

**MINUTES OF THE MEETING
OF
MONTROSE MANAGEMENT DISTRICT
BOARD OF DIRECTORS**

August 13, 2012

Determine quorum; call to order.

The Board of Directors of the Montrose Management District held a meeting on Monday, August 13, 2012, at 12:00 p.m. Noon at 401 Branard Street, 2nd Floor, Room 106, Houston, TX 77006, inside the boundaries of the District, and open to the public. Chairman Wynn called the meeting to order at 12:02 p.m., and the roll was called of the duly appointed members of the Board, to wit:

Position 1: Claude Wynn, *Chairman*
Position 2: Dana Thorpe
Position 3: Randy Mitchmore, *Vice Chairman*
Position 4: Cassie Stinson, *Secretary*
Position 5: Lane Llewellyn
Position 6: Nebo Bandovic (pending)
Position 7: Vacant
Position 8: Robert Jara

Position 9: Kathy Hubbard, *Treasurer*
Position 10: Michael Grover
Position 11: Bobby Heugel
Position 12: Brad Nagar, *Ass't Secretary*
Position 13: Tammy Manning
Position 14: David Robinson
Position 15: Randall Ellis

and all of the above were present with the exception of Directors Ellis, Stinson, Robinson and Thorpe, thus constituting a quorum. Also present at the meeting were Bill Calderon, Susan Hill, Josh Hawes, Gretchen Larson, Sarah Hill and Ray Lawrence, all of Hawes Hill Calderon, L.L.P.; Clark Lord, Bracewell & Giuliani, L.L.P.; and Darrell Hawthorne, Municipal Accounts and Consulting, L.P. Others present at the meeting were Brian Toldan and Joseph Ellis, McCall Gibson Swedlund Barfoot, P.L.L.C.; Daphne Scarbrough, Richmond Avenue Coalition; and Officer Victor Beserra, Houston Police Department.

Approve minutes of meeting held July 9, 2012.

Upon a motion duly made by Director Llewellyn and being seconded by Director Mitchmore, the Board voted unanimously to approve the minutes of its meeting held on July 9, 2012.

Receive public comments.

There were no public comments.

Receive District's Monthly Assessment Collection Reports and Billing and Assessment Summaries, Lawsuit and Arbitration Status Details, and Delinquent Assessment Reports.

Mr. Calderon presented the Report. He reported that the 2011 assessments are 94% collected to date on the East side of the District and 95% collected on the West side of the District. He noted that the District's Top Ten Assessment Payers and the Ten Largest Delinquent Accounts are listed in the Board agenda materials, as well as a status report on delinquent accounts including lawsuit and arbitration details. Chairman Wynn inquired as to the reason that some delinquent accounts reach property value settlements with the Harris County Appraisal District (HCAD) for part, but not all, of the contested time periods. Mr. Calderon suggested that perhaps in these situations additional information is being requested by HCAD prior to its finalization of a contested property valuation.

Mr. Calderon distributed a document titled, "Account Status Report – Paid & Delinquents, Tax Year 2011, Cal State Investment Limited Partnership et al," dated July 23, 2012, hereby attached as Exhibit A. He explained that the assessment payer is requesting a waiver of delinquent penalties and interest due to the assessment notice arriving late because of an incorrect mailing address. He said that 2011 is the second consecutive year that this assessment payer has requested a waiver for the same reason, noting that last year the Board approved the waiver. He said it is the assessment payer's responsibility to maintain a valid mailing address with HCAD. Mr. Calderon said that the staff, Equi-Tax, Inc. and the District's legal counsel all recommend that the Board take no action. No action was taken.

Receive and consider Montrose Management District's monthly financial report and pay invoices.

Mr. Hawthorne reviewed the financial statements included in the Board agenda materials. He distributed a document titled, "Montrose Management District Quarterly Investment Inventory Report," dated June 30, 2012, hereby attached as Exhibit B. Mr. Calderon noted that an invoice in the amount of \$21,500, one-half of the approved funding for the 2012 Christmas Lighting Project, is included for payment this month. Chairman Wynn suggested that the Finance Committee should review all invoices submitted for payment at its monthly meetings prior to Board consideration. Upon a motion duly made by Director Grover and being seconded by Director Mitchmore, the Board voted unanimously to approve the Montrose Management District's monthly financial report and pay invoices.

Receive and consider District's annual audit for FY 2011.

Mr. Toland and Mr. Ellis addressed the Board and distributed a draft of the District's "Fiscal Year 2011 Audit Report," dated December 31, 2011, hereby attached as Exhibit C. They announced that the auditor is issuing an unqualified or "clean" audit opinion and that the Report reflects the consolidation in early 2011 of the "East Zone" and "West Zone" into the current Montrose Management District. There was discussion about the categorization of administrative expenses according to Service Plan project categories, and Chairman Wynn suggested that the Finance Committee should review the available back-up documentation.

Upon a motion duly made by Director Mitchmore and being seconded by Director Grover, the Board voted unanimously to approve the District's Fiscal Year 2011 Audit Report, subject to any final revisions.

Receive Executive Director's Monthly Report on District initiatives.

Mr. Calderon addressed the Board and provided updates based on the Executive Director's Report included in the Board meeting materials. He said the newly-formatted Business and Economic Development Committee will meet on Wednesday, August 22, 2012 at Traditions Bank. He reported that a productive meeting was held with new owners of the commercial property located at the intersection of Westheimer and Montrose and that the firm intends to send a representative to attend these Committee meetings. In addition, real estate developer Mr. Marty Finger of The Finger Companies has indicated that his firm will also send a representative to attend the Committee meetings.

Mr. Calderon said that the Marketing & Public Relations Committee is requesting funding in the amount of \$2,000.00 to help sponsor the upcoming Annual Free Museum Day to be held on September 15, 2012. He said that Chairman Wynn will be the guest speaker at this month's Museum District Business Alliance (MDBA) luncheon.

Mr. Calderon said that the Mobility and Visual Improvements Committee is requesting an additional \$3,500.00 in funding for the landscape architecture consulting firm of Kudela & Weinheimer for development of an Esplanade Design Master Plan. He distributed a document titled, "Kudela & Weinheimer Esplanade Design Master Plan Proposal," dated July 12, 2012, hereby attached as Exhibit D. He added that a meeting was held recently with regards to a District signage proposal and that the proposal is in the process of being finalized. He said that a meeting will be held on August 23, 2012 in Houston City Councilmember Ellen Cohen's Office to discuss numerous mobility-related projects including roadwork, drainage and the Rebuild Houston Program. Director Nagar said that it would be useful to determine the level of the City's capital improvement funding within the District over the past five years.

Mr. Calderon explained that the Public Safety Committee met last week and that the Committee is seeking Board approval on two action items: (1.) Approval of a proposal from Advanced Tracking Technologies Inc. in the amount of \$515.74 for GPS equipment and software for the District's patrol vehicles; and (2.) Reimbursement of \$150.00 for the purchase of thirty 9-1-1 keys for patrol officers.

Consider recommendation from the Environmental Design Committee on Kudela & Weinheimer proposal for Esplanade Design Master Plan in the amount of \$3,500.

Director Robinson explained the proposal. Upon a motion duly made by Director Llewellyn and being seconded by Director Mitchmore, the Board voted unanimously to approve the recommendation from the Committee to accept Kudela & Weinheimer's proposal for the Esplanade Design Master Plan in the amount of \$3,500.

Consider recommendations from the Marketing Committee related to:

Consider sponsorship of the Annual Free Museum Day, September 15 in the amount of \$2,000.

Upon a motion duly made by Director Hubbard and being seconded by Director Llewellyn, the Board voted unanimously to approve sponsorship of the Annual Free Museum Day, September 15, 2012, in the amount of \$2,000.00.

Consider recommendations from the Public Safety Committee related to:

Patrol Activity Report for the month of July.

The security patrol statistics for July, 2012 were reviewed. No action was taken.

Consider proposal from Advanced Tracking Technologies Inc. in the amount of \$515.74 for GPS equipment and software for Patrol Vehicles

Upon a motion duly made by Director Hubbard and being seconded by Director Llewellyn, the Board voted unanimously to approve the proposal from Advanced Tracking Technologies Inc. in the amount of \$515.74 for GPS equipment and software for the patrol vehicles.

Consider Interlocal agreement between the Montrose Management District and the Office of the Harris County District Attorney for targeted enforcement initiatives, in an amount not to exceed \$60,000.

Mr. Calderon recommended that Board action should be delayed until following the next Public Safety Committee meeting. He explained that Ms. Laura Cahill, attorney with the Harris County Community Protection Program, will make a presentation to the Committee to discuss the program and its benefits. No action was taken.

Consider reimbursement of \$150.00 for purchase of thirty 9-1-1 keys for patrol officers

Upon a motion duly made by Director Hubbard and being seconded by Director Llewellyn, the Board voted unanimously to approve reimbursement of \$150.00 for the purchase of thirty 9-1-1 keys for patrol officers.

