

MONTROSE MANAGEMENT DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2013

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ANNUAL FINANCIAL REPORT
DECEMBER 31, 2013

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Board of Directors
Montrose Management District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 7 and the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Funds on pages 25 through 27 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.

Supplementary 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 financial statements. This 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

June 9, 2014

**MONTROSE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's assets exceeded liabilities and deferred inflows of resources by \$708,085 as of December 31, 2013. A portion of the District's net position reflects its net investment in capital assets (e.g., vehicles and related equipment, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide security services.

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

	Summary of Changes in the Statement of Net Position		
	2013	2012	Change Positive (Negative)
Current and Other Assets	\$ 2,452,706	\$ 2,130,794	\$ 321,912
Capital Assets (Net of Accumulated Depreciation)	<u>20,744</u>	<u>18,970</u>	<u>1,774</u>
Total Assets	<u>\$ 2,473,450</u>	<u>\$ 2,149,764</u>	<u>\$ 323,686</u>
Total Liabilities	<u>\$ 93,621</u>	<u>\$ 87,402</u>	<u>\$ (6,219)</u>
Deferred Inflows of Resources	<u>\$ 1,671,744</u>	<u>\$ 1,425,021</u>	<u>\$ (246,723)</u>
Net Position:			
Net Investment in Capital Assets	\$ 20,744	\$ 18,970	\$ 1,774
Unrestricted	<u>687,341</u>	<u>618,371</u>	<u>68,970</u>
Total Net Position	<u><u>\$ 708,085</u></u>	<u><u>\$ 637,341</u></u>	<u><u>\$ 70,744</u></u>

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<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 466,059
	400,000
	1,585,176
	271
(5,713)	1,200
<u>20,744</u>	<u>20,744</u>
<u>\$ 15,031</u>	<u>\$ 2,473,450</u>
\$	\$ 73,891
	11,185
	8,545
<u>(5,713)</u>	<u></u>
<u>\$ (5,713)</u>	<u>\$ 93,621</u>
<u>\$ (26,977)</u>	<u>\$ 1,671,744</u>
\$ (1,200)	\$
<u>(659,164)</u>	<u></u>
<u>\$ (660,364)</u>	<u>\$ -0-</u>
\$ 20,744	\$ 20,744
<u>687,341</u>	<u>687,341</u>
<u>\$ 708,085</u>	<u>\$ 708,085</u>

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

**MONTROSE MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2013**

Total Fund Balances - Governmental Funds	\$ 660,364
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	20,744
Deferred assessment revenues for the 2012 and prior levies became part of recognized revenues in the governmental activities of the District.	<u>26,977</u>
Total Net Position - Governmental Activities	<u>\$ 708,085</u>

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

MONTROSE MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	East Zone General Fund	West Zone General Fund
REVENUES		
Assessment Revenues	\$ 426,034	\$ 980,905
Penalty and Interest	8,844	15,002
Investment Revenues	1,607	1,609
Miscellaneous Revenues	<u>11,275</u>	<u>10,158</u>
TOTAL REVENUES	<u>\$ 447,760</u>	<u>\$ 1,007,674</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Security and Public Safety	\$ 151,680	\$ 318,853
Mobility and Transportation	12,879	27,257
Visual Improvements and Cultural	39,257	56,403
Business Development	103,876	218,623
Administrative Expenditures	165,582	285,978
Depreciation, Note 4		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 473,274</u>	<u>\$ 907,114</u>
NET CHANGE IN FUND BALANCES	\$ (25,514)	\$ 100,560
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION – JANUARY 1, 2013	<u>333,830</u>	<u>251,488</u>
FUND BALANCES/NET POSITION – DECEMBER 31, 2013	<u>\$ 308,316</u>	<u>\$ 352,048</u>

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

Governmental Funds Total	Adjustments	Statement of Activities
\$ 1,406,939	\$ (6,076)	\$ 1,400,863
23,846		23,846
3,216		3,216
<u>21,433</u>		<u>21,433</u>
\$ <u>1,455,434</u>	\$ <u>(6,076)</u>	\$ <u>1,449,358</u>
\$ 470,533	\$	\$ 470,533
40,136		40,136
95,660		95,660
322,499	(9,500)	312,999
451,560		451,560
	7,726	7,726
<u></u>	<u></u>	<u></u>
\$ <u>1,380,388</u>	\$ <u>(1,774)</u>	\$ <u>1,378,614</u>
\$ 75,046	\$ (75,046)	\$
	70,744	70,744
<u>585,318</u>	<u>52,023</u>	<u>637,341</u>
\$ <u>660,364</u>	\$ <u>47,721</u>	\$ <u>708,085</u>

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

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 two major governmental funds.

