Development	239,439	
Depreciation, Note 7		
Other	168,978	
Capital Outlay	900,216	
Bond Issuance Costs		296,085
Conveyance of Assets		
Debt Service:		
Note Principal		339,342
Note Interest		38,897
Bond Principal		744,000
Bond Interest		332,093
TOTAL EXPENDITURES	\$ 3,916,386	\$ 1,751,417
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 3,908,907	\$ (1,737,436)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ (1,777,454)	\$ 2,022,913
Proceeds from Bond Sale		9,249,279
Payment to Refunded Bond Escrow Agent		(8,941,643)
Bond Premium		1,127,728
TOTAL OTHER FINANCING SOURCES (USES)	\$ (1,777,454)	3,458,277
NET CHANGE IN FUND BALANCES	\$ 2,131,453	\$ 1,720,841
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION – JANUARY 1, 2016	2,181,884	3,299,319
FUND BALANCES/NET POSITION – DECEMBER 31, 2016	\$ 4,313,337	\$ 5,020,160

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

Capital Projects Fund	Total	Adjustments	Statements of Activities
\$ 9,843	\$ 7,809,033 36,422 <u>3,662</u>	\$	\$ 7,809,033 36,422 <u>3,662</u>
<u>\$ 9,843</u>	<u>\$ 7,849,117</u>	<u>\$ -0-</u>	<u>\$ 7,849,117</u>
\$	\$ 47,728 255,624 53,385 1,084,150 196,039 971,827 239,439	\$	\$ 47,728 255,624 53,385 1,084,150 196,039 971,827 239,439
386	169,364	231,719	231,719
5,426,767	6,326,983	(6,326,983)	169,364
597,212	893,297	(75,075)	818,222
		156,908	156,908
	339,342	(339,342)	
	38,897	(794)	38,103
	744,000	(744,000)	
	<u>332,093</u>	<u>252,331</u>	<u>584,424</u>
<u>\$ 6,024,365</u>	<u>\$ 11,692,168</u>	<u>\$ (6,845,236)</u>	<u>\$ 4,846,932</u>
<u>\$ (6,014,522)</u>	<u>\$ (3,843,051)</u>	<u>\$ 6,845,236</u>	<u>\$ 3,002,185</u>
\$ (245,459)	\$	\$	\$
15,330,721	24,580,000	(24,580,000)	
	(8,941,643)	8,941,643	
<u>1,943,156</u>	<u>3,070,884</u>	<u>(3,070,884)</u>	
<u>\$ 17,028,418</u>	<u>\$ 18,709,241</u>	<u>\$ (18,709,241)</u>	<u>\$ -0-</u>
\$ 11,013,896	\$ 14,866,190	\$ (14,866,190)	\$
		3,002,185	3,002,185
<u>4,392,252</u>	<u>9,873,455</u>	<u>2,703,863</u>	<u>12,577,318</u>
<u>\$ 15,406,148</u>	<u>\$ 24,739,645</u>	<u>\$ (9,160,142)</u>	<u>\$ 15,579,503</u>

The accompanying notes to the 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, 2016**

Net Change in Fund Balances - Total Governmental Funds	\$ 14,866,190
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 Position bond principal payments are reported as decreases in long-term liabilities.	744,000
Governmental funds report note principal payments as expenditures. However, in the Statement of Net Position, note principal payments are reported as decreases in long-term debt.	339,342
Governmental funds report capital expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases.	6,326,983
Governmental funds report interest expenditures on bonds as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on bonds through fiscal year end.	(252,331)
Governmental funds report interest expenditures on notes payable as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on through fiscal year end.	794
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(24,580,000)
Governmental funds report premium on bonds issued as an other financing source. However, in the Statement of Net Position, bond premium is amortized over the life of the bonds.	(3,070,884)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	8,941,643
Governmental funds report bond insurance as an expenditure. However, in the Statement of Net Position, bond insurance is amortized over the life of the bonds.	75,075
Governmental funds do not recognize capital projects that are transferred to other governmental units. However, in the Statement of Net Position, completed projects that are transferred to other governmental units are recorded as reductions to Net Position.	(156,908)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	<u>(231,719)</u>
Change in Net Position - Governmental Activities	<u>\$ 3,002,185</u>

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

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 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 (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the “Commission”).

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

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

These financial statements have been prepared in accordance with Government Accounting Standards Board (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 Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets, Restricted, and Unrestricted. These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

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

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 governmental funds and considers each to be a major fund.

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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Capital Assets

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

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

	Years
Office Equipment and Fixtures	5
Leasehold Improvements	Life of Lease
Street Signage	10

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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position on the Statement of Net Position.

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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 balance.

Unassigned: all other spendable amounts in the General Fund.

