

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2010

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2010

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET	7
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	8
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	9
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	10
NOTES TO BASIC FINANCIAL STATEMENTS	11-19
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	21
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL IMPROVEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL IMPROVEMENT GUIDE (Included in the notes to basic financial statements)	
SERVICES AND RATES (NOT APPLICABLE)	
GENERAL FUND EXPENDITURES	23
INVESTMENTS	24
CHANGES IN ASSESSMENTS RECEIVABLE	25
LONG-TERM DEBT SERVICE REQUIREMENTS (NOT APPLICABLE)	
CHANGE IN LONG-TERM BOND DEBT (NOT APPLICABLE)	
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND – THREE YEARS	26-27
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	28-29

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

7801 N. Capital of Texas Hwy.
Suite 350
Austin, Texas 78731-1169
(512) 418-2358
Fax: (512) 340-0604
www.mgsbpllc.com

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2010, 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 6 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 Swedlund Barfoot PLLC
Certified Public Accountants

June 13, 2011

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, 2010. Please read it in conjunction with the District's financial statements, which begin on page 7.

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 7. 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 9 reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

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

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets on page 8 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 10 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 11 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.

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 \$284,916 as of December 31, 2010.

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

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of the Changes in the Statement of Net Assets		
	2010	2009	Change Positive (Negative)
Current and Other Assets	\$ 790,703	\$ 666,948	\$ 123,755
Capital Assets (Net of Accumulated Depreciation)	<u>12,080</u>	<u>17,772</u>	<u>(5,692)</u>
Total Assets	<u>\$ 802,783</u>	<u>\$ 684,720</u>	<u>\$ 118,063</u>
Other Liabilities	\$ 86,817	\$ 38,401	\$ (48,416)
Deferred Revenues	<u>431,050</u>	<u>455,513</u>	<u>24,463</u>
Total Liabilities	<u>\$ 517,867</u>	<u>\$ 493,914</u>	<u>\$ (23,953)</u>
Net Assets:			
Invested in Capital Assets	\$ 12,080	\$ 17,772	\$ (5,692)
Unrestricted	<u>272,836</u>	<u>173,034</u>	<u>99,802</u>
Total Net Assets	<u>\$ 284,916</u>	<u>\$ 190,806</u>	<u>\$ 94,110</u>

The following table provides a summary of the District's operations for the years ended December 31, 2010, and December 31, 2009. The District's net assets increased by \$94,110.

	Summary of the Changes in the Statement of Activities		
	2010	2009	Change Positive (Negative)
Revenues:			
Property Assessments	\$ 438,253	\$ 421,890	\$ 16,363
Other Revenues	<u>34,454</u>	<u>17,056</u>	<u>17,398</u>
Total Revenues	\$ 472,707	\$ 438,946	\$ 33,761
Expenses for Services	<u>378,597</u>	<u>341,652</u>	<u>(36,945)</u>
Change in Net Assets	\$ 94,110	\$ 97,294	\$ (3,184)
Net Assets, Beginning of Year	<u>190,806</u>	<u>93,512</u>	<u>97,294</u>
Net Assets, End of Year	<u>\$ 284,916</u>	<u>\$ 190,806</u>	<u>\$ 94,110</u>

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The General Fund fund balance increased by \$182,704 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 \$57,331 more than budgeted primarily due to more assessment revenue collected than anticipated. Actual expenditures were \$126,487 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.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2010, amounts to \$12,080. This investment in capital assets includes a vehicle and equipment.

<u>Capital Assets At Year-End, Net of Accumulated Depreciation</u>		
	2010	2009
Capital Assets Subject to Depreciation:		
Automobile and Equipment	\$ 12,080	\$ 17,772
Total Net Capital Assets	\$ 12,080	\$ 17,772

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

LONG-TERM DEBT ACTIVITY

The District does not have any long-term debt as of December 31, 2010.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to 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, 2010