Committee Chair Nagar distributed samples of the new security stickers for telephones and countertops, and the cling-on door decals for the security vehicles. No action was taken.

Convene in Executive Session pursuant to Section 551.071, Texas Government Code, to conduct a private consultation with attorney to discuss litigation, and matters related to the same.

The Board convened in Executive Session at 1:24 p.m.

Reconvene in Open Session and authorize appropriate action by legal counsel related to Item #11 on the agenda.


The Board reconvened in Open Session at 1:40 p.m. No action was taken.

Announcements.

There were no announcements.

Adjourn.

There being no further business to come before the Board, Chairman Wynn adjourned the meeting at 1:40 p.m.


Secretary, Board of Directors
Montrose Management District



List of Exhibits:

- Exhibit A: "Account Status Report – Paid & Delinquents, Tax Year 2011, Cal State Investment Limited Partnership et al," dated July 23, 2012
- Exhibit B: "Montrose Management District Quarterly Investment Inventory Report," dated June 30, 2012
- Exhibit C: "Fiscal Year 2011 Audit Report," dated December 31, 2011
- Exhibit D: "Kudela & Weinheimer Esplanade Design Master Plan Proposal," dated July 12, 2012

Exh. A.

0006
MILLIE

ACCOUNT STATUS - PAID & DELINQUENTS
QPADEV000S Tax Year 2011

7/23/12
14:30:01

Hom _ 065 _ Vet _ Dis _ Xmp _ Gross 1070000

NOTES ON FILE Yr 2011 Suppr

Account 920370310000016 If Paid By 20120723 Split(Y) N Omit Yr

LTS 16 17 & 18 BLK 3

Name CAL STATE INVESTMENT Legal WESTMORELAND
LIMITED PARTNERSHIP ET AL
27520 HAWTHORNE BLVD STE 103

ROLLING HILLS ES , CA 90274 - 3536

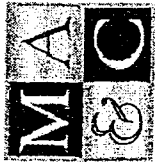
WAIVE P&I FOR 2010 PER D HAWES

Year	Jr	Orig Levy	Levy Due	P&I Due	Fees Due	Total Paid	Total Due
2011	92	1337.50	1337.50	556.40			1893.90
2010	92	1318.15				1318.15	
2009	92	1503.41				1503.41	
2008	92	1425.00				2097.49	
2007	92	1400.84				2157.31	

JULY 1893.90 AUGUST 1909.96 SEPTEMBER 1926.00
HELP=MENU F6=P&I Detail END OF DELINQUENTS

Dr Greg Wilson
310-594-4578

C/O
R&H Mgmt
PO Box 131107
Houston, TX 77219



MUNICIPAL ACCOUNTS
& CONSULTING, L.P.


Montrose Management District

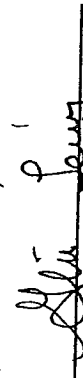
Quarterly Investment Inventory Report Period Ending June 30, 2012

BOARD OF DIRECTORS
Montrose Management District

Attached is the Quarterly Investment Inventory Report for the
Period ending June 30, 2012.

This report and the District's investment portfolio are in compliance with the
investment strategies expressed in the District's investment policy, and the
Public Funds Investment Act.


Mark M. Burton
(Investment Officer)


Ghia Lewis
(Investment Officer)

COMPLIANCE TRAINING

"HB 675 states the Investment Officer must attend at least one training seminar for (6) six hours
Within twelve months of taking office and requires at least (4) four hours training within each (2)
two year period thereafter.

INVESTMENT OFFICERS
Mark M. Burton

CURRENT TRAINING
September 14, 2002 (McCall, Gibson 6 Hours)
September 13, 2003 (McCall, Gibson 4 Hours)
October 1, 2005 (McCall, Gibson 4 Hours)
October 26, 2007 (UNT 10 Hours)
October 26, 2009 (Texpool Academy 10 Hours)
November 5, 2011 (Texpool Academy 10 Hours)
September 13, 2003 (McCall, Gibson 6 Hours)
September 23, 2007 (McCall, Gibson 4 Hours)
October 26, 2009 (Texpool Academy 10 Hours)
October 25, 2011 (Texpool Academy 10 Hours)

Ghia Lewis

Montrose Management District
Summary of Money Market Funds
04/01/2012 - 06/30/2012

Fund: Operating

Financial Institution: COMPASS BANK-PREMIER

Account Number: XXXX2019 Date Opened: 03/20/2012 Current Interest Rate: 0.20%

Date	Description	Begin Balance	Cash Added	Cash Withdrawn	Int. Earned	End Balance
04/01/2012		0.00				
04/24/2012	ASSESSMENTS		400.00			
04/30/2012						
05/07/2012	ASSESSMENTS		906.28		0.00	
05/09/2012	ASSESSMENTS		3,793.68			
05/31/2012						
06/07/2012	Assessments		982.96		0.00	
06/13/2012	Assessments		1,981.47			
06/15/2012	From Prosperity XXXXX4371		296,074.97			
06/22/2012	CD XXXXX6061 Interest		102.46			
06/25/2012	Assessments		1,435.26			
06/30/2012						
Totals for Account XXXX2019:		\$0.00	\$305,677.08		\$31.74	\$305,708.82

N

Account Number: XXXX2086 Date Opened: 03/20/2012 Current Interest Rate: 0.20%

Date	Description	Begin Balance	Cash Added	Cash Withdrawn	Int. Earned	End Balance
04/01/2012		0.00				
04/11/2012	ASSESSMENTS		1,734.29			
04/13/2012	RETURNED CHECK					
04/17/2012	ASSESSMENTS		553.32	(1,734.29)		
04/30/2012						
05/07/2012	ASSESSMENTS		117.50		0.00	
05/16/2012	ASSESSMENTS		738.13			
05/30/2012	ASSESSMENTS		1,323.86			
05/31/2012						
06/04/2012	Assessments		7,328.78		0.00	
06/07/2012	Assessments		347.88			
06/07/2012	Assessments		397.01			

Methods Used For Reporting Market Values

Certificates of Deposit:

Securities/Direct Government Obligations:

Public Fund Investment Pool/NIM Accounts:

Price Value Plus Accrued Interest

Market Value Quoted by the Seller of the Security and Confirmed in Writing

Balance = Book Value + Current Market

Montrose Management District
Summary of Money Market Funds
04/01/2012 - 06/30/2012

Fund: Operating				
Financial Institution: COMPASS BANK-PREMIER				
Account Number: XXXX2086 Date Opened: 03/20/2012 Current Interest Rate: 0.20%				
Date	Description	Begin Balance	Cash Added	Cash Withdrawn
06/12/2012	From Prosperity XXXX0163		544,194.24	
06/13/2012	Assessments			
06/18/2012	Assessments		2,906.78	
06/21/2012	Assessments		662.50	
06/22/2012	CD XXXXXX6088 Interest		1,598.21	
06/25/2012	Assessments		102.46	
06/27/2012	Assessments		504.01	
06/27/2012	Assessments		714.35	
06/30/2012	Assessments		435.02	
Totals for Account XXXX2086:		\$0.00	\$563,638.34	(\$1,734.29)
				69.38
				\$69.38
				\$561,993.43

Financial Institution: PROSPERITY BANK				
Account Number: XXXX0163 Date Opened: 02/23/2011 Current Interest Rate: 0.07%				
Date	Description	Begin Balance	Cash Added	Cash Withdrawn
04/01/2012		726,688.93		
04/02/2012	ASSESSMENTS			
04/03/2012	TO CHECKING			
04/03/2012	WIRE FEE		1,409.84	
04/04/2012	ASSESSMENTS			(61,200.00)
04/09/2012	ASSESSMENTS			(20.00)
04/30/2012				
04/30/2012	ANALYSIS CHARGE			
05/02/2012	TO CHECKING			
05/02/2012	WIRE FEE			(14.37)
05/24/2012	TO CHECKING			(59,000.00)
05/25/2012	TO CHECKING			(20.00)
05/31/2012	TO CHECKING			(6,136.00)
05/31/2012	ANALYSIS CHARGE			(1,224.00)
05/31/2012				(9.67)
				38.80
				36.45

Methods Used For Reporting Market Values

Certificates of Deposits: Face Value Plus Accrued Interest

Securities/Direct Government Obligations: Market Value Quoted by the Seller of the Security and Confirmed in Writing

Public Fund Investment Pool/ARM Accounts: Balance = Book Value = Current Market

Montrose Management District
Summary of Money Market Funds
04/01/2012 - 06/30/2012

Fund: Operating

Financial Institution: PROSPERITY BANK

Account Number: XXXX0163 Date Opened: 02/23/2011 Current Interest Rate: 0.07%

Date	Description	Begin Balance	Cash Added	Cash Withdrawn	Int. Earned	End Balance
06/04/2012	TO CHECKING			(19,290.00)		
06/11/2012	TO CHECKING			(44,130.00)		
06/12/2012	To Compass XXXX2086			(544,194.24)		
06/12/2012	Analysis Charge			(7.36)		