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

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. BONDS PAYABLE

	<u>Series 2009</u>	<u>Series 2012</u>	<u>Series 2016</u>
Amount Outstanding – December 31, 2016	\$3,140,000	\$487,000	\$24,580,000
Interest Rates	3.25% - 4.00%	1.56% - 3.49%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	February 15, 2017/2021	February 15, 2017/2032	February 15, 2017/2036
Interest Payment Dates	February 15/ August 15	February 15/ August 15	February 15/ August 15
Callable Dates	February 15, 2018*	February 15, 2023*	February 15, 2026*

* Or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Series 2012 term bonds maturing on and after February 15, 2024 may be redeemed prior to their scheduled maturities. Series 2016 bonds maturing on and after February 15, 2027 may be redeemed prior to their scheduled maturities.

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3. BONDS PAYABLE (Continued)

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2016:

Bond Debt Payable – January 1, 2016	\$ 12,726,000
Less: Bond Principal Paid – Series 2005	(155,000)
Less: Bond Principal Paid – Series 2009	(565,000)
Less: Bond Principal Paid – Series 2012	(24,000)
Less: Bond Principal Refunded	(8,355,000)
Add: Bonds Issued – Series 2016	<u>24,580,000</u>
Bond Debt Payable – December 31, 2016	<u>\$ 28,207,000</u>

As of December 31, 2016, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 1,284,000	\$ 1,121,141	\$ 2,405,141
2018	1,375,000	1,037,253	2,412,253
2019	1,416,000	988,097	2,404,097
2020	1,477,000	932,017	2,409,017
2021	1,532,000	872,628	2,404,628
2022-2026	8,410,000	3,381,818	11,791,818
2027-2031	7,245,000	1,726,444	8,971,444
2032-2036	<u>5,468,000</u>	<u>561,263</u>	<u>6,029,263</u>
	<u>\$ 28,207,000</u>	<u>\$ 10,620,661</u>	<u>\$ 38,827,661</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 bond resolutions call for the establishment of a Reserve Fund requirement to secure payment of all bonds outstanding. The Reserve Fund requirement currently is \$2,412,253, 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, 2016, the District has established an account in which the Reserve Fund requirement of \$2,412,253 has been deposited.

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

- B. The Series 2009 and Series 2016 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 \$2,022,913 from the General Fund to the Debt Service Fund for the purpose of making the required debt service payments.
- C. The 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 \$15,219,190 and the bank balance was \$15,380,130. Of the bank balance, \$1,024,246 was covered by federal depository insurance, and the remaining amount was covered by collateral pledged in the name of the District and held in a third party depository.

**EAST ALDINE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2016, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 613,991	\$ 887,537	\$ 1,501,528
DEBT SERVICE FUND	33,448		33,448
CAPITAL PROJECTS FUND	<u>13,684,214</u>		<u>13,684,214</u>
TOTAL DEPOSITS	<u>\$14,331,653</u>	<u>\$ 887,537</u>	<u>\$15,219,190</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

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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 the Texas Short Term Asset Reserve Program (“TexSTAR”, an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and FirstSouthwest, a division of Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

As of December 31, 2016, 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	\$ 1,922,061	\$ 1,922,061	\$	\$	\$
Certificates of Deposit	887,537	887,537			
<u>DEBT SERVICE FUND-</u>					
TexSTAR	4,986,712	4,986,712			
<u>CAPITAL PROJECTS FUND -</u>					
Money Market Mutual Fund	1,743,591	1,743,591			
TexSTAR	<u>1,254,039</u>	<u>1,254,039</u>			
Total Investments	<u>\$ 10,793,940</u>	<u>\$10,793,940</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, 2016, the District’s investments in TexSTAR and Money Market Mutual Fund were rated AAAM by Standard and Poor’s. The District also manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage.

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexSTAR and Money Market Mutual Funds 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. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

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.

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. 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. During the current fiscal year, the District recorded sales tax revenues in the amount of \$7,809,033 and a receivable of \$774,705 at year end.

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016:

	<u>January 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 2016</u>
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,389,325	\$	\$	\$ 2,389,325
Construction in Progress	<u>13,099,401</u>	<u>6,326,983</u>	<u>309,535</u>	<u>19,116,849</u>
Total Capital Assets Not Being Depreciated	<u>\$ 15,488,726</u>	<u>\$ 6,326,983</u>	<u>\$ 309,535</u>	<u>\$ 21,506,174</u>
Capital Assets Subject to Depreciation				
Office Equipment and Fixtures	\$ 64,523	\$	\$	\$ 64,523
Leasehold Improvements	515,683			515,683
Street Signage	<u>1,791,137</u>	<u>152,627</u>	<u></u>	<u>1,943,764</u>
Total Capital Assets Subject to Depreciation	<u>\$ 2,371,343</u>	<u>\$ 152,627</u>	<u>\$ -0-</u>	<u>\$ 2,523,970</u>
Less Accumulated Depreciation				
Office Equipment and Fixtures	\$ 47,534	\$ 9,929	\$	\$ 57,463
Leasehold Improvements	464,696	34,342		499,038
Street Signage	<u>525,285</u>	<u>187,448</u>	<u></u>	<u>712,733</u>
Total Accumulated Depreciation	<u>\$ 1,037,515</u>	<u>\$ 231,719</u>	<u>\$ -0-</u>	<u>\$ 1,269,234</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,333,828</u>	<u>\$ (79,092)</u>	<u>\$ -0-</u>	<u>\$ 1,254,736</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,822,554</u>	<u>\$ 6,247,891</u>	<u>\$ 309,535</u>	<u>\$ 22,760,910</u>

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8. TEXAS WATER DEVELOPMENT BOARD GRANTS

During a previous fiscal year, the District filed an application with the Texas Water Development Board (“the Board”) for financial assistance in the amount of \$10,486,094 from the Economically Distressed Areas Program Account for the construction of a project to provide water and wastewater services to a subdivision located in the District. The Board approved the application and provided the assistance by purchasing the District’s Sales Tax Revenue Bonds, Series 2012 in the amount of \$577,000 and issuing a grant to the District in the amount \$9,909,094. The funds provided by the sale of the bonds and the receipt of the grant may only be used for the above mentioned project. Any surplus funds not used to complete the project must be returned to the Board. At the completion of the project, it will be conveyed to the City of Houston and will be operated and maintained by the City. The grant and bond monies still on hand as of December 31, 2016, are required to be escrowed until release of the escrow is approved by the Board. During a prior fiscal year, the District received bids for the project with the low bid, plus change orders, totaling just over \$9,920,000. Through the end of the current fiscal year, the District has expended \$9,893,321 on the project. Such amount has been included in construction in progress.

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 a prior fiscal year, the District entered into an agreement with Harris County in which the District agreed to contribute up to \$21,000 toward the construction of sanitary sewer lines within the District. The estimated cost of the project was originally \$779,100 and the County had grant funds available in the amount of \$758,100. During the current fiscal year, the agreement was amended, increasing the estimated cost of the project to \$820,586. The District agreed to fund the increase in cost in the amount of \$41,486. Should the cost of the project be less than the total of the amount the County had available plus the \$62,486 contributed by the District, the County would remit payment to the District in the amount of the difference, not to exceed \$62,486. The project was completed and transferred to the City of Houston during the current fiscal year.

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10. INTERLOCAL AGREEMENTS (Continued)

During the prior fiscal year, the District entered into an agreement with Harris County in which the District agreed to contribute up to \$88,200 toward the construction of water distribution and sanitary sewer systems within the District. The estimated cost of the project is \$1,068,086 and the County has grant funds available in the amount of \$979,886. Should the cost of the project be less than the total of the amount the County had available plus the \$88,200 contributed by the District, the County would remit payment to the District in the amount of the difference, not to exceed \$88,200.

Also during the prior fiscal year, the District entered into an agreement with Harris County in which the District agreed to fund \$110,250 toward the construction costs and \$39,674 toward the management of a water and waste water project within the boundaries of the District. When the construction bid came in at \$1,155,318, the District agreed to fund the short fall of \$41,771 with the remainder of the costs to be paid by Harris County. Subsequent to the current fiscal year end, the County returned to the District \$100,415 of unspent District funds.

During the current fiscal year, the District entered into an agreement with Harris County in which the District agreed to fund \$150,150 toward the construction costs of water distribution lines and sanitary sewer lines within the boundaries of the District. The amount the District agreed to fund is the excess of the amount of funds the County had available for the project and the estimated construction costs of the project of \$1,376,124. Should the cost of the project be less than the estimated costs, the County will refund any of the District's unused funds.

During the current fiscal year, the District entered into an agreement with Sunbelt Fresh Water Supply District ("Sunbelt") to adequately provide water and wastewater service to areas being developed as a town center with the boundaries of both the District and Sunbelt. Under the agreement, the District has agreed to fund 100% of the design, surveying, and related engineering costs of a water loop project estimated at \$335,000 as well as the cost of construction estimated to be \$401,000. The District also agreed to fund the design of the rehabilitation of two sanitary sewer lines necessary to the town center area estimated at \$68,950 as well as the cost of construction estimated to be \$408,250. If either project incurs additional construction costs, the District has agreed to fund those costs. If either project incurs less costs than the estimate, the excess funds will be returned to the District. Subsequent to the fiscal year end, the District transferred \$809,250 to Sunbelt representing the estimated construction costs of the two projects.

**EAST ALDINE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 10. INTERLOCAL AGREEMENTS (Continued)

During the current fiscal year, the District entered into an agreement with Harris County to improve mobility in the area by expanding a portion of Aldine Mail Route Road as well as other improvements. Under the agreement, the District agreed to fund 30% of the engineering and construction costs of the project plus any additional costs over and above the County maximum contribution of \$1,500,000. The District's 30% portion of the estimated costs amounted to \$651,325 and the amount of the additional costs over the County maximum was \$19,760, for a total of \$671,085. Subsequent to year end, the District transmitted \$671,085 to the County.