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash, Note 3	\$ 375,526	\$	\$ 375,526
Investments, Note 3	25,000		25,000
Receivables:			
Assessments	390,078		390,078
Accrued Interest	99		99
Capital Assets (Net of Accumulated Depreciation), Note 5	12,080	12,080	12,080
TOTAL ASSETS	\$ 790,703	\$ 12,080	\$ 802,783
LIABILITIES			
Accounts Payable	\$ 28,844	\$ 53,882	\$ 82,726
Due to Others	4,091		4,091
Deferred Assessment Revenue	465,095	(34,045)	431,050
TOTAL LIABILITIES	\$ 498,030	\$ 19,837	\$ 517,867
FUND BALANCE/NET ASSETS			
FUND BALANCE			
Unreserved – Undesignated	\$ 292,673	\$ (292,673)	\$ -0-
TOTAL FUND BALANCE	\$ 292,673	\$ (292,673)	\$ -0-
TOTAL LIABILITIES AND FUND BALANCE	\$ 790,703		
NET ASSETS			
Invested in Capital Assets		\$ 12,080	\$ 12,080
Unrestricted		272,836	272,836
TOTAL NET ASSETS		\$ 284,916	\$ 284,916

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, 2010**

Total Fund Balance - Governmental Fund	\$ 292,673
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.	12,080
Unbilled legal fees are not payable with current financial resources and therefore are not reported as liabilities in the governmental funds.	(53,882)
Deferred assessment revenues for the 2009 and prior tax levies became part of recognized revenues in the governmental activities of the District.	<u>34,045</u>
Total Net Assets - Governmental Activities	<u>\$ 284,916</u>

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, 2010

	General Fund	Adjustments	Statement of Activities
REVENUES			
Assessment Revenues	\$ 467,273	\$ (29,020)	\$ 438,253
Penalty and Interest	20,513		20,513
Investment Revenues	394		394
Miscellaneous Revenues	13,547		13,547
TOTAL REVENUES	\$ 501,727	\$ (29,020)	\$ 472,707
EXPENDITURES/EXPENSES			
Service Operations:			
Security and Public Safety	\$ 137,642	\$	\$ 137,642
Visual Improvements and Cultural	12,636		12,636
Business Development	20,359		20,359
Project Management	46,600		46,600
Administrative Expenditures	101,786	53,882	155,668
Depreciation, Note 5		5,692	5,692
TOTAL EXPENDITURES/EXPENSES	\$ 319,023	\$ 59,574	\$ 378,597
NET CHANGE IN FUND BALANCE	\$ 182,704	\$ (182,704)	\$
CHANGE IN NET ASSETS		94,110	94,110
FUND BALANCE/NET ASSETS – JANUARY 1, 2010	109,969	80,837	190,806
FUND BALANCE/NET ASSETS – DECEMBER 31, 2010	\$ 292,673	\$ (7,757)	\$ 284,916

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, 2010**

Net Change in Fund Balance - Governmental Fund	\$ 182,704
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds do not account for depreciation. However, in the Statement of Net Assets, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(5,692)
Governmental funds do not record liabilities for unbilled services not paid within 60 days after year end. However, in the Statement of Activities, these expenditures are recorded when the corresponding liability is incurred.	(53,882)
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.	<u>(29,020)</u>
Change in Net Assets - Governmental Activities	<u>\$ 94,110</u>

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

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 79th 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. Subsequent to year end, on February 15, 2011, the District consolidated with Harris County Improvement District No. 11 and is now known as the Montrose Management District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The District was created as an independent municipality. 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, 2010

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

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

Government-Wide Financial Statements

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

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

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

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

Governmental Funds

The District has 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 2009 assessments collected during the period October 1, 2009, to December 31, 2010. In addition, assessments collected from January 1, 2010, to December 31, 2010, for the 2008 and prior assessment levies are included in revenue. The 2010 annual assessment has been fully deferred to meet the operating expenditures for the 2011 fiscal year.

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Capital Assets

Capital assets, which include office equipment and fixtures 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:

	Years
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, 2010

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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.

Subsequent Events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through June 13, 2011, which is the date these statements were available to be issued.

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncement

In March 2009, the GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010. Management is still evaluating the effects that the full implementation of GASB Statement No. 54 will have on its financial statements for the year ending December 31, 2011, primarily as it relates to fund balance classifications.