Totals for Account XXXX0163:

Account Number: XXXX4371	Date Opened: 05/28/2008	Current Interest Rate: 0.07%	Begin Balance	Cash Added	Cash Withdrawn	Int. Earned	End Balance
			\$726,688.93	\$8,501.66	(\$735,265.84)	\$75.25	\$0.00

Account Number: XXXX4371 Date Opened: 05/28/2008 Current Interest Rate: 0.07%

Date	Description	Begin Balance	Cash Added	Cash Withdrawn	Int. Earned	End Balance
04/01/2012		380,498.06				
04/04/2012	ASSESSMENTS					
04/09/2012	TO CHECKING		5,817.91	(28,800.00)	0.00	
04/30/2012						
05/03/2012	TO CHECKING			(28,000.00)		
05/21/2012	TO CHECKING			(2,887.00)		
05/25/2012	TO CHECKING			(578.00)		
05/31/2012					0.00	
06/04/2012	TO CHECKING			(9,116.00)		
06/11/2012	TO CHECKING			(20,860.00)		
06/14/2012	To Compass XXXX2019			(296,074.97)		

Totals for Account XXXX4371:

Account Number: XXXX4371	Date Opened: 05/28/2008	Current Interest Rate: 0.07%	Begin Balance	Cash Added	Cash Withdrawn	Int. Earned	End Balance
			\$380,498.06	\$5,817.91	(\$386,315.97)	\$0.00	\$0.00

Totals for Operating Fund:

			\$1,107,186.99	\$883,654.99	(\$1,123,316.10)	\$176.37	\$867,702.25
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Methods Used For Reporting Market Values

Certificates of Deposit:	Face Value Plus Accrued Interest
Securities/Direct Government Obligations:	Market Value Quoted by the Seller of the Security and Confirmed in Writing
Public Fund Investment Pool/NM Accounts:	Balance = Book Value = Current Market

Montrose Management District
Summary of Certificates of Deposit with Money Market
04/01/2012 - 06/30/2012

Financial Institution	Investment Number	Issue Date	Maturity Date	Beginning Balance	Principal From Cash	Principal From Investment	Principal Withdrawn	Principal Reinvested	Ending Balance	Interest Rate	Beg. Acc. Interest	Interest Earned	Interest Reinvested	Interest Withdrawn	Accrued Interest
Fund: Operating															
Certificates of Deposit															
ALLEGIANCE BANK	XXXX8246	12/20/11	05/18/12	50,000.00	0.00	0.00	0.00	50,000.00	0.00	0.40%	55.89	82.04	0.00	82.04	0.00
ALLEGIANCE BANK	XXXX8246	05/18/12	10/15/12	0.00	0.00	30,000.00	0.00	0.00	50,000.00	0.40%	0.00	0.00	0.00	0.00	23.56
ALLEGIANCE BANK	XXXX8452	12/20/11	05/18/12	50,000.00	0.00	0.00	0.00	50,000.00	0.00	0.40%	55.89	82.04	0.00	82.04	0.00
ALLEGIANCE BANK	XXXX8452	05/18/12	10/15/12	0.00	0.00	30,000.00	0.00	0.00	50,000.00	0.40%	0.00	0.00	0.00	0.00	23.56
BANK OF HOUSTON	XXXX0753	03/19/12	08/16/12	50,000.00	0.00	0.00	0.00	0.00	50,000.00	0.50%	8.22	0.00	0.00	0.00	70.55
	Rollover over FROM CD XXXX0668														
BANK OF HOUSTON	XXXX0842	04/18/12	09/15/12	0.00	0.00	30,000.00	0.00	0.00	50,000.00	0.50%	0.00	0.00	0.00	0.00	50.00
	Rollover over FROM CD XXXX0669														
ENTERPRISE BANK	XXXX0669	08/22/11	04/18/12	50,000.00	0.00	0.00	0.00	50,000.00	0.00	0.90%	273.70	295.90	0.00	295.90	0.00
	WT FROM PB MM XXXX4371														
IBC BANK	XXXX6061	01/19/12	06/18/12	50,000.00	0.00	0.00	0.00	50,000.00	0.00	0.50%	49.32	102.46	0.00	102.46	0.00
	Rollover over FROM CD XXXX8345														
IBC BANK	XXXX6061	06/18/12	11/15/12	0.00	0.00	30,000.00	0.00	0.00	50,000.00	0.35%	0.00	0.00	0.00	0.00	5.75
IBC BANK	XXXX6088	01/19/12	06/18/12	50,000.00	0.00	0.00	0.00	50,000.00	0.00	0.50%	49.32	102.46	0.00	102.46	0.00
	Rollover over FROM CD XXXX8343														
IBC BANK	XXXX6088	06/18/12	11/15/12	0.00	0.00	30,000.00	0.00	0.00	50,000.00	0.35%	0.00	0.00	0.00	0.00	5.75
IBC BANK	XXXX6355	02/15/12	07/14/12	50,000.00	0.00	0.00	0.00	0.00	50,000.00	0.50%	30.82	0.00	0.00	0.00	93.15
	Rollover over FROM CD XXXX0659														
IBC BANK	XXXX6363	02/18/12	07/14/12	50,000.00	0.00	0.00	0.00	0.00	50,000.00	0.50%	28.77	0.00	0.00	0.00	91.10
	Rollover over FROM CD XXXX0667														
Totals for Operating Fund:				400,000.00	0.00	250,000.00	0.00	250,000.00	-400,000.00	N/A	551.93	664.90	0.00	664.90	\$363.42
Beginning Balance:	\$400,000.00														
Plus Principal From Cash:	\$0.00														
Less Principal Withdrawn:	\$0.00														
Plus Interest Reinvested:	\$0.00														
Fixed Balance:	\$400,000.00														
MM Balance:	\$867,702.25														
Total Balance:	\$1,267,702.25														
<div>Interest Earned: \$664.90</div> <div>Less Beg Accrued Interest: \$551.93</div> <div>Plus End Accrued Interest: \$363.42</div> <div>Fixed Interest Earned: \$476.39</div> <div>MM Interest Earned: \$176.37</div> <div>Total Interest Earned: \$652.76</div>															

Methods Used For Reporting Market Values

Certificates of Deposits: Price Value Plus Accrued Interest

Securities/Direct Government Obligations: Market Value Quoted by the Seller of the Security and Confirmed in Writing

Public Fund Investment Pool/MM Accounts: Balance = Book Value = Current Market

Totals for District:

-400,000.00	0.00	250,000.00	0.00	250,000.00	0.00	250,000.00	400,000.00	N/A	551.93	664.90	0.00	664.90	\$363.42
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Methods Used For Reporting Market Values

Certificates of Deposits:	Face Value Plus Accrued Interest
Securities/Direct Government Obligations:	Market Value Quoted by the Seller of the Security and Confirmed in Writing
Public Fund Investment Pool/MLM Accounts:	Balance = Book Value = Current Market

Montrose Management District
Detail of Pledged Securities
04/01/2012 - 06/30/2012

Financial Institution: COMPASS BANK-PREMIER						
Security: FHLMC CUSIP: 3137A5UQ5	Par Value:	300,000.00	Maturity Date:	07/15/2040	Pledged:	06/15/2012
	Date	Value			Released:	Amount Released:
	06/30/2012	298,486.82				
Security: FNMA CUSIP: 31371LP07	Par Value:	7,750,000.00	Maturity Date:	05/01/2014	Pledged:	06/12/2012
	Date	Value			Released:	Amount Released:
	06/30/2012	490,335.63				
Financial Institution: PROSPERITY BANK						
Security: Fannie Mae CUSIP: 31410G5S8	Par Value:	678,313.88	Maturity Date:	04/01/2021	Pledged:	09/01/2008
	Date	Value			Released:	Amount Released:
	04/30/2012	236,461.61				
	05/31/2012	227,955.35				
	06/30/2012	220,297.45				
Security: FN 778983 CUSIP: 31416XHX1	Par Value:	98,828.00	Maturity Date:	01/01/2021	Pledged:	02/08/2011
	Date	Value			Released:	Amount Released:
	04/30/2012	78,760.72				
	05/31/2012	77,392.68				
	06/30/2012	74,921.50				
Security: FNMA CUSIP: 3138A2CF4	Par Value:	1,210,000.00	Maturity Date:	12/01/2025	Pledged:	02/28/2011
	Date	Value			Released:	Amount Released:
	04/30/2012	1,008,942.99				
	05/31/2012	988,162.60				
	06/30/2012	964,563.93				

Methods Used For Reporting Market Values

Certificates of Deposit: Face Value Plus Accrued Interest
 Securities/Direct Government Obligations: Market Value Quoted by the Seller of the Security and Confirmed in Writing
 Public Fund Investment Pool/ARM Accounts: Balance = Book Value = Current Market

^{Exh. C}
DRAFT SUBJECT TO CHANGE

MONTROSE MANAGEMENT DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2011

DRAFT SUBJECT TO CHANGE

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Board of Directors
Montrose Management District
Harris County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Montrose Management District (the "District"), as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

Board of Directors
Montrose Management District

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 7 and the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the 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

August 13, 2012

MONTROSE MANAGEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

Management's discussion and analysis of the Montrose Management District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2011. Please read it in conjunction with the District's financial statements, which begin on page 8.