General Funds - For the East Zone and West Zone to account for resources not required to be accounted for in another fund, assessment revenues, costs 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 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 the 2012 assessments collected during the period October 1, 2012 to December 31, 2013. In addition, assessments collected from January 1, 2013, to December 31, 2013, for the 2011 and prior assessment levies are included in revenues. The 2013 annual assessments for the District have been fully deferred to meet the operating expenditures for the 2014 fiscal year.

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred between the funds are reported as other financing sources or uses. Loans between the funds 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 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:

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

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund of the East Zone and the West Zone. The budgets were not amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll tax purposes only.

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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.

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. The District's fund balances 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.

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. The District does not have any restricted fund balances.

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances..

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.

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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. 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 Authority 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 \$866,059 and the bank balance was \$914,832. Of the bank balance, \$682,833 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheets and the Statement of Net Position at December 31, 2013, as listed below:

	<u>CASH</u>	<u>CERTIFICATES OF DEPOSIT</u>	<u>TOTAL</u>
EAST ZONE GENERAL FUND	\$ 147,307	\$ 250,000	\$ 397,307
WEST ZONE GENERAL FUND	<u>318,752</u>	<u>150,000</u>	<u>468,752</u>
TOTAL DEPOSITS	<u>\$ 466,059</u>	<u>\$ 400,000</u>	<u>\$ 866,059</u>

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2013, 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>EAST ZONE GENERAL</u>					
<u>FUND -</u>					
Certificates of Deposit	\$ 250,000	\$ 250,000	\$	\$	\$
<u>WEST ZONE GENERAL</u>					
<u>FUND -</u>					
Certificates of Deposit	<u>150,000</u>	<u>150,000</u>	<u></u>	<u></u>	<u></u>
Total Investments	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2013:

	January 1, 2013	Additions	December 31, 2013
Capital Assets at Historical Costs Subject to Depreciation			
Automobiles, Equipment and Signage	\$ 50,591	\$ 9,500	\$ 60,091
Less Accumulated Depreciation			
Automobiles, Equipment and Signage	\$ 31,621	\$ 7,726	\$ 39,347
Total Capital Assets, Net of Accumulated Depreciation	\$ 18,970	\$ 1,774	\$ 20,744

NOTE 5. ANNUAL ASSESSMENTS

In accordance with the Acts creating the Districts, the Districts 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 Districts are authorized to acquire, construct, improve, or provide under this Act.

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 6. RISK MANAGEMENT (Continued)

which included contributions of \$2,769 from the East Zone and \$5,797 from the West Zone. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

MONTROSE MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013

MONTROSE MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GOVERNMENTAL FUNDS TOTAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Assessment Revenues	\$ 1,339,564	\$ 1,406,939	\$ 67,375
Penalty and Interest	25,000	23,846	(1,154)
Investment Revenues	700	3,216	2,516
Miscellaneous Revenues	<u> </u>	<u>21,433</u>	<u>21,433</u>
TOTAL REVENUES	<u>\$ 1,365,264</u>	<u>\$ 1,455,434</u>	<u>\$ 90,170</u>
EXPENDITURES			
Service Operations			
Security and Public Safety	\$ 536,800	\$ 470,533	\$ 66,267
Mobility and Transportation	290,000	40,136	249,864
Visual Improvements and Cultural	439,320	95,660	343,660
Business Development	383,938	322,499	61,439
Administrative Expenditures	<u>337,460</u>	<u>451,560</u>	<u>(114,100)</u>
TOTAL EXPENDITURES	<u>\$ 1,987,518</u>	<u>\$ 1,380,388</u>	<u>\$ 607,130</u>
NET CHANGE IN FUND BALANCE	\$ (622,254)	\$ 75,046	\$ 697,300
FUND BALANCE – JANUARY 1, 2013	<u>585,318</u>	<u>585,318</u>	<u> </u>
FUND BALANCE – DECEMBER 31, 2013	<u>\$ (36,936)</u>	<u>\$ 660,364</u>	<u>\$ 697,300</u>

See accompanying independent auditor's report.