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 \$400,526 and the bank balance was \$407,345. All of the bank balance was 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, 2010, as listed below:

	Cash	Certificate of Deposit	Total
GENERAL FUND	\$ <u>375,526</u>	\$ <u>25,000</u>	\$ <u>400,526</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

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

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

As of December 31, 2010, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND -</u> Certificate of Deposit	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 2010 tax year, the District levied an assessment of \$0.125 per \$100 of assessed valuation, which resulted in an assessment of \$431,050. The 2010 assessment has been fully deferred.

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, 2010:

	<u>January 1, 2010</u>	<u>Additions</u>	<u>December 31, 2010</u>
Capital Assets at Historical Costs Subject to Depreciation			
Automobile and Equipment	\$ <u>25,643</u>	\$ <u>-0-</u>	\$ <u>25,643</u>
Less Accumulated Depreciation			
Automobile and Equipment	\$ <u>(7,871)</u>	\$ <u>(5,692)</u>	\$ <u>(13,563)</u>
Total Capital Assets, Net of Accumulated Depreciation	\$ <u><u>17,772</u></u>	\$ <u><u>(5,692)</u></u>	\$ <u><u>12,080</u></u>

THIS PAGE INTENTIONALLY LEFT BLANK

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

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. The District participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide general liability, automobile, law enforcement, and errors and omission coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. During the current fiscal year ended December 31, 2010, the District contributed \$2,822 to the fund for this insurance coverage. There have been no significant changes in coverage and there have been no settlements of claims exceeding coverage in the prior three years.

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2010

**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, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Assessment Revenues	\$ 433,246	\$ 467,273	\$ 34,027
Penalty and Interest	10,000	20,513	10,513
Investment Revenues	1,150	394	(756)
Miscellaneous Revenues	<u> </u>	<u>13,547</u>	<u>13,547</u>
TOTAL REVENUES	<u>\$ 444,396</u>	<u>\$ 501,727</u>	<u>\$ 57,331</u>
EXPENDITURES			
Service Operations			
Security and Public Safety	\$ 146,150	\$ 137,642	\$ 8,508
Visual Improvements and Cultural	100,000	12,636	87,364
Business Development	72,900	20,359	52,541
Project Management	46,600	46,600	
Administrative Expenditures	<u>79,860</u>	<u>101,786</u>	<u>(21,926)</u>
TOTAL EXPENDITURES	<u>\$ 445,510</u>	<u>\$ 319,023</u>	<u>\$ 126,487</u>
NET CHANGE IN FUND BALANCE	\$ (1,114)	\$ 182,704	\$ 183,818
FUND BALANCE – JANUARY 1, 2010	<u>109,969</u>	<u>109,969</u>	<u> </u>
FUND BALANCE – DECEMBER 31, 2010	<u>\$ 108,855</u>	<u>\$ 292,673</u>	<u>\$ 183,818</u>

See accompanying independent auditor's report.

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2010

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

PURCHASED SERVICES FOR RESALE:

Security and Public Safety	\$ 137,642
Visual Improvements and Cultural	12,636
Business Development	20,359
Project Management	46,600
Administrative Expenditures	<u>101,786</u>
TOTAL EXPENDITURES	<u>\$ 319,023</u>

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

See accompanying independent auditor's report.

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
INVESTMENTS
DECEMBER 31, 2010

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Certificate of Deposit	3116002608	1.25%	03/07/11	<u>\$ 25,000</u>	<u>\$ 99</u>

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
CHANGE IN ASSESSMENTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2010

	Assessments	
ASSESSMENTS RECEIVABLE –		
JANUARY 31, 2010	\$ 458,056	
Adjustments to Beginning Balance	<u>(17,259)</u>	\$ 440,797
Original 2010 Assessments Roll	\$ 431,050	
Adjustment to 2010 Assessments Roll	<u> </u>	<u>431,050</u>
TOTAL TO BE ACCOUNTED FOR		\$ 871,847
ASSESSMENT COLLECTIONS:		
Prior Year	\$ 406,752	
Current Year	<u>75,017</u>	<u>481,769</u>
ASSESSMENTS RECEIVABLE –		
DECEMBER 31, 2010		<u>\$ 390,078</u>
ASSESSMENTS RECEIVABLE BY YEAR:		
2010		\$ 356,033
2009		16,135
2008		11,290
2007		<u>6,620</u>
		<u>\$ 390,078</u>