CONSOLIDATION AND CREATION OF DISTRICT

On February 15, 2011, the Harris County Improvement District No. 6, also known as the East Montrose Management District ("East Zone"), and the Harris County Improvement District No. 11, also known as the West Montrose Management District ("West Zone"), lawfully consolidated and became known as the Montrose Management District (the "District").

FINANCIAL STATEMENT PRESENTATION

For the purposes of this annual report and for actual to budget comparisons, the District's government-wide and fund financial statements are being presented as if the consolidation became effective on January 1, 2011. With the first-year audit, the District is not presenting comparable prior-year columns in the various government-wide 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.

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 basic 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 pages 8 and 9. The Statement of Net Assets is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on pages 11 and 12 reports how the District's net assets changed during the current 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 two major governmental funds. General Funds for the East Zone and West Zone account for resources not accounted for in another fund, assessment revenues, costs 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 10 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 13 explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14 through 23 in this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). Budgetary comparison schedules are included as RSI for the Governmental Funds Total and East Zone and West Zone General Funds.

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

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 \$576,731 as of December 31, 2011.

	<u>Summary of the Statement of Net Assets</u>
	<u>2011</u>
Current and Other Assets	\$ 1,988,293
Capital Assets (Net of Accumulated Depreciation)	<u>28,923</u>
Total Assets	<u>\$ 2,017,216</u>
Other Liabilities	\$ 114,531
Deferred Revenues	<u>1,325,954</u>
Total Liabilities	<u>\$ 1,440,485</u>
Net Assets:	
Invested in Capital Assets	\$ 28,923
Unrestricted	<u>547,808</u>
Total Net Assets	<u>\$ 576,731</u>

MONTROSE MANAGEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the District's operations for the year ended December 31, 2011. The District's net assets increased by \$291,815.

	<u>Summary of the Statement of Activities</u>
	<u>2011</u>
Revenues:	
Property Assessments	\$ 1,210,347
Other Revenues	<u>55,841</u>
Total Assets	\$ 1,266,188
Expenses for Services	<u>974,373</u>
Change in Net Assets	\$ 291,815
Net Assets, Beginning of Year	<u>284,916</u>
Net Assets, End of Year	<u><u>\$ 576,731</u></u>

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The General Fund fund balances for the East Zone and West Zone increased by \$45,271 and \$181,765, respectively, due to assessment revenues exceeding current year expenditures.

GENERAL FUNDS BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the General Fund budgets during the current fiscal year. Governmental funds total revenues were \$38,564 more than budgeted and governmental funds total expenditures were \$111,555 less than budgeted. East Zone revenues were \$17,615 more than budgeted due to more assessment revenue collected than anticipated. East Zone expenditures were \$113,094 less than budgeted. West Zone revenues were \$20,949 more than budgeted due to more penalty and interest collected than anticipated. West Zone expenditures were \$1,539 more than budgeted. See the budget to actual comparisons on pages 25 through 27.

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

The District's investment in capital assets as of December 31, 2011, amounts to \$28,923. This investment in capital assets includes two vehicles and related equipment.

Capital Assets Subject to Depreciation:

Additional information on the District's capital assets can be found in Note 5 on page 22 of this report.

The District does not have any long-term debt as of December 31, 2011.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montrose Management District, c/o Hawes Hill Calderon LLP, P.O. Box 22167, Houston, TX, 77227-2167.

MONTROSE MANAGEMENT DISTRICT
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2011

	East Zone General Fund	West Zone General Fund	Governmental Funds Total
ASSETS			
Cash, Note 3	\$ 186,052	\$ 193,409	\$ 379,461
Investments, Note 3	250,000	150,000	400,000
Receivables:			
Assessments	379,842	826,889	1,206,731
Accrued Interest	610	291	901
Due from Other Fund		3,005	3,005
Prepaid Costs	390	810	1,200
Capital Assets (Net of Accumulated Depreciation), Note 5			
TOTAL ASSETS	<u>\$ 816,894</u>	<u>\$ 1,174,404</u>	<u>\$ 1,991,298</u>
LIABILITIES			
Accounts Payable	\$ 33,622	\$ 74,304	\$ 107,926
Due to Taxpayers	6,596	9	6,605
Due to Other Fund	3,005		3,005
Deferred Assessment Revenue	<u>435,727</u>	<u>918,326</u>	<u>1,354,053</u>
TOTAL LIABILITIES	<u>\$ 478,950</u>	<u>\$ 992,639</u>	<u>\$ 1,471,589</u>
FUND BALANCE/NET ASSETS			
FUND BALANCES			
Nonspendable Prepaid Costs, Note 2	\$ 390	\$ 810	\$ 1,200
Assigned, Note 6	143,648	180,955	324,603
Unassigned	<u>193,906</u>	<u></u>	<u>193,906</u>
TOTAL FUND BALANCES	<u>\$ 337,944</u>	<u>\$ 181,765</u>	<u>\$ 519,709</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 816,894</u>	<u>\$ 1,174,404</u>	<u>\$ 1,991,298</u>
NET ASSETS			
Invested in Capital Assets			
Unrestricted			
TOTAL NET ASSETS			

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

Adjustments	Statement of Net Assets
\$	\$ 379,461
	400,000
	1,206,731
	901
(3,005)	1,200
<u>28,923</u>	<u>28,923</u>
\$ <u>25,918</u>	\$ <u>2,017,216</u>
\$	\$ 107,926
	6,605
(3,005)	
<u>(28,099)</u>	<u>1,325,954</u>
\$ <u>(31,104)</u>	\$ <u>1,440,485</u>
\$ (1,200)	\$
(324,603)	
<u>(193,906)</u>	
\$ <u>(519,709)</u>	\$ <u>-0-</u>
\$ 28,923	\$ 28,923
<u>547,808</u>	<u>547,808</u>
\$ <u>576,731</u>	\$ <u>576,731</u>

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

**MONTROSE MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

Total Fund Balances - Governmental Funds	\$ 519,709
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.	28,923
Deferred assessment revenues for the 2010 and prior levies became part of recognized revenues in the governmental activities of the District.	<u>28,099</u>
Total Net Assets - Governmental Activities	<u>\$ 576,731</u>

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

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**MONTROSE MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	East Zone General Fund	West Zone General Fund
REVENUES		
Assessment Revenues	\$ 363,651	\$ 852,642
Penalty and Interest	10,510	20,258
Investment Revenues	984	613
Miscellaneous Revenues	<u>8,444</u>	<u>15,032</u>
TOTAL REVENUES	<u>\$ 383,589</u>	<u>\$ 888,545</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Public Safety and Security	\$ 180,407	\$ 226,280
Mobility and Transportation	2,546	125,288
Environmental and Urban Design	23,080	20,791
Business and Economic Development	41,502	59,590
Administrative Expenditures	90,783	274,831
Depreciation, Note 5	<u></u>	<u></u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 338,318</u>	<u>\$ 706,780</u>
NET CHANGE IN FUND BALANCES	\$ 45,271	\$ 181,765
CHANGE IN NET ASSETS		
FUND BALANCES/NET ASSETS – JANUARY 1, 2011	<u>292,673</u>	<u></u>
FUND BALANCES/NET ASSETS – DECEMBER 31, 2011	<u>\$ 337,944</u>	<u>\$ 181,765</u>

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

Governmental Funds Total	Adjustments	Statement of Activities
\$ 1,216,293	\$ (5,946)	\$ 1,210,347
30,768		30,768
1,597		1,597
<u>23,476</u>		<u>23,476</u>
\$ <u>1,272,134</u>	\$ <u>(5,946)</u>	\$ <u>1,266,188</u>
\$ 406,687	\$ (24,948)	\$ 381,739
127,834		127,834
43,871		43,871
101,092		101,092
365,614	(53,882)	311,732
	<u>8,105</u>	<u>8,105</u>
\$ <u>1,045,098</u>	\$ <u>(70,725)</u>	\$ <u>974,373</u>
\$ 227,036	\$ (227,036)	\$
	291,815	291,815
<u>292,673</u>	<u>(7,757)</u>	<u>284,916</u>
\$ <u>519,709</u>	\$ <u>57,022</u>	\$ <u>576,731</u>

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

**MONTROSE MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Change in Fund Balances - Governmental Funds	\$ 227,036
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.	24,948
Governmental funds do not account for depreciation. However, in the Statement of Activities, capital assets are depreciated and depreciation expense is recorded.	(8,105)
Governmental funds did not record liabilities for unbilled services not paid within 60 days after the year end. However, in the Statement of Activities, these expenditures were recorded when the corresponding liability was 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>(5,946)</u>
Change in Net Assets - Governmental Activities	<u>\$ 291,815</u>

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

MONTROSE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. CREATION OF DISTRICT

The Harris County Improvement District No. 6, also known as the East Montrose Management District ("East Zone"), 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). The Harris County Improvement District No. 11, also known as the West Montrose Management District ("West Zone"), was created, effective June 19, 2009, by the Texas Legislature under provisions of House Bill 4722, of the 81st Legislature, Regular Session, 2009, codified as Chapter 3878, Texas Special District Local Laws Code (formerly Subchapter K, Chapter 376, Texas Local Government Code). Pursuant to the provisions of the Acts creating the Districts, the Districts are 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 and the Harris County Improvement District No. 11 (collectively the "Districts"). On February 15, 2011, the two Districts lawfully consolidated and became known as the Montrose Management District (the "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 ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the "Commission").