**MONTROSE MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – EAST ZONE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Assessment Revenues	\$ 433,047	\$ 426,034	\$ (7,013)
Penalty and Interest	10,000	8,844	(1,156)
Investment Revenues	226	1,607	1,381
Miscellaneous Revenues	<u> </u>	<u>11,275</u>	<u>11,275</u>
TOTAL REVENUES	<u>\$ 443,273</u>	<u>\$ 447,760</u>	<u>\$ 4,487</u>
EXPENDITURES			
Service Operations			
Security and Public Safety	\$ 171,823	\$ 151,680	\$ 20,143
Mobility and Transportation	92,935	12,879	80,056
Visual Improvements and Cultural	150,782	39,257	111,525
Business Development	122,893	103,876	19,017
Administrative Expenditures	108,529	165,582	(57,053)
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 646,962</u>	<u>\$ 473,274</u>	<u>\$ 173,688</u>
NET CHANGE IN FUND BALANCE	<u>\$ (203,689)</u>	<u>\$ (25,514)</u>	<u>\$ 178,175</u>
FUND BALANCE – JANUARY 1, 2013	<u>333,830</u>	<u>333,830</u>	<u> </u>
FUND BALANCE – DECEMBER 31, 2013	<u>\$ 130,141</u>	<u>\$ 308,316</u>	<u>\$ 178,175</u>

See accompanying independent auditor's report.

**MONTROSE MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – WEST ZONE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Assessment Revenues	\$ 906,517	\$ 980,905	\$ 74,388
Penalty and Interest	15,000	15,002	2
Investment Revenues	474	1,609	1,135
Miscellaneous Revenues	<u> </u>	<u>10,158</u>	<u>10,158</u>
TOTAL REVENUES	<u>\$ 921,991</u>	<u>\$ 1,007,674</u>	<u>\$ 85,683</u>
EXPENDITURES			
Service Operations			
Security and Public Safety	\$ 364,977	\$ 318,853	\$ 46,124
Mobility and Transportation	197,065	27,257	169,808
Visual Improvements and Cultural	288,538	56,403	232,135
Business Development	261,045	218,623	42,422
Administrative Expenditures	228,931	285,978	(57,047)
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 1,340,556</u>	<u>\$ 907,114</u>	<u>\$ 433,442</u>
NET CHANGE IN FUND BALANCE	\$ (418,565)	\$ 100,560	\$ 519,125
FUND BALANCE – JANUARY 1, 2013	<u>251,488</u>	<u>251,488</u>	<u> </u>
FUND BALANCE – DECEMBER 31, 2013	<u>\$ (167,077)</u>	<u>\$ 352,048</u>	<u>\$ 519,125</u>

See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2013

MONTROSE MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES – GOVERNMENTAL FUNDS TOTAL
FOR THE YEAR ENDED DECEMBER 31, 2013

PURCHASED SERVICES FOR RESALE:

Security and Public Safety	\$ 470,533
Mobility and Transportation	40,136
Visual Improvements and Cultural	95,660
Business Development	322,499
Administrative Expenditures	<u>451,560</u>

TOTAL EXPENDITURES	<u>\$ 1,380,388</u>
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See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES – EAST ZONE
FOR THE YEAR ENDED DECEMBER 31, 2013

PURCHASED SERVICES FOR RESALE:

Security and Public Safety	\$ 151,680
Mobility and Transportation	12,879
Visual Improvements and Cultural	39,257
Business Development	103,876
Administrative Expenditures	<u>165,582</u>

TOTAL EXPENDITURES	<u>\$ 473,274</u>
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See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES – WEST ZONE
FOR THE YEAR ENDED DECEMBER 31, 2013

PURCHASED SERVICES FOR RESALE:

Security and Public Safety	\$ 318,853
Mobility and Transportation	27,257
Visual Improvements and Cultural	56,403
Business Development	218,623
Administrative Expenditures	<u>285,978</u>

TOTAL EXPENDITURES	<u>\$ 907,114</u>
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See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT
INVESTMENTS
DECEMBER 31, 2013