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

	Amounts		
	2010	2009	2008
REVENUES			
Assessment Revenues	\$ 467,273	\$ 415,987	\$ 272,455
Penalty and Interest	20,513	12,563	7,563
Investment Revenues	394	1,125	229
Miscellaneous Revenues	13,547	3,368	7
TOTAL REVENUES	\$ 501,727	\$ 433,043	\$ 280,254
EXPENDITURES			
Service Operations:			
Security and Public Safety	\$ 137,642	\$ 108,595	\$ 49,312
Mobility and Transportation		48,970	
Visual Improvements and Cultural	12,636	14,421	
Business Development	20,359	43,851	11,000
Project Management	46,600		
Administrative Expenditures	101,786	77,921	206,218
Legislative Creation Costs		43,040	
TOTAL EXPENDITURES	\$ 319,023	\$ 336,798	\$ 266,530
NET CHANGE IN FUND BALANCE	\$ 182,704	\$ 96,245	\$ 13,724
BEGINNING FUND BALANCE	109,969	13,724	_____
ENDING FUND BALANCE	\$ 292,673	\$ 109,969	\$ 13,724

Percent of Total Revenues

2010	2009	2008
93.1%	96.1%	97.2%
4.1	2.9	2.7
0.1	0.3	0.1
<u>2.7</u>	<u>0.7</u>	—
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
27.4%	25.1%	17.6
	11.3	
2.5	3.3	
4.1	10.1	3.9
9.3		
20.3	18.0	73.6
—	<u>9.9</u>	—
<u>63.6%</u>	<u>77.7%</u>	<u>95.1%</u>
<u>36.4%</u>	<u>22.3%</u>	<u>4.9%</u>

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2010

District Mailing Address - Harris County Improvement District No. 6
c/o East Montrose Management District
P.O. Box 22167
Houston, TX 77227-2167

District Telephone Number - (713) 595-1200

Board Members	Term of Office (Appointed)	Fees of office for the year ended December 31, 2010	Expense reimbursements for the year ended December 31, 2010	Position
Kathy Hubbard	07/09 06/13 (Appointed)	\$ -0-	\$ -0-	1
Claude Wynn	07/09 06/13 (Appointed)	\$ -0-	\$ -0-	2
Michael V. Grover	07/09 06/13 (Appointed)	\$ -0-	\$ -0-	3 – Chairman
Tom Fricke	07/09 06/13 (Appointed)	\$ -0-	\$ -0-	4
Brad Nagar	07/09 06/13 (Appointed)	\$ -0-	\$ -0-	5 – Secretary
Vacant				6
Tammy Manning	09/06 06/11 (Appointed)	\$ -0-	\$ -0-	7
Allen Ueckert	07/08 06/11 (Appointed)	\$ -0-	\$ -0-	8
David Robinson	05/09 06/11 (Appointed)	\$ -0-	\$ -0-	9
Randall Ellis	11/06 06/11 (Appointed)	\$ -0-	\$ -0-	10 – Vice Chairman
Gary Wingfield	05/09 06/11 (Appointed)	\$ -0-	\$ -0-	11

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 6
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2010

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2010</u>	<u>Title</u>
Vinson & Elkins First City Tower 1001 Fannin Street, Suite 2300 Houston, TX 77002	11/15/06	\$ 19,566	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	02/18/09	\$ 6,500	Auditor
Equi-Tax Inc. 17111 Rolling Creek Drive, Suite 200 Houston, TX 77090	02/20/08	\$ 6,722	Assessment Collector and Database Management
Municipal Accounts and Consulting LP 1300 Post Oak Blvd., Suite 1600 Houston, TX 77056	08/20/08	\$ 7,772	Bookkeeper
Hawes Hill Calderon LLP 10103 Fondren Road, Suite 300 Houston, TX 77096	01/31/07	\$ 91,756	Administrator
Greater East End Management District 3211 Harrisburg Houston, TX 77003	07/16/08	\$ 31,640	Graffiti Abatement
Perdue, Brandon, Fielder, Collins & Mott 1235 North Loop West, Ste 600 Houston, TX 77008	01/21/09	\$ 13,558	Delinquent Assessment Collector