Reporting Entity

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

MONTROSE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components: Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

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

MONTROSE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has 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 Districts and included in revenue include the 2010 assessments collected during the period October 1, 2010 to December 31, 2011. In addition, assessments collected from January 1, 2011, to December 31, 2011, for the 2009 and prior assessment levies are included in revenues. The 2011 annual assessments for the Districts have been fully deferred to meet the operating expenditures for the 2012 fiscal year.

MONTROSE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred between the Districts are reported as an other financing source or use. Loans between the Districts 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 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance was \$1,200 as of December 31, 2011, including prepaid rent for office space. The East Zone's portion of this balance is \$390, and the West Zone's portion is \$810.

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. See Note 6 on page 23 of this report.

MONTROSE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

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.

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 August 13, 2012, which is the date these statements were available to be issued.

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 \$779,461 and the bank balance was \$810,257. Of the bank balance, \$716,196 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.

MONTROSE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheets and the Statement of Net Assets at December 31, 2011, as listed below:

	<u>CASH</u>	<u>CERTIFICATE OF DEPOSIT</u>	<u>TOTAL</u>
EAST ZONE GENERAL FUND	\$ 186,052	\$ 250,000	\$ 436,052
WEST ZONE GENERAL FUND	<u>193,409</u>	<u>150,000</u>	<u>343,409</u>
TOTAL DEPOSITS	<u>\$ 379,461</u>	<u>\$ 400,000</u>	<u>\$ 779,461</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10)

MONTROSE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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, 2011, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>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	150,000	150,000			
Total Investments	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

NOTE 4. 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.

On April 16, 2008, an order was adopted granting a petition for a service plan and an assessment roll for the East Zone. The order authorized levying an annual assessment which would assure sufficient funding for the services provided under the ten year (2008-2017) term of the Service Plan. The order authorized an assessment of \$0.125 per \$100 valuation on land and improvements within the East Zone throughout the term of the Service Plan.

During the year ended December 31, 2011, the East Zone levied an assessment of \$0.125 per \$100 of assessed valuation of taxable real property, which resulted in an assessment of \$424,771 for the 2011 assessment year. Total revenue of \$363,651 has been recorded in the current year.

MONTROSE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4. ANNUAL ASSESSMENTS (Continued)

On January 10, 2011, an order was adopted granting a petition for a service plan and an assessment roll for the West Zone. The order authorized levying an annual assessment which would assure sufficient funding for the services provided under the nine year (2009-2017) term of the Service Plan. The order authorized an assessment of \$0.125 per \$100 valuation on land and improvements within the West Zone throughout the term of the Service Plan.

During the year ended December 31, 2011, the West Zone levied an assessment of \$0.125 per \$100 of assessed valuation of taxable real property, which resulted in an assessment of \$901,183 for the 2011 assessment year. Total revenue of \$852,642 has been recorded in the current year.

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, 2011:

	<u>January 1, 2011</u>	<u>Additions</u>	<u>December 31, 2011</u>
Capital Assets at Historical Costs Subject to Depreciation			
Automobiles and Equipment	\$ <u>25,643</u>	\$ <u>24,948</u>	\$ <u>50,591</u>
Less Accumulated Depreciation			
Automobiles and Equipment	\$ <u>13,563</u>	\$ <u>8,105</u>	\$ <u>21,668</u>
Total Capital Assets, Net of Accumulated Depreciation	\$ <u><u>12,080</u></u>	\$ <u><u>16,843</u></u>	\$ <u><u>28,923</u></u>

MONTROSE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 6. ASSIGNED FUND BALANCE

On February 13, 2012, the Board of Directors approved the District's budget for the fiscal year ending December 31, 2012, which projects a \$143,648 decrease in the East Zone's General Fund fund balance and a \$278,822 decrease in the West Zone's General Fund fund balance. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Types*, the District has reported \$143,648 as assigned fund balance in the East Zone Governmental Funds Balance Sheet as of December 31, 2011. The District has only reported \$180,955 as assigned fund balance in the West Zone Governmental Funds Balance Sheet as of December 31, 2011, since reporting more would cause a negative unassigned fund balance.

NOTE 7. 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, errors and omissions, law enforcement and real and personal property coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. During the fiscal year ended December 31, 2011, the District contributed a total of \$3,390 to the fund for this insurance, which included contributions of \$1,101 from the East Zone and \$2,289 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.

DRAFT SUBJECT TO CHANGE

MONTROSE MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2011

**MONTROSE MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GOVERNMENTAL FUNDS TOTAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Assessment Revenues	\$ 1,212,565	\$ 1,216,293	\$ 3,728
Penalty and Interest	20,000	30,768	10,768
Investment Revenues	1,005	1,597	592
Miscellaneous Revenues	<u> </u>	<u>23,476</u>	<u>23,476</u>
TOTAL REVENUES	<u>\$ 1,233,570</u>	<u>\$ 1,272,134</u>	<u>\$ 38,564</u>
EXPENDITURES			
Service Operations			
Public Safety and Security	\$ 403,560	\$ 406,687	\$ (3,127)
Mobility and Transportation	80,000	127,834	(47,834)
Environmental and Urban Design	125,000	43,871	81,129
Business and Economic Development	184,000	101,092	82,908
Administrative Expenditures	<u>364,093</u>	<u>365,614</u>	<u>(1,521)</u>
TOTAL EXPENDITURES	<u>\$ 1,156,653</u>	<u>\$ 1,045,098</u>	<u>\$ 111,555</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 76,917</u>	<u>\$ 227,036</u>	<u>\$ 150,119</u>
FUND BALANCE – JANUARY 1, 2011	<u>292,673</u>	<u>292,673</u>	<u> </u>
FUND BALANCE – DECEMBER 31, 2011	<u>\$ 369,590</u>	<u>\$ 519,709</u>	<u>\$ 150,119</u>

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

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Assessment Revenues	\$ 355,639	\$ 363,651	\$ 8,012
Penalty and Interest	10,000	10,510	510
Investment Revenues	335	984	649
Miscellaneous Revenues	<u> </u>	<u>8,444</u>	<u>8,444</u>
TOTAL REVENUES	<u>\$ 365,974</u>	<u>\$ 383,589</u>	<u>\$ 17,615</u>
EXPENDITURES			
Service Operations			
Public Safety and Security	\$ 163,575	\$ 180,407	\$ (16,832)
Mobility and Transportation		2,546	(2,546)
Environmental and Urban Design	100,000	23,080	76,920
Business and Economic Development	107,026	41,502	65,524
Administrative Expenditures	<u>80,811</u>	<u>90,783</u>	<u>(9,972)</u>
TOTAL EXPENDITURES	<u>\$ 451,412</u>	<u>\$ 338,318</u>	<u>\$ 113,094</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (85,438)</u>	<u>\$ 45,271</u>	<u>\$ 130,709</u>
FUND BALANCE – JANUARY 1, 2011	<u>292,673</u>	<u>292,673</u>	<u> </u>
FUND BALANCE – DECEMBER 31, 2011	<u><u>\$ 207,235</u></u>	<u><u>\$ 337,944</u></u>	<u><u>\$ 130,709</u></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, 2011**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Assessment Revenues	\$ 856,926	\$ 852,642	\$ (4,284)
Penalty and Interest	10,000	20,258	10,258
Investment Revenues	670	613	(57)
Miscellaneous Revenues		<u>15,032</u>	<u>15,032</u>
TOTAL REVENUES	<u>\$ 867,596</u>	<u>\$ 888,545</u>	<u>\$ 20,949</u>
EXPENDITURES			
Service Operations			
Public Safety and Security	\$ 239,985	\$ 226,280	\$ 13,705
Mobility and Transportation	80,000	125,288	(45,288)
Environmental and Urban Design	25,000	20,791	4,209
Business and Economic Development	76,974	59,590	17,384
Administrative Expenditures	<u>283,282</u>	<u>274,831</u>	<u>8,451</u>
TOTAL EXPENDITURES	<u>\$ 705,241</u>	<u>\$ 706,780</u>	<u>\$ (1,539)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 162,355</u>	<u>\$ 181,765</u>	<u>\$ 19,410</u>
FUND BALANCE – JANUARY 1, 2011	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE – DECEMBER 31, 2011	<u>\$ 162,355</u>	<u>\$ 181,765</u>	<u>\$ 19,410</u>

See accompanying independent auditor's report.

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MONTROSE MANAGEMENT DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2011

MONTROSE MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES – GOVERNMENTAL FUNDS TOTAL
FOR THE YEAR ENDED DECEMBER 31, 2011

PURCHASED SERVICES FOR RESALE:

Public Safety and Security	\$ 406,687
Mobility and Transportation	127,834
Environmental and Urban Design	43,871
Business and Economic Development	101,092
Administrative Expenditures	<u>365,614</u>

TOTAL EXPENDITURES	<u>\$ 1,045,098</u>
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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.

**MONTROSE MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES – EAST ZONE
FOR THE YEAR ENDED DECEMBER 31, 2011**

PURCHASED SERVICES FOR RESALE:

Public Safety and Security	\$ 180,407
Mobility and Transportation	2,546
Environmental and Urban Design	23,080
Business and Economic Development	41,502
Administrative Expenditures	<u>90,783</u>

TOTAL EXPENDITURES	<u>\$ 338,318</u>
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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.

MONTROSE MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES – WEST ZONE
FOR THE YEAR ENDED DECEMBER 31, 2011

PURCHASED SERVICES FOR RESALE:

Public Safety and Security	\$ 226,280
Mobility and Transportation	125,288
Environmental and Urban Design	20,791
Business and Economic Development	59,590
Administrative Expenditures	<u>274,831</u>

TOTAL EXPENDITURES	<u>\$ 706,780</u>
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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.

MONTROSE MANAGEMENT DISTRICT
INVESTMENTS
DECEMBER 31, 2011

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>EAST ZONE</u>					
Certificate of Deposit	xxxxxxxx46	.40%	05/18/2012	\$ 50,000	\$ 6
Certificate of Deposit	xxxxxxxx45	.65%	01/19/2012	50,000	119
Certificate of Deposit	xxx67	.90%	02/18/2012	50,000	162
Certificate of Deposit	xxx68	.90%	03/19/2012	50,000	162
Certificate of Deposit	xxx69	.90%	04/18/2012	<u>50,000</u>	<u>161</u>
TOTAL EAST ZONE				<u>\$ 250,000</u>	<u>\$ 610</u>
<u>WEST ZONE</u>					
Certificate of Deposit	xxxxxxxx52	.40%	05/18/2012	\$ 50,000	\$ 6
Certificate of Deposit	xxxxxxxx43	.65%	01/19/2012	50,000	119
Certificate of Deposit	xxx59	.90%	02/15/2012	<u>50,000</u>	<u>166</u>
TOTAL WEST ZONE				<u>\$ 150,000</u>	<u>\$ 291</u>
GRAND TOTAL				<u>\$ 400,000</u>	<u>\$ 901</u>

See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT
CHANGE IN ASSESSMENTS RECEIVABLE – GOVERNMENTAL FUNDS TOTAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Assessments</u>	
ASSESSMENTS RECEIVABLE –		
JANUARY 31, 2011	\$ 390,078	
Adjustments to Beginning Balance	<u>779,297</u>	\$ 1,169,375
Original 2011 Assessments Roll	\$ 1,292,938	
Adjustment to 2011 Assessments Roll	<u>33,016</u>	<u>1,325,954</u>
TOTAL TO BE ACCOUNTED FOR		\$ 2,495,329
ASSESSMENT COLLECTIONS:		
Prior Year	\$ 1,141,277	
Current Year	<u>147,321</u>	<u>1,288,598</u>
ASSESSMENTS RECEIVABLE – December 31, 2011		<u>\$ 1,206,731</u>
ASSESSMENTS RECEIVABLE BY YEAR:		
2011		\$ 1,178,633
2010		24,430
2009		2,899
2008		602
2007		<u>167</u>
		<u>\$ 1,206,731</u>

See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT
CHANGE IN ASSESSMENTS RECEIVABLE – EAST ZONE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Assessments</u>	
ASSESSMENTS RECEIVABLE –		
JANUARY 31, 2011	\$ 390,078	
Adjustments to Beginning Balance	<u>(90,488)</u>	\$ 299,590
Original 2011 Assessments Roll	\$ 413,612	
Adjustment to 2011 Assessments Roll	<u>11,159</u>	<u>424,771</u>
TOTAL TO BE ACCOUNTED FOR		\$ 724,361
ASSESSMENT COLLECTIONS:		
Prior Year	\$ 288,635	
Current Year	<u>55,884</u>	<u>344,519</u>
ASSESSMENTS RECEIVABLE – December 31, 2011		<u>\$ 379,842</u>
ASSESSMENTS RECEIVABLE BY YEAR:		
2011		\$ 368,887
2010		7,287
2009		2,899
2008		602
2007		<u>167</u>
		<u>\$ 379,842</u>

See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT
CHANGE IN ASSESSMENTS RECEIVABLE – WEST ZONE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Assessments</u>	
ASSESSMENTS RECEIVABLE –		
JANUARY 31, 2011	\$	
Adjustments to Beginning Balance	<u>869,785</u>	\$ 869,785
Original 2011 Assessments Roll	\$ 879,326	
Adjustment to 2011 Assessments Roll	<u>21,857</u>	<u>901,183</u>
TOTAL TO BE ACCOUNTED FOR		\$ 1,770,968
ASSESSMENT COLLECTIONS:		
Prior Year	\$ 852,642	
Current Year	<u>91,437</u>	<u>944,079</u>
ASSESSMENTS RECEIVABLE – December 31, 2011		<u>\$ 826,889</u>
ASSESSMENTS RECEIVABLE BY YEAR:		
2011		\$ 809,746
2010		<u>17,143</u>
		<u>\$ 826,889</u>

See accompanying independent auditor's report.

**MONTROSE MANAGEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS TOTAL – FIVE YEARS**

	<u>Amounts</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
REVENUES			
Assessment Revenues	\$ 1,216,293	\$	\$
Penalty and Interest	30,768		
Investment Revenues	1,597		
Miscellaneous Revenues	<u>23,476</u>	<u></u>	<u></u>
TOTAL REVENUES	<u>\$ 1,272,134</u>	<u>\$</u>	<u>\$</u>
EXPENDITURES			
Service Operations:			
Public Safety and Security	\$ 406,687	\$	\$
Mobility and Transportation	127,834		
Environmental and Urban Design	43,871		
Business and Economic Development	101,092		
Administrative Expenditures	<u>365,614</u>	<u></u>	<u></u>
TOTAL EXPENDITURES	<u>\$ 1,045,098</u>	<u>\$</u>	<u>\$</u>
NET CHANGE IN FUND BALANCES	\$ 227,036	\$	\$
FUND BALANCE – JANUARY 1, 2011	<u>292,673</u>	<u></u>	<u></u>
FUND BALANCE – DECEMBER 31, 2011	<u>\$ 519,709</u>	<u>\$ N/A</u>	<u>\$ N/A</u>

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2008</u>	<u>2007</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	\$	95.6%				
		2.4				
		0.1				
		<u>1.9</u>				
\$	\$	100.0%				
\$	\$	32.0%				
		10.0				
		3.4				
		7.9				
		<u>28.7</u>				
\$	\$	82.0%				
\$	\$	<u>18.0%</u>	<u>N/A</u>	<u>N/A</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
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
EAST ZONE – FIVE YEARS

	<u>Amounts</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
REVENUES			
Assessment Revenues	\$ 363,651	\$ 467,273	\$ 415,987
Penalty and Interest	10,510	20,513	12,563
Investment Revenues	984	394	1,125
Miscellaneous Revenues	<u>8,444</u>	<u>13,547</u>	<u>3,368</u>
TOTAL REVENUES	<u>\$ 383,589</u>	<u>\$ 501,727</u>	<u>\$ 433,043</u>
EXPENDITURES			
Service Operations:			
Public Safety and Security	\$ 180,407	\$ 137,642	\$ 108,595
Mobility and Transportation	2,546		48,970
Environmental and Urban Design	23,080	12,636	14,421
Business and Economic Development	41,502	20,359	43,851
Administrative Expenditures	<u>90,783</u>	<u>148,386</u>	<u>120,961</u>
TOTAL EXPENDITURES	<u>\$ 338,318</u>	<u>\$ 319,023</u>	<u>\$ 336,798</u>
NET CHANGE IN FUND BALANCE	\$ 45,271	\$ 182,704	\$ 96,245
FUND BALANCE – JANUARY 1, 2011	<u>292,673</u>	<u>109,969</u>	<u>13,724</u>
FUND BALANCE – DECEMBER 31, 2011	<u>\$ 337,944</u>	<u>\$ 292,673</u>	<u>\$ 109,969</u>

* First Year Audit

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2008*</u>	<u>2007</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008*</u>	<u>2007</u>
\$ 272,455	\$	94.8%	93.1%	96.1%	97.2%	
7,563		2.7	4.1	2.9	2.7	
229		0.3	0.1	0.3	0.1	
<u>7</u>		<u>2.2</u>	<u>2.7</u>	<u>.7</u>		
\$ 280,254	\$	100.0%	100.0%	100.0%	100.0%	
\$ 49,312	\$	47.0%	27.4%	25.1%	17.6%	
		0.7		11.3		
		6.0	2.5	3.3		
11,000		10.8	4.1	10.1	3.9	
<u>206,218</u>		<u>23.7</u>	<u>29.6</u>	<u>27.9</u>	<u>73.6</u>	
\$ 266,530	\$	88.2%	63.6%	77.7%	95.1%	
\$ 13,724	\$	<u>11.8%</u>	<u>36.4%</u>	<u>22.3%</u>	<u>4.9%</u>	<u>N/A</u>
<u>\$ 13,724</u>	<u>\$ N/A</u>					

See accompanying independent auditor's report.

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

	<u>Amounts</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
REVENUES			
Assessment Revenues	\$ 852,642	\$	\$
Penalty and Interest	20,258		
Investment Revenues	613		
Miscellaneous Revenues	<u>15,032</u>	<u></u>	<u></u>
TOTAL REVENUES	<u>\$ 888,545</u>	<u>\$</u>	<u>\$</u>
EXPENDITURES			
Service Operations:			
Public Safety and Security	\$ 226,280	\$	\$
Mobility and Transportation	125,288		
Environmental and Urban Design	20,791		
Business and Economic Development	59,590		
Administrative Expenditures	<u>274,831</u>	<u></u>	<u></u>
TOTAL EXPENDITURES	<u>\$ 706,780</u>	<u>\$</u>	<u>\$</u>
NET CHANGE IN FUND BALANCE	<u>\$ 181,765</u>	<u>\$</u>	<u>\$</u>
FUND BALANCE – JANUARY 1, 2011	<u></u>	<u></u>	<u></u>
FUND BALANCE – DECEMBER 31, 2011	<u>\$ 181,765</u>	<u>\$ N/A</u>	<u>\$ N/A</u>

See accompanying independent auditor's report.

DRAFT SUBJECT TO CHANGE

		Percent of Total Revenues				
<u>2008</u>	<u>2007</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	\$	96.0%				
		2.3				
		0.1				
		<u>1.6</u>				
\$	\$	100.0%				
\$	\$	25.5%				
		14.1				
		2.3				
		6.7				
		<u>30.9</u>				
\$	\$	79.5%				
\$	\$	<u>20.5%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
\$ <u>N/A</u>	\$ <u>N/A</u>					

See accompanying independent auditor's report.

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MONTROSE MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2011

District Mailing Address - Montrose Management District
c/o Hawes Hill Calderon LLP
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, 2011	Expense reimbursements for the year ended December 31, 2011	Position
Claude Wynn	07/09 06/13 (Appointed)	\$ -0-	\$ -0-	1 – Chairman
Vacant		\$ -0-	\$ -0-	2
Randy Mitchmore	07/09 06/13 (Appointed)	\$ -0-	\$ -0-	3 – Vice Chairman
Cassie Stinson	07/09 06/13 (Appointed)	\$ -0-	\$ -0-	4 – Secretary
Michael Carter	07/09 06/13 (Appointed)	\$ -0-	\$ -0-	5
Vacant		\$ -0-	\$ -0-	6
Dennis Murland	07/11 06/15 (Appointed)	\$ -0-	\$ -0-	7
Robert Jara	07/11 06/15 (Appointed)	\$ -0-	\$ -0-	8
Kathy Hubbard	07/09 06/13 (Appointed)	\$ -0-	\$ -0-	9 – Treasurer
Michael Grover	07/09 06/13 (Appointed)	\$ -0-	\$ -0-	10
Vacant		\$ -0-	\$ -0-	11

See accompanying independent auditor's report.

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

Board Members (Continued)	Term of Office (Appointed)	Fees of office for the year ended <u>December 31, 2011</u>	Expense reimbursements for the year ended <u>December 31, 2011</u>	<u>Position</u>
Brad Nagar	07/09 06/13 (Appointed)	\$ -0-	\$ -0-	12 – Assistant Secretary
Tammy Manning	07/11 06/15 (Appointed)	\$ -0-	\$ -0-	13
David Robinson	07/11 06/15 (Appointed)	\$ -0-	\$ -0-	14
Randall Ellis	07/11 06/15 (Appointed)	\$ -0-	\$ -0-	15

See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2011

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2011</u>	<u>Title</u>
Vinson & Elkins First City Tower 1001 Fannin Street, Suite 2300 Houston, TX 77002	11/15/06	\$ 130,462	Attorney
McCall, Gibson & Company, PLLC Certified Public Accountants 13831 Northwest Freeway, Suite 610 Houston, TX 77040-5216	02/18/09	\$ 6,300	Auditor
Equi-Tax Inc. 17111 Rolling Creek Drive, Suite 200 Houston, TX 77090	02/20/08	\$ 23,053	Assessment Collector and Database Management
Municipal Accounts and Consulting LP 1300 Post Oak Blvd., Suite 1600 Houston, TX 77056	08/20/08	\$ 13,351	Bookkeeper
Hawes Hill Calderon LLP 10103 Fondren Road, Suite 300 Houston, TX 77096	01/31/07	\$ 251,423	Administrator
Greater East End Management District 3211 Harrisburg Houston, TX 77003	07/16/08	\$ 58,560	Graffiti Abatement
Mark M. Burton PLLC 1300 Post Oak Blvd., Suite 1600 Houston, TX 77056	11/1/09	\$ 3,650	Annual Financial Report

See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT,
CITY OF HOUSTON

AGENDA MEMORANDUM

TO: Montrose Management District Board of Directors
FROM: Executive Director
SUBJECT: Agenda Item Materials
AGENDA ITEM 8: Receive report and consider recommendations from the Environmental and Urban Design Committee regarding:

THE COMMITTEE CONSIDERED THE FOLLOWING:

- a. Proposal from Kudela & Weinheimer for Esplanade Design Master Plan in the amount of \$3,500

COMMITTEE RECOMMENDATION:

The Committee recommends approval of proposal for Esplanade Design Master Plan.

FISCAL NOTE:

Total estimated cost, \$3,500



We are pleased to submit this proposal for professional services in connection with the Landscape development of the **Montrose District—Esplanade Design Master Plan**, Houston, Texas.

This agreement, effective as of *July 12, 2012*, is between **Client**, Montrose District, c/o Hawes Hill Calderon LLP, 5020 Montrose, Suite 311, Houston, Texas 77006 c/o Hawes Hill Calderon, LLP, Box 22167, Houston, Texas 77227-2167 **Landscape Architect**, Kudela & Weinheimer, L.P., (K&W), 7155 Old Katy Road, Suite 270, Houston, Texas 77024.

Article 1: Landscape Architect's Basic and Additional Services

A. Landscape Architect's Basic Services are:

Kudela & Weinheimer will provide "Basic Services" as outlined herein. These services shall include Master Planning for the Landscape Architectural portion of the **Montrose District—Esplanade Design Master Plan**.

Master Planning

During this phase, K&W shall provide hardscape and softscape design alternatives in a Master Plan scheme.

Having gained a firm understanding of the project and its constraints, K&W will begin the production of sketch level drawings which define the essential elements of the Landscape Architectural portion of the project.

During the Master Planning Phase K&W will:

1. Meet with the project team to confirm program information and to establish goals and objectives of the project.
2. Acquire site surveys and relevant architectural drawings from all available sources and build a background for the project.
3. Prepare and present the , which addresses the following:
 - a. Landscaping
5. Prepare and present Preliminary Cost Estimates of probable construction costs.
6. Prepare and present diagrams of suggested esplanade improvements, with the assistance of the Client and based on the budget.
7. Attend project meetings as required.

Article 2: Client's Responsibilities

A. Client agrees to provide Landscape Architect with all information, surveys, reports, and professional recommendations and any other related items requested by Landscape Architect in order to provide its professional services. Landscape Architect may rely on the accuracy and completeness of these items. *Kudela &*



Weinheimer assumes no responsibility for the accuracy of such information or services.