NOTE 11. NOTE PAYABLE TO BANK

During a prior fiscal year, the District borrowed \$3,218,575 from a bank to purchase 61 acres of land within the District. The note payable is for a term of ten years with monthly payments of \$31,520, including interest at 3.25%. The total cost of the land, including funds paid by the District, was \$4,300,126.

During the prior fiscal year, the District conveyed approximately 16 acres to a community college so that it could establish a new community college facility within the District. The District also conveyed approximately 7.5 acres to a non-profit organization which provides community development and human services, such as workforce development and training, financial services and other support services. The organization agrees to use the land to establish a new community facility within the District which the District believes will provide construction jobs as well as permanent jobs, will be a significant benefit to retail and commercial establishments within the District, and will provide opportunities to District residents for education, training, and job skills. In addition, the District conveyed approximately 5.1 acres of land to Harris County so that it may establish a new 911 emergency dispatch center located inside the District. The District has determined that the facility would provide construction jobs as well as permanent jobs and would provide added safety and health support for the residents and businesses of the District. The total cost of these three parcels of land was \$2,016,125.

As of December 31, 2016, the debt service requirements on the note mentioned above were as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 350,815	\$ 27,424	\$ 378,239
2018	362,552	15,687	378,239
2019	279,540	3,824	283,364
	<u>\$ 992,907</u>	<u>\$ 46,935</u>	<u>\$ 1,039,842</u>

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12. 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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 13. OFFICE LEASE AGREEMENT

During a prior year, the District completed the construction of new office facilities in a shopping center within the District. The District entered into a lease agreement for the facilities with the shopping center for an initial term of 60 months beginning in March, 2011. The District is currently paying \$4,175 per month, or \$50,103 per year. Lease expense for the current fiscal year was \$50,103.

NOTE 14. INTERFUND PAYABLES AND RECEIVABLES

As of December 31, 2016, the District had the following interfund liability: the Capital Projects Fund owed the General Fund \$164,279 for amounts returned to the District by Harris County which were intended for the General Fund but deposited into the Capital Projects Fund bank account less items paid by the Capital Projects Fund which should have been paid by the General Fund.

NOTE 15. 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 first levied by the District on November 16, 2011. See Note 6 for current year activity.

EAST ALDINE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 16. BOND SALE

On July 28, 2016, the District issued \$24,580,000 of Series 2016 Sales Tax Revenue and Refunding Bonds to refund \$1,745,000 of its Series 2005 Bonds and \$6,610,000 of its Series 2009 Bonds and to construct water and sanitary sewer facilities, transportation and other mobility projects within the District. The Series 2005 bonds which were refunded had maturities of 2017-2025, an interest rate of 4.50%, and a redemption date of February 15, 2014. The Series 2009 bonds which were refunded had maturities of 2022-2029, interest rates of 4.125% to 4.750%, and a redemption date of February 15, 2018. The refunding resulted in gross debt service savings of \$924,336 and net present value savings of \$810,038.

NOTE 17. SUBSEQUENT EVENT

In a prior fiscal year, the District entered into an agreement with Harris County for the County's award, management, execution, and oversight, and the District's funding of the County's contracts for the design and/or construction of certain agreed upon projects located within the boundaries of and benefitting the County and the District known as Town Center. Subsequent to the current fiscal year end, the agreement was amended to expand the scope of the possible projects eligible for the County's administration. Under this amendment, the Town Center project includes a community college facility, non-profit community employment center, and related public recreational spaces, together with the necessary public infrastructure, including water, sewer, and drainage facilities, paving and roadway improvements, and landscaping and hardscaping.

The District has agreed to fund the cost of these projects from the proceeds of its Series 2016 Sales Tax Revenue and Refunding Bonds issued in July of the current fiscal year. The estimated cost of the anticipated facilities is \$10,608,100. In the agreement, the District also agreed to share in the cost of the installation of a gas line to serve the project in the amount of \$166,666. On April 13, 2017, the District remitted \$10,774,766 to Harris County to satisfy its obligation. The District is responsible for any costs that may be in excess of the amount remitted or will received a refund if costs are less than estimated.

NOTE 18. ESCROW REQUIREMENTS

Of the Series 2016 Bonds, the Texas Commission on Environmental Quality (the "Commission") required the District to escrow \$654,915 for the detention ponds and outfall ditches and structures pending Commission approval.

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EAST ALDINE MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016

**EAST ALDINE MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Sales Tax Revenue	\$ 7,800,000	\$ 7,809,033	\$ 9,033
Investment Revenues	7,400	12,598	5,198
Miscellaneous Revenues	<u>3,662</u>	<u>3,662</u>	<u>3,662</u>
TOTAL REVENUES	<u>\$ 7,807,400</u>	<u>\$ 7,825,293</u>	<u>\$ 17,893</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 57,000	\$ 47,728	\$ 9,272
Contracted Services	92,045	254,624	(162,579)
Public Safety and Security	1,127,240	1,084,150	43,090
Economic Development & Public Relations	203,350	196,039	7,311
Environmental and Urban Design	984,360	971,827	12,533
Community Development	299,855	239,439	60,416
Public Health and Neighborhood Services	70,750	53,385	17,365
Other	175,100	168,978	6,122
Capital Outlay	<u>489,336</u>	<u>900,216</u>	<u>(410,880)</u>
TOTAL EXPENDITURES	<u>\$ 3,499,036</u>	<u>\$ 3,916,386</u>	<u>\$ (417,350)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 4,308,364</u>	<u>\$ 3,908,907</u>	<u>\$ (399,457)</u>
OTHER FINANCING SOURCES (USES)			
Transfer Out	<u>\$ (1,643,296)</u>	<u>\$ (1,777,454)</u>	<u>\$ (134,158)</u>
NET CHANGE IN FUND BALANCE	\$ 2,665,068	\$ 2,131,453	\$ (533,615)
FUND BALANCE – JANUARY 1, 2016	<u>2,181,884</u>	<u>2,181,884</u>	<u> </u>
FUND BALANCE – DECEMBER 31, 2016	<u>\$ 4,846,952</u>	<u>\$ 4,313,337</u>	<u>\$ (533,615)</u>

See accompanying independent auditor's report.

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EAST ALDINE MANAGEMENT DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2016

**EAST ALDINE MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016**

PROFESSIONAL FEES:	
Audit	\$ 17,250
Engineer	4,728
Legal	<u>25,750</u>
TOTAL PROFESSIONAL FEES	<u>\$ 47,728</u>
PURCHASED SERVICES FOR RESALE:	
Public Safety and Security	\$ 1,084,150
Economic Development and Public Relations	196,039
Environmental and Urban Design	971,827
Community Development	239,439
Public Health and Neighborhood Services	<u>53,385</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 2,544,840</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 21,000
Sales Tax Consulting	162,587
District Administrator	<u>71,037</u>
TOTAL CONTRACTED SERVICES	<u>\$ 254,624</u>
ADMINISTRATIVE EXPENDITURES:	
Insurance	\$ 19,895
Office Operations	66,109
Rent	50,103
Other	<u>32,871</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 168,978</u>
CAPITAL OUTLAY:	
Capital Assets	\$ 900,216
Expenditures not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY	<u>\$ 900,216</u>
TOTAL EXPENDITURES	<u><u>\$ 3,916,386</u></u>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
INVESTMENTS
DECEMBER 31, 2016**

<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	1010611110	Varies	Daily	\$ 1,922,061	\$
Certificate of Deposit	100604	0.60%	9/3/2017	245,000	475
Certificate of Deposit	102106	0.80%	8/5/2017	245,798	
Certificate of Deposit	5600101456	1.25%	11/8/2017	<u>396,739</u>	<u>720</u>
TOTAL GENERAL FUND				<u>\$ 2,809,598</u>	<u>\$ 1,195</u>
<u>DEBT SERVICE FUND</u>					
TexSTAR	1010633330	Varies	Daily	\$ 2,569,670	\$
TexSTAR	1010662330	Varies	Daily	<u>2,417,042</u>	<u></u>
TOTAL DEBT SERVICE FUND				<u>\$ 4,986,712</u>	<u>\$ -0-</u>
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	1010620050	Varies	Daily	\$ 1,254,039	\$
Money Market Mutual Funds	740825	Varies	Daily	<u>1,743,591</u>	<u></u>
TOTAL CAPITAL PROJECTS FUND				<u>\$ 2,997,630</u>	<u>\$ -0-</u>
TOTAL – ALL FUNDS				<u>\$ 10,793,940</u>	<u>\$ 1,195</u>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016**

BOND SERIES - 2009

Due During Fiscal Years Ending December 31	Principal Due February 15	Interest Due February 15/ August 15	Total
2017	\$ 585,000	\$ 105,994	\$ 690,994
2018	605,000	85,900	690,900
2019	625,000	63,750	688,750
2020	650,000	39,594	689,594
2021	675,000	13,500	688,500
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
TOTAL	<u>\$ 3,140,000</u>	<u>\$ 308,738</u>	<u>\$ 3,448,738</u>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016**

NOTE PAYABLE - 2012

<u>Due During Fiscal Years Ending December 31</u>	<u>Principal Due Monthly</u>	<u>Interest Due Monthly</u>	<u>Total</u>
2017	\$ 350,815	\$ 27,424	\$ 378,239
2018	362,552	15,687	378,239
2019	279,540	3,824	283,364
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
TOTAL	<u>\$ 992,907</u>	<u>\$ 46,935</u>	<u>\$ 1,039,842</u>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016**

BOND SERIES - 2012

Due During Fiscal Years Ending December 31	Principal Due February 15	Interest Due February 15/ August 15	Total
2017	\$ 24,000	\$ 14,207	\$ 38,207
2018	25,000	13,778	38,778
2019	26,000	13,247	39,247
2020	27,000	12,623	39,623
2021	27,000	11,928	38,928
2022	28,000	11,172	39,172
2023	29,000	10,348	39,348
2024	30,000	9,461	39,461
2025	31,000	8,517	39,517
2026	32,000	7,520	39,520
2027	32,000	6,491	38,491
2028	33,000	5,430	38,430
2029	34,000	4,319	38,319
2030	35,000	3,158	38,158
2031	36,000	1,946	37,946
2032	38,000	663	38,663
2033			
2034			
2035			
2036			
TOTAL	<u>\$ 487,000</u>	<u>\$ 134,808</u>	<u>\$ 621,808</u>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016**

BOND SERIES - 2016

Due During Fiscal Years Ending December 31	Principal Due February 15	Interest Due February 15/ August 15	Total
2017	\$ 675,000	\$ 1,000,940	\$ 1,675,940
2018	745,000	937,575	1,682,575
2019	765,000	911,100	1,676,100
2020	800,000	879,800	1,679,800
2021	830,000	847,200	1,677,200
2022	1,565,000	799,300	2,364,300
2023	1,635,000	735,300	2,370,300
2024	1,695,000	668,700	2,363,700
2025	1,770,000	599,400	2,369,400
2026	1,595,000	532,100	2,127,100
2027	1,665,000	466,900	2,131,900
2028	1,725,000	399,100	2,124,100
2029	1,800,000	328,600	2,128,600
2030	925,000	274,100	1,199,100
2031	960,000	236,400	1,196,400
2032	1,000,000	197,200	1,197,200
2033	1,040,000	156,400	1,196,400
2034	1,085,000	113,900	1,198,900
2035	1,130,000	69,600	1,199,600
2036	<u>1,175,000</u>	<u>23,500</u>	<u>1,198,500</u>
TOTAL	<u>\$ 24,580,000</u>	<u>\$ 10,177,115</u>	<u>\$ 34,757,115</u>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016**

**ANNUAL REQUIREMENTS
FOR ALL DEBT**

Due During Fiscal Years Ending December 31	Principal Due	Interest Due	Total
2017	\$ 1,634,815	\$ 1,148,565	\$ 2,783,380
2018	1,737,552	1,052,940	2,790,492
2019	1,695,540	991,921	2,687,461
2020	1,477,000	932,017	2,409,017
2021	1,532,000	872,628	2,404,628
2022	1,593,000	810,472	2,403,472
2023	1,664,000	745,648	2,409,648
2024	1,725,000	678,161	2,403,161
2025	1,801,000	607,917	2,408,917
2026	1,627,000	539,620	2,166,620
2027	1,697,000	473,391	2,170,391
2028	1,758,000	404,530	2,162,530
2029	1,834,000	332,919	2,166,919
2030	960,000	277,258	1,237,258
2031	996,000	238,346	1,234,346
2032	1,038,000	197,863	1,235,863
2033	1,040,000	156,400	1,196,400
2034	1,085,000	113,900	1,198,900
2035	1,130,000	69,600	1,199,600
2036	<u>1,175,000</u>	<u>23,500</u>	<u>1,198,500</u>
TOTAL	<u>\$ 29,199,907</u>	<u>\$ 10,667,596</u>	<u>\$ 39,867,503</u>

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
CHANGES IN LONG-TERM BOND AND NOTE DEBT
FOR THE YEAR ENDED DECEMBER 31, 2016**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2016
East Aldine Management District Sales Tax Revenue Bonds – Series 2005	\$ 3,195,000	\$ 1,900,000
East Aldine Management District Sales Tax Revenue Bonds – Series 2009	13,365,000	10,315,000
East Aldine Management District Sales Tax Revenue Bonds – Series 2012	577,000	511,000
East Aldine Management District Sales Tax Revenue and Refunding Bonds – Series 2016	<u>24,580,000</u>	<u> </u>
TOTAL	<u>\$ 41,717,000</u>	<u>\$ 12,726,000</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, 2016:		<u>\$ 5,020,160</u>
Average annual debt service payment (principal and interest) for remaining term of all bond debt:		<u>\$ 1,941,383</u>

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

Description	Original Note Issued	Note Outstanding January 1, 2016
Note Payable to Bank	<u>\$ 3,218,575</u>	<u>\$ 1,332,249</u>
Average annual debt service payment (principal and interest) for remaining term of note payable:		<u>\$ 346,614</u>

See accompanying independent auditor's report.

Current Year Transactions				Bonds Outstanding December 31, 2016	Paying Agent
Bonds Sold	Retirements				
		Principal	Interest		
\$	\$ 1,900,000	\$ 42,750	\$ -0-	Wells Fargo Bank, N.A. Houston, TX	
	7,175,000	274,793	3,140,000	Wells Fargo Bank, N.A. Houston, TX	
	24,000	14,550	487,000	BNY Mellon Corporate Trust, Houston, TX	
<u>24,580,000</u>			<u>24,580,000</u>	BNY Mellon Trust, N.A., Dallas, TX	
<u>\$ 24,580,000</u>	<u>\$ 9,099,000</u>	<u>\$ 332,093</u>	<u>\$ 28,207,000</u>		

Current Year Transactions			
Note Issued	Retirements		Note Outstanding December 31, 2016
	Principal	Interest	
<u>\$ -0-</u>	<u>\$ 339,342</u>	<u>\$ 38,897</u>	<u>\$ 992,907</u>

See accompanying independent auditor's report.

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

	Amounts		
	2016	2015	2014
REVENUES			
Sales Tax Revenue	\$ 7,809,033	\$ 7,979,565	\$ 6,764,244
Grant Revenue			
Investment Revenues	12,598	11,662	12,463
Contribution from Harris County		852,160	50,000
Miscellaneous Revenues	3,662		22,443
TOTAL REVENUES	\$ 7,825,293	\$ 8,843,387	\$ 6,849,150
EXPENDITURES			
Professional Fees	\$ 47,728	\$ 81,638	\$ 56,340
Contracted Services	254,624	66,440	58,692
Public Safety and Security	1,084,150	1,089,531	1,076,503
Water and Sewer		220,479	186,898
Public Health and Neighborhood Services	53,385	66,640	75,089
Economic Development and Public Relations	196,039	424,840	435,993
Environmental and Urban Design	971,827	903,034	741,971
Facility Development		46,800	
Community Development	239,439	231,688	268,360
Management Services			
Transportation and Mobility			99,866
Other	168,978	158,859	166,500
Capital Outlay	900,216	4,989,181	409,143
Note Payments			
TOTAL EXPENDITURES	\$ 3,916,386	\$ 8,279,130	\$ 3,575,355
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 3,908,907	\$ 564,257	\$ 3,273,795
OTHER FINANCING SOURCES (USES)			
Transfer Out	\$ (1,777,454)	\$ (3,030,971)	\$ (2,232,994)
Transfer to Other Governmental Unit			
Note Proceeds			
TOTAL OTHER FINANCING SOURCES (USES)	\$ (1,777,454)	\$ (3,030,971)	\$ (2,232,994)
NET CHANGE IN FUND BALANCE	\$ 2,131,453	\$ (2,466,714)	\$ 1,040,801
BEGINNING FUND BALANCE	2,181,884	4,648,598	3,607,797
ENDING FUND BALANCE	\$ 4,313,337	\$ 2,181,884	\$ 4,648,598

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2013</u>	<u>2012</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 6,048,121	\$ 5,218,979	99.8%	90.2%	98.8%	79.2%	99.7%
	5,000					0.1
14,035	11,522	0.2%	0.1%	0.2	0.2	0.2
1,505,000			9.7%	0.7	19.8	
<u>70,383</u>				<u>0.3</u>	<u>0.8</u>	
<u>\$ 7,637,539</u>	<u>\$ 5,235,501</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 156,368	\$ 74,773	0.6%	0.9%	0.8%	2.0%	1.4%
57,419	43,080	3.3	0.8	0.9	0.8	0.8
1,056,969	838,140	13.9	12.3	15.7	13.8	16.0
137,257	115,840		2.5	2.7	1.8	2.2
441,353	54,267	0.7	0.8	1.1	5.8	1.0
480,706	425,396	2.5	4.8	6.4	6.3	8.1
720,804	538,567	12.4	10.2	10.8	9.4	10.3
			0.5			
215,770	210,912	3.1	2.6	3.9	2.8	4.0
				1.5	1.7	2.1
126,958	110,640			2.4	1.9	2.7
141,426	141,399	2.2	1.8	6.0	6.3	92.8
484,359	4,859,039	11.5	56.4			0.6
	<u>31,520</u>					
<u>\$ 4,019,389</u>	<u>\$ 7,443,573</u>	<u>50.2%</u>	<u>93.6%</u>	<u>52.2%</u>	<u>52.6%</u>	<u>142.0%</u>
<u>\$ 3,618,150</u>	<u>\$ (2,208,072)</u>	<u>49.8%</u>	<u>6.4%</u>	<u>47.8%</u>	<u>47.4%</u>	<u>(42.0)%</u>
\$ (1,669,083)	\$ (1,349,653)					
	(195,009)					
	<u>3,218,575</u>					
<u>\$ (1,669,083)</u>	<u>\$ 1,673,913</u>					
\$ 1,949,067	\$ (534,159)					
<u>1,658,730</u>	<u>2,192,889</u>					
<u>\$ 3,607,797</u>	<u>\$ 1,658,730</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2016	2015	2014
REVENUES			
Investment Revenues	\$ 13,981	\$ 2,355	\$ 845
EXPENDITURES			
Debt Service Principal	\$ 1,083,342	\$ 1,886,169	\$ 1,120,253
Debt Service Interest and Fees	371,990	601,773	661,505
Bond Issuance Costs	296,085		
TOTAL EXPENDITURES	<u>\$ 1,751,417</u>	<u>\$ 2,487,942</u>	<u>\$ 1,781,758</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,737,436)</u>	<u>\$ (2,485,587)</u>	<u>\$ (1,780,913)</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	\$ 2,022,913	\$ 2,935,344	\$ 2,232,994
Proceeds from Sale of Bonds	9,249,279		
Payment to Refunding Bond Escrow Agentt	(8,941,643)		
Bond Premium	1,127,728		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 3,458,277</u>	<u>\$ 2,935,344</u>	<u>\$ 2,232,994</u>
NET CHANGE IN FUND BALANCE	\$ 1,720,841	\$ 449,757	\$ 452,081
BEGINNING FUND BALANCE	<u>3,299,319</u>	<u>2,849,562</u>	<u>2,397,481</u>
ENDING FUND BALANCE	<u>\$ 5,020,160</u>	<u>\$ 3,299,319</u>	<u>\$ 2,849,562</u>

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2013</u>	<u>2012</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ <u>1,208</u>	\$ <u>2,432</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 953,101	\$ 635,000	7,748.7%	80,092.1%	132,574.3%	78,899.1%	26,110.2%
691,302	600,313	2,660.7	25,553.0	78,284.6	57,227.0	24,683.9
		<u>2,117.8</u>				
\$ <u>1,644,403</u>	\$ <u>1,235,313</u>	<u>12,527.2</u>	<u>105,645.1</u>	<u>210,858.9%</u>	<u>136,126.1%</u>	<u>50,794.1%</u>
\$ <u>(1,643,195)</u>	\$ <u>(1,232,881)</u>	<u>(12,427.2)%</u>	<u>(105,545.1)%</u>	<u>(210,758.9)%</u>	<u>(136,026.1)%</u>	<u>(50,694.1)%</u>
\$ 1,669,083	\$ 1,349,653					
\$ <u>1,669,083</u>	\$ <u>1,349,653</u>					
\$ 25,888	\$ 116,772					
<u>2,371,593</u>	<u>2,254,821</u>					
\$ <u>2,397,481</u>	\$ <u>2,371,593</u>					

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2016**

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>2016</u>	Expense Reimbursements for the year ended December 31, <u>2016</u>	<u>Position</u>
Joyce Wiley	06/15 06/19	\$ -0-	\$ -0-	1
Virginia Bazan	06/15 06/19	\$ -0-	\$ -0-	2
Reyes Garcia, Jr.	06/15 06/19	\$ -0-	\$ -0-	3 Assistant Secretary
Patti Acosta	06/15 06/19	\$ -0-	\$ -0-	4
Deborah Foster	06/15 06/19	\$ -0-	\$ -0-	5 Secretary
Bob Beasley	06/13 06/17	\$ -0-	\$ -0-	6 Vice Chairman
Gerald Overturff	06/13 06/17	\$ -0-	\$ -0-	7 Chairman
Gilbert Hoffman	06/13 06/17	\$ -0-	\$ -0-	8
Carlos Silva	08/16 06/17	\$ -0-	\$ -0-	9 Treasurer

See accompanying independent auditor's report.

**EAST ALDINE MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2016**

Consultants:	Date Hired	Fees for the year ended December 31, 2016	Title
Hawes Hill Calderon, LLP P. O. Box 22167 Houston, TX 77227-2167	10/16/01	\$ 1,002,278	Administrator (1)
Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027	08/19/03	\$ 32,753 \$ 281,207	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	10/19/02	\$ 11,250	Auditor
Roland, Fry & Warren, LLC 1525 Lakeville Drive, Suite 121 Kingwood, TX 77339	01/17/17	\$ 6,000	Financial Statement Preparation
Governmental Financial Reporting, LLC 1525 Lakeville Drive, Suite 121 Kingwood, TX 77339	01/01/16	\$ 22,235	Bookkeeper
Jones and Carter, Inc. 6335 Gulfton, Suite 100 Houston, TX 77081-1169	10/23/02	\$ 244,265	Engineer
Geotest Engineering, Inc. 5600 Bintliff Dr. Houston, TX 77036		\$ 71,641	Engineer
PGAL 3131 Briarpark Dr., Suite 200 Houston, TX 77042		\$ 312,689	Engineer Architect
A&S Engineers, Inc. 10377 Stella Link Road Houston, TX 77025	09/26/15	\$ 62,437	Engineer
Hilltop Securities, Inc. 700 Milam Street, Suite 500 Houston, TX 77002	05/20/03	\$ 173,194	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
Gretchen Larson – Business and Economic Director
Roy Hill – Community Liaison

See accompanying independent auditor's report.