<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>EAST ZONE</u>					
Certificate of Deposit	xxxxxxxx43	.30%	02/09/2014	\$ 50,000	\$ 57
Certificate of Deposit	xxxxxxxx69	.30%	06/10/2014	50,000	8
Certificate of Deposit	xxxxxxxx11	.30%	03/10/2014	50,000	46
Certificate of Deposit	xxxxxxxx32	.32%	05/12/2014	50,000	24
Certificate of Deposit	xxxxxxxx89	.30%	04/10/2014	<u>50,000</u>	<u>33</u>
TOTAL EAST ZONE				<u>\$ 250,000</u>	<u>\$ 168</u>
<u>WEST ZONE</u>					
Certificate of Deposit	xxxxxxxx10	.30%	03/20/2014	\$ 50,000	\$ 46
Certificate of Deposit	xxxxxxxx35	.32%	05/05/2014	50,000	24
Certificate of Deposit	xxxxxxxx97	.30%	04/10/2014	<u>50,000</u>	<u>33</u>
TOTAL WEST ZONE				<u>\$ 150,000</u>	<u>\$ 103</u>
GRAND TOTAL				<u>\$ 400,000</u>	<u>\$ 271</u>

See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT
CHANGE IN ASSESSMENTS RECEIVABLE – GOVERNMENTAL FUNDS TOTAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Assessments</u>	
ASSESSMENTS RECEIVABLE –		
JANUARY 1, 2013	\$ 1,346,647	
Adjustments to Beginning Balance	<u>(24,158)</u>	\$ 1,322,489
Original 2013 Assessments Roll	\$ 1,671,744	
Adjustment to 2013 Assessments Roll	<u> </u>	<u>1,671,744</u>
TOTAL TO BE ACCOUNTED FOR		\$ 2,994,233
ASSESSMENT COLLECTIONS:		
Prior Year	\$ 1,295,512	
Current Year	<u>113,545</u>	<u>1,409,057</u>
ASSESSMENTS RECEIVABLE –		
DECEMBER 31, 2013		<u>\$ 1,585,176</u>
ASSESSMENTS RECEIVABLE BY YEAR:		
2013		\$ 1,558,199
2012		19,188
2011		5,216
2010		2,491
2009		38
2008		25
2007		<u>19</u>
		<u>\$ 1,585,176</u>

See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT
CHANGE IN ASSESSMENTS RECEIVABLE – WEST ZONE
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Assessments</u>	
ASSESSMENTS RECEIVABLE –		
JANUARY 1, 2013	\$ 941,649	
Adjustments to Beginning Balance	<u>(6,734)</u>	\$ 934,915
Original 2013 Assessments Roll	\$ 1,165,454	
Adjustment to 2013 Assessments Roll	<u> </u>	<u>1,165,454</u>
TOTAL TO BE ACCOUNTED FOR		\$ 2,100,369
ASSESSMENT COLLECTIONS:		
Prior Year	\$ 917,265	
Current Year	<u>64,675</u>	<u>981,940</u>
ASSESSMENTS RECEIVABLE –		
DECEMBER 31, 2013		<u>\$ 1,118,429</u>
ASSESSMENTS RECEIVABLE BY YEAR:		
2013		\$ 1,100,779
2012		11,377
2011		4,133
2010		<u>2,140</u>
		<u>\$ 1,118,429</u>

See accompanying independent auditor's report.

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		Percent of Total Revenues				
<u>2010</u>	<u>2009</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 467,273	\$ 415,987	95.1%	96.4%	94.8%	93.1%	96.1%
20,513	12,563	2.0	1.9	2.7	4.1	2.9
394	1,125	0.4	0.4	0.3	0.1	0.3
<u>13,547</u>	<u>3,368</u>	<u>2.5</u>	<u>1.3</u>	<u>2.2</u>	<u>2.7</u>	<u>0.7</u>
<u>\$ 501,727</u>	<u>\$ 433,043</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 137,642	\$ 108,595	33.9%	35.3%	47.0%	27.4%	25.1%
	48,970	2.9	3.1	0.7		11.3
12,636	14,421	8.8	8.1	6.0	2.5	3.3
20,359	43,851	23.2	18.9	10.8	4.1	10.1
148,386	120,961	37.0	32.5	23.7	29.6	27.9
		<u>0.0</u>	<u>3.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<u>\$ 319,023</u>	<u>\$ 336,798</u>	<u>105.8%</u>	<u>100.9%</u>	<u>88.2%</u>	<u>63.6%</u>	<u>77.7%</u>
\$ 182,704	\$ 96,245	<u>(5.8)%</u>	<u>(0.9)%</u>	<u>11.8%</u>	<u>36.4%</u>	<u>22.3%</u>
<u>109,969</u>	<u>13,724</u>					
<u>\$ 292,673</u>	<u>\$ 109,969</u>					

See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
WEST ZONE – FIVE YEARS

	<u>Amounts</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
REVENUES			
Assessment Revenues	\$ 980,905	\$ 880,710	\$ 852,642
Penalty and Interest	15,002	11,806	20,258
Investment Revenues	1,609	1,445	613
Miscellaneous Revenues	<u>10,158</u>	<u>8,166</u>	<u>15,032</u>
TOTAL REVENUES	<u>\$ 1,007,674</u>	<u>\$ 902,127</u>	<u>\$ 888,545</u>
EXPENDITURES			
Service Operations:			
Security and Public Safety	\$ 318,853	\$ 321,034	\$ 226,280
Mobility and Transportation	27,257	28,052	125,288
Visual Improvements and Cultural	56,403	47,518	20,791
Business Development	218,623	168,826	59,590
Administrative Expenditures	285,978	239,165	274,831
Creation and Petition Services	<u>27,809</u>	<u>27,809</u>	<u>27,809</u>
TOTAL EXPENDITURES	<u>\$ 907,114</u>	<u>\$ 832,404</u>	<u>\$ 706,780</u>
NET CHANGE IN FUND BALANCE	\$ 100,560	\$ 69,723	\$ 181,765
FUND BALANCE – Beginning of the Year	<u>251,488</u>	<u>181,765</u>	<u> </u>
FUND BALANCE – End of the Year	<u>\$ 352,048</u>	<u>\$ 251,488</u>	<u>\$ 181,765</u>

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2010</u>	<u>2009</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$	\$	97.3%	97.6%	96.0%		
		1.5	1.3	2.3		
		0.2	0.2	0.1		
		<u>1.0</u>	<u>0.9</u>	<u>1.6</u>		
<u>\$</u>	<u>\$</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>		
\$	\$	31.6%	35.6%	25.5%		
		2.7	3.1	14.1		
		5.6	5.3	2.3		
		21.7	18.7	6.7		
		28.4	26.5	30.9		
			<u>3.1</u>			
<u>\$</u>	<u>\$</u>	<u>90.0%</u>	<u>92.3%</u>	<u>79.5%</u>		
\$	\$	<u>10.0%</u>	<u>7.7%</u>	<u>20.5%</u>	<u>N/A</u>	<u>N/A</u>
<u>\$ N/A</u>	<u>\$ N/A</u>					

See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2013

Board Members (Continued)	Term of Office (Appointed)	Fees of office for the year ended December 31, 2013	Expense reimbursements for the year ended December 31, 2013	Position
Bobby Heugel	04/12 06/13 (Appointed)	\$ -0-	\$ -0-	11
Brad Nagar	07/09 06/13 (Appointed)	\$ -0-	\$ -0-	12 – Assistant Secretary
Vacant				13
David Robinson	07/11 06/15 (Appointed)	\$ -0-	\$ -0-	14
Vacant				15

See accompanying independent auditor's report.

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MONTROSE MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2013

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2013</u>	<u>Title</u>
Bracewell & Giuliani 711 Louisiana Street, Suite 2300 Houston, TX 77002	03/01/13	\$ 22,152	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	02/18/09	\$ 7,500	Auditor
Equi-Tax Inc. 17111 Rolling Creek Drive, Suite 200 Houston, TX 77090	02/20/08	\$ 21,572	Assessment Collector and Database Management
Municipal Accounts and Consulting LP 1300 Post Oak Blvd., Suite 1600 Houston, TX 77056	08/20/08	\$ 20,266	Bookkeeper
Hawes Hill Calderon LLP 9610 Long Point Road, Suite 150 Houston, TX 77055	01/31/07	\$ 211,725	Administrator
Greater East End Management District 3211 Harrisburg Houston, TX 77003	07/16/08	\$ 65,920	Graffiti Abatement
Mark M. Burton PLLC 1300 Post Oak Blvd., Suite 1600 Houston, TX 77056	11/1/09	\$ 3,850	Annual Financial Report

See accompanying independent auditor's report.