- B. Client shall furnish the services of the following consultants as may be needed:
Structural Engineer, MEP Engineer and Fountain Engineer.
- C. Client will obtain and pay for all necessary permits from authorities with jurisdiction over the Project.
- D. Client agrees to provide the items described in Article 2.A and to render decisions in a timely manner so as not to delay the orderly and sequential progress of Landscape Architect's services.
- E. Additional Services beyond Landscape Architect's Basic Services may be provided if confirmed in writing. Additional services might include but are not limited to presentation models, and or sub-consultants. Clients may elect to contract directly with sub-consultants upon consultation with Landscape Architect.
- F. Excluded Services are not a part of Landscape Architect's Basic or Additional Services and are the responsibility of others. Excluded Services include, but are not limited to, the following: Subsurface conditions, soil issues, soil content, level of compaction, drainage; utilities' locations, structural or mechanical engineering, or any form of waterproofing.

Article 3: Estimated Schedule and Project Budget

- A. Landscape Architect shall render its services as expeditiously as is consistent with professional skill and care. during the course of the Project, anticipated and unanticipated events may impact any Project Schedule.
- B. Client agrees to promptly notify Landscape Architect if Client's schedule or budget changes. Client acknowledges that significant changes to the Project or construction schedule or budget, or to the Project's scope may require Additional Services of Landscape Architect.

Article 4: Compensation and Payments

- A. Basic Services: Compensation for the Basic Landscape Architectural services described above shall be a stipulate sum of **\$3,500** and billed monthly on a percentage of completion per the following schedule

Master Planning	100%
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- B. Project Assumptions:

- 1. **This proposal is for Master Planning Only. Design Development, Construction Documentation and Construction Administration are excluded.**

- C. Additional Services: Services requested by the Client that are not included in the



scope of services shall be billed as Additional Services at a rate per the following schedule:

Principal	\$145/ hr
Project Manager	\$95/ hr
Staff Architect	\$85/ hr
Administrative assistant	\$45/ hr

Kudela & Weinheimer shall issue monthly invoices for professional services. Client shall pay amounts that are due not more than **thirty (30)** days after the date of Client's receipt of a valid statement. Amounts properly due yet unpaid after the expiration of **forty-five (45)** days after Client received K&W's valid statement shall bear simple interest at an annual rate of **eight percent (8%)**, unless otherwise limited by law. Each monthly invoice shall include an accounting of:

1. The portion of the Basic Compensation earned by K&W during the period covered by the invoice.
 2. All Reimbursable Expenses incurred by K&W during the period covered by the invoice.
 3. All Extra Services earned by K&W during the period covered by the invoice.
- C. Reimbursable Expenses: Expenses that are required for the performance of the work shall be billed to the Client on a monthly basis with a 10% markup. These expenses shall include, but are not limited to the following:
1. Prints of drawings as required to perform the work or for the information of the Client and/ or other consultants.
 2. Use of reprographic services for enlargements, reductions, or reproduction of drawings.
 3. Computer Plotting.
 4. Mail, Courier, or Overnight delivery services.
 5. Special supplies unique to the performance of this work.
 6. Mounting or laminating of drawings.
 7. Automobile travel at \$0.58 a mile.

Article 5: Termination

- A. Either Client or Landscape Architect may terminate this Agreement upon seven days written notice.
- B. If terminated, Client agrees to pay Landscape Architect for all Basic and Additional Services rendered and Reimbursable Expenses incurred up to the date of ter-



mination.

- C. Upon not less than seven days written notice, Landscape Architect may suspend the performance of its services if Client fails to pay Landscape Architect in full for services rendered or expenses incurred. Landscape Architect shall have no liability because of such suspension of services or termination due to Client's nonpayment.
- D. Any change of address for Landscape Architect or Client must be updated within ten (10) days to all parties to this Agreement, and receipt of such change of address must be confirmed, either by certified mail, return receipt, or by facsimile confirmation to ensure that the change of address has been received.
- E. All notices from one party to the other must be in writing and are effective when mailed to, hand-delivered at, or transmitted by facsimile or electronic transmission as follows:

To Landscape Architect at:

Mr. Darin Weinheimer
KUDELA & WEINHEIMER, L.P.
7155 Old Katy Road, Ste. 270
Houston, Texas 77024-2195
Facsimile: 713.869.0908

To Client at:

Montrose District
% Hawes Hill Calderon, L.L.P.
P.O. Box 22167
Houston, Texas 77227-2167
Attention: Bill Calderon
Facsimile: 713-541-9906

Article 6: Dispute Resolution

- A. The Landscape Architect shall procure and maintain throughout the term of this Agreement, at its sole cost and expense, insurance of the types and in the minimum amounts set forth below. The Landscape Architect shall furnish certificates of insurance and certified copies of any endorsements required by this Agreement to the Client evidencing compliance with the insurance requirements hereof. Certificates shall list the Landscape Architect, the name of the insurance company, the policy number, the term of coverage, and the limits of coverage. The Landscape Architect shall cause its insurance companies to provide the Client with at least thirty (30) days prior written notice of any reduction in the limit of liability by endorsement of the policy, cancellation, or non-renewal of the insurance coverage required under this Agreement. The Landscape Architect shall obtain such insurance from such companies having a Best's rating of B+/VII or better, licensed or approved to transact business in the State of Texas, and shall obtain such insurance of the following types and minimum limits:
 - 1. Worker's Compensation insurance in accordance with the laws of the State of Texas, and Employer's Liability coverage with a limit of not less than \$500,000 each employee for Occupational Disease; \$500,000 policy limit for Occupational Disease; and Employer's Liability of \$500,000 each accident.
 - 2. Commercial General Liability insurance, including coverage for Products/Completed Operation, Blanket Contractual, Contractors' Protective Liability Broad Form Property Damage, Personal Injury/Advertising Liability, and Bodily Injury and Property Damage with limits of not less than



\$2,000,000	general aggregate limit
\$1,000,000	each occurrence, combined single limit
\$1,000,000	aggregate Products, combined single limit
\$1,000,000	aggregate Personal Injury/Advertising Liability
\$50,000	Fire Legal Liability
\$5,000	Premises Medical

3. Business Automobile Liability coverage applying to owned, non-owned and hired automobiles, with limits of not less than \$1,000,000 each occurrence combined single limit for Bodily Injury and Property Damage combined.
 4. Umbrella Excess Liability insurance written as excess of Employer's Liability, with limits not less than \$1,000,000 each occurrence combined single limit.
 5. Professional Liability insurance with limits not less than \$1,000,000 each claim/annual aggregate.
- B. The Client and the Client's agents and employees shall be added as additional insureds to all coverage's required under this Agreement, except for worker's compensation insurance and professional liability insurance. All policies written on behalf of the Landscape Architect shall contain a waiver of subrogation in favor of the Client and the Client's agents and employees, with the exception of professional liability insurance. In addition, all of the aforesaid policies shall be endorsed to provide that they are primary coverages and not in excess of any other insurance available to the Client, and without rights of contribution or recovery against the Client or from any such other insurance available to the Client. The Landscape Architect, and not the Client, shall be responsible for paying the premiums and deductibles, if any, that may from time to time be due under all of the insurance policies required of the Landscape Architect.

Article 7: Use and Ownership of Landscape Architect's Documents

- A. All documents, including original drawings, estimates, specifications, periodic construction progress notes, and data (collectively, the "Documents") shall be the property of the Client, provided that the Landscape Architect has received full compensation due pursuant to the terms of this Agreement and subject to all of the following terms and conditions. The Landscape Architect agrees that it shall not reuse any portion of the Documents that is unique to the Client's projects or projects for any other client, without the express written consent of the Client, which consent will not be unreasonably withheld. The Landscape Architect may retain a set of reproducible record copies of the Documents, in consideration of which it is mutually agreed that the Client will use such Documents solely in connection with the project covered by the Agreement.

Article 8: Miscellaneous Provisions.

- A. This Agreement is governed by the Laws of the State of Texas.



- B. This Agreement is the entire and integrated agreement between Client and Landscape Architect and supersedes all prior negotiations, statements or agreements, either written or oral. The parties may amend this Agreement only by a written instrument signed by both Client and Landscape Architect.
- C. In the event that any term or provision of this Agreement is found to be unenforceable or invalid for any reason, the remainder of this Agreement shall continue in full force and effect, and the parties agree that any unenforceable or invalid term or provision shall be amended to the minimum extent required to make such term or provision enforceable and valid.
- D. Neither Client nor Landscape Architect shall assign this Agreement without the written consent of the other.
- E. Irrespective of any other term in this Agreement, Landscape Architect shall not control or be responsible for construction means, methods, techniques, schedules, sequences or procedures; or for construction safety or any other related programs; or for another parties' errors or omissions or for another parties' failure to complete their work or services in accordance with Landscape Architect's documents.
- F. Client understands and acknowledges that the design and construction process for this Project poses certain risks to both Landscape Architect and Client. Client further understands and acknowledges that the amount of risk that Landscape Architect can accept is tied, in part, to the amount of compensation received for services rendered. Landscape Architect's fee for the services offered is based on Client's agreement to limit Landscape Architect's liability as described below. Client further acknowledges that were it not for this promise to limit Landscape Architect's liability, Landscