

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2008**

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Board of Directors  
Harris County Improvement District No. 6  
Harris County, Texas

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Improvement District No. 6 (the "District"), as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2008, and the respective changes in financial position for the inception period then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors  
Harris County Improvement District No. 6

The Management's Discussion and Analysis on pages 3 through 7 and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund on page 21 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*McCall, Gibson & Company, PLLC*

McCall, Gibson & Company, PLLC  
Certified Public Accountants

May 20, 2009

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

Our discussion and analysis of Harris County Improvement District No. 6's (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2008. 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) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net 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 page 8. 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 page 10 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.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, annual assessments and general expenditures.

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 9 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 11 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 12 through 19 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.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**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 \$93,512 as of December 31, 2008.

With the first-year audit, the District is not presenting comparable prior-year columns in the various comparisons and analyses. In future years, when prior-year information is available on a comparable basis, a comparative analysis of government-wide changes in net assets will be presented.

	<u>Summary of the Statement of Net Assets</u>
	<u>2008</u>
Current and Other Assets	\$ 508,173
Capital Assets (Net of Accumulated Depreciation)	<u>22,626</u>
Total Assets	<u>\$ 530,799</u>
Other Liabilities	\$ 52,246
Deferred Revenues	<u>385,041</u>
Total Liabilities	<u>\$ 437,287</u>
Net Assets:	
Invested in Capital Assets	\$ 22,626
Unrestricted	<u>70,886</u>
Total Net Assets	<u>\$ 93,512</u>

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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

The following table provides a summary of the District's operations for the year ended December 31, 2008. The District's net assets increased by \$93,512.

	<u>Summary of the Statement of Activities</u>
	<u>2008</u>
Revenues:	
Property Assessments	\$ 329,617
Other Revenues	<u>7,799</u>
Total Assets	\$ 337,416
Expenses for Services	<u>243,904</u>
Change in Net Assets	\$ 93,512
Net Assets, Beginning of Year	<u>                    </u>
Net Assets, End of Year	<u><u>\$ 93,512</u></u>

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

The General Fund fund balance increased by \$13,724, due to assessment revenues exceeding current year expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenue was \$41,571 less than budgeted primarily due to less assessment revenue collected than anticipated. Actual expenditures were \$34,384 less than budgeted primarily due to expenditures budgeted but not occurring in the current fiscal year. See the budget to actual comparison on page 21.



**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**CAPITAL ASSETS**

The District's investment in capital assets as of December 31, 2008, amounts to \$22,626. This investment in capital assets includes a vehicle and equipment.

Capital Assets At Year-End, Net of Accumulated Depreciation

Capital Assets Subject to Depreciation:	
Automobile and Equipment	\$ <u>22,626</u>
Total Net Capital Assets	\$ <u><u>22,626</u></u>

Additional information on the District's capital assets can be found in Note 5 on page 19 of this report.

**LONG-TERM DEBT ACTIVITY**

The District does not have any long-term debt as of December 31, 2008.

**CONTACTING THE DISTRICT'S FINANCIAL IMPROVEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Improvement District No. 6, P.O. Box 22167, Houston, TX, 77227-2167.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**STATEMENT OF NET ASSETS AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2008**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Cash, Note 3	\$ 120,641	\$	\$ 120,641
Receivables:			
Assessments	387,532		387,532
Capital Assets (Net of Accumulated Depreciation), Note 5	<u>                    </u>	<u>22,626</u>	<u>22,626</u>
<b>TOTAL ASSETS</b>	<u>\$ 508,173</u>	<u>\$ 22,626</u>	<u>\$ 530,799</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 50,577	\$	\$ 50,577
Due to Others	1,669		1,669
Deferred Assessment Revenue	<u>442,203</u>	<u>(57,162)</u>	<u>385,041</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 494,449</u>	<u>\$ (57,162)</u>	<u>\$ 437,287</u>
<b>FUND BALANCES/NET ASSETS</b>			
<b>FUND BALANCES</b>			
Unreserved – Undesignated	<u>\$ 13,724</u>	<u>\$ (13,724)</u>	<u>\$ -0-</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 13,724</u>	<u>\$ (13,724)</u>	<u>\$ -0-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 508,173</u>		
<b>NET ASSETS</b>			
Invested in Capital Assets		\$ 22,626	\$ 22,626
Unrestricted		<u>70,886</u>	<u>70,886</u>
<b>TOTAL NET ASSETS</b>		<u>\$ 93,512</u>	<u>\$ 93,512</u>

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

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2008**

Total Fund Balances - Governmental Funds	\$ 13,724
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	22,626
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Deferred assessment revenues for the 2007 levy became part of recognized revenues in the governmental activities of the District.	<u>57,162</u>
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Total Net Assets - Governmental Activities	<u>\$ 93,512</u>
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The accompanying notes to basic financial  
statements are an integral part of this report.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Assessment Revenues	\$ 272,455	\$ 57,162	\$ 329,617
Penalty and Interest	7,563		7,563
Investment Revenues	229		229
Miscellaneous Revenues	<u>7</u>	<u>          </u>	<u>7</u>
<b>TOTAL REVENUES</b>	<u>\$ 280,254</u>	<u>\$ 57,162</u>	<u>\$ 337,416</u>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Security and Public Safety	\$ 49,312	\$ (24,581)	\$ 24,731
Business Development	11,000		11,000
Project Staffing and Administration	206,218		206,218
Depreciation, Note 5	<u>          </u>	<u>1,955</u>	<u>1,955</u>
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 266,530</u>	<u>\$ (22,626)</u>	<u>\$ 243,904</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ 13,724	\$ (13,724)	\$
<b>CHANGE IN NET ASSETS</b>		93,512	93,512
<b>FUND BALANCE/NET ASSETS – JANUARY 1, 2008</b>	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCE/NET ASSETS – DECEMBER 31, 2008</b>	<u>\$ 13,724</u>	<u>\$ 79,788</u>	<u>\$ 93,512</u>

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

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6  
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, 2008**

Change in Fund Balances - Governmental Funds \$ 13,724

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

Governmental funds report capital expenditures in the period purchased. However, in the Statement of Activities, capital assets are increased by new purchases. 24,581

Governmental funds do not account for depreciation. However, in the Statement of Activities, capital assets are depreciated and depreciation expense is recorded. (1,955)

Governmental funds report assessment revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the assessments are levied. 57,162

Change in Net Assets - Governmental Activities \$ 93,512

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

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**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 1. CREATION OF DISTRICT**

The Harris County Improvement District No. 6, also known as the East Montrose Management District, (the "District") was created, effective June 17, 2005, by the Texas Legislature under provisions of House Bill No. 3518, of the 79<sup>th</sup> Legislature, Regular Session, 2005, codified as Chapter 3843, Texas Special District Local Laws Code (formerly Subchapter K, Chapter 376, Texas Local Government Code). 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 and entertainment, economic development, safety, and the public welfare in the Harris County Improvement District No. 6. The Board of Directors held its first meeting on September 27, 2006.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The District was created as an independent municipality. The District does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the District's basic financial statements.

Financial Statement Presentation

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

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

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

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. The 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.



**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**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 one major governmental fund.

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

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

Annual assessments considered available by the District and included in revenue include 2007 assessments collected during the period October 1, 2007 to December 31, 2008. The 2008 annual assessment has been fully deferred to meet the operating expenditures for the 2009 fiscal year.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

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

Basis of Accounting (Continued)

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

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

	<u>Years</u>
Office Equipment and Fixtures	3
Vehicles	5

Budgeting

In compliance with governmental accounting principles, the District's board members should annually adopt 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 directors are considered to be employees for federal payroll tax purposes only.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**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.

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

Reserved:

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

Unreserved:

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

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

Accounting Estimates

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

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 3. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market 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 \$120,641 and the bank balance was \$143,624. The bank balance was fully covered by federal depository insurance.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at December 31, 2008, as listed below:

TOTAL DEPOSITS - GENERAL FUND	\$ <u>120,641</u>
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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.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

As of December 31, 2008, the District had no investments.

**NOTE 4. ANNUAL ASSESSMENT**

In accordance with the Act creating the District, the District may levy ad valorem taxes or assessment fees in accordance with Chapter 375, Local Government Code, to provide improvements and services for a project or activity the District is authorized to acquire, construct, improve, or provide under this Act.

On April 16, 2008, an order was adopted granting a petition for a service plan and an assessment roll for the District. The order authorized levying an annual assessment which would assure sufficient funding for the services provided under the ten year term of the Service Plan. The order authorized an assessment of \$0.125 per \$100 valuation of taxable real property within the boundaries of the District.

For the 2008 tax year, the District levied an assessment of \$0.125 per \$100 of assessed valuation, which resulted in an assessment of \$385,041. The 2008 assessment has been fully deferred.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 4. ANNUAL ASSESSMENT (Continued)**

The District's calendar for collection of the assessments is as follows:

- Levy Date - October 1 or as soon thereafter as practicable
- Lien Date - January 1.
- Due Date - Not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

**NOTE 5. CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2008:

	<u>January 1, 2008</u>	<u>Additions</u>	<u>December 31, 2008</u>
<b>Capital Assets at Historical Costs Subject to Depreciation</b>			
Automobile and Equipment	\$ -0-	\$ 24,581	\$ 24,581
<b>Less Accumulated Depreciation</b>			
Automobile and Equipment	\$ -0-	\$ (1,955)	\$ (1,955)
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ -0-</u>	<u>\$ 22,626</u>	<u>\$ 22,626</u>

**NOTE 6. 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 for which the District carries commercial insurance. There have been no significant changes in coverage and there have been no settlements of claims exceeding coverage in the prior two years.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2008**





**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Assessment Revenues	\$ 320,625	\$ 272,455	\$ (48,170)
Penalty and Interest		7,563	7,563
Investment Revenues	1,200	229	(971)
Miscellaneous Revenues		7	7
<b>TOTAL REVENUES</b>	<u>\$ 321,825</u>	<u>\$ 280,254</u>	<u>\$ (41,571)</u>
<b>EXPENDITURES</b>			
Service Operations			
Security and Public Safety	\$ 62,250	\$ 49,312	\$ 12,938
Transportation Planning	32,000		32,000
Business Development	49,500	11,000	38,500
Project Staffing and Administration	157,164	206,218	(49,054)
<b>TOTAL EXPENDITURES</b>	<u>\$ 300,914</u>	<u>\$ 266,530</u>	<u>\$ 34,384</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ 20,911	\$ 13,724	\$ (7,187)
<b>FUND BALANCE - JANUARY 1, 2008</b>			
<b>FUND BALANCE - DECEMBER 31, 2008</b>	<u>\$ 20,911</u>	<u>\$ 13,724</u>	<u>\$ (7,187)</u>

See accompanying independent auditor's report.

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**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL IMPROVEMENT GUIDE**  
**DECEMBER 31, 2008**



**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**PURCHASED SERVICES FOR RESALE:**

Security and Public Safety	\$ 49,312
Business Development	11,000
Project Staffing and Administration	<u>206,218</u>

<b>TOTAL EXPENDITURES</b>	<b><u>\$ 266,530</u></b>
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Number of persons employed by the District	<u>-0-</u>	Full-Time	<u>-0-</u>	Part-Time
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See accompanying independent auditor's report.

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**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**CHANGE IN ASSESSMENTS RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Assessments</u>	
ASSESSMENTS RECEIVABLE –		
JANUARY 31, 2008	\$	
Adjustments to Beginning Balance	<u>329,617</u>	\$ 329,617
Original 2008 Assessments Roll	\$ 385,041	
Adjustment to 2008 Assessments Roll	<u>                    </u>	<u>385,041</u>
TOTAL TO BE ACCOUNTED FOR		\$ 714,658
ASSESSMENT COLLECTIONS:		
Prior Year	\$ 272,455	
Current Year	<u>54,671</u>	<u>327,126</u>
ASSESSMENTS RECEIVABLE – December 31, 2008		<u>\$ 387,532</u>
ASSESSMENTS RECEIVABLE BY YEAR:		
2008		\$ 330,370
2007		<u>57,162</u>
		<u>\$ 387,532</u>

See accompanying independent auditor's report.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND – THREE YEARS**

	<u>Amounts</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>			
Assessment Revenues	\$ 272,455	\$	\$
Penalty and Interest	7,563		
Investment Revenues	229		
Miscellaneous Revenues	<u>7</u>	<u></u>	<u></u>
<b>TOTAL REVENUES</b>	<u>\$ 280,254</u>	<u>\$</u>	<u>\$</u>
<b>EXPENDITURES</b>			
Service Operations:			
Security and Public Safety	\$ 49,312	\$	\$
Business Development	11,000		
Project Staffing and Administration	<u>206,218</u>	<u></u>	<u></u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 266,530</u>	<u>\$</u>	<u>\$</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ 13,724	\$	\$
<b>BEGINNING FUND BALANCE</b>	<u></u>	<u></u>	<u></u>
<b>ENDING FUND BALANCE</b>	<u>\$ 13,724</u>	<u>\$ N/A</u>	<u>\$ N/A</u>

See accompanying independent auditor's report.



Percent of Total Revenues		
2008	2007	2006
97.2%		
2.7		
0.1		
<u>      </u>	<u>      </u>	<u>      </u>
<u>100.0%</u>	<u>      </u>	<u>      </u>
17.6%		
3.9		
<u>73.6</u>	<u>      </u>	<u>      </u>
<u>95.1%</u>	<u>      </u>	<u>      </u>
<u>4.9%</u>	<u>N/A</u>	<u>N/A</u>

See accompanying independent auditor's report.



**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**DECEMBER 31, 2008**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2008</u>	<u>Title</u>
Vinson & Elkins First City Tower 1001 Fannin Street, Suite 2300 Houston, TX 77002	11/15/06	\$ 91,461	Attorney
McCall, Gibson & Company, PLLC Certified Public Accountants 13831 Northwest Freeway, Suite 610 Houston, TX 77040-5216	02/18/09	\$ -0-	Auditor
Equi-Tax Inc. 17111 Rolling Creek Drive, Suite 200 Houston, TX 77090	02/20/08	\$ 9,896	Assessment Collector and Database Management
Municipal Accounts and Consulting LP 1300 Post Oak Blvd., Suite 1600 Houston, TX 77056	08/20/08	\$ 1,494	Bookkeeper
Hawes Hill Calderon LLP 10103 Fondren Road, Suite 300 Houston, TX 77096	01/31/07	\$ 87,614	Administrator
Greater East End Management District 3211 Harrisburg Houston, TX 77003	07/16/08	\$ 16,640	Graffiti Abatement

See accompanying independent auditor's report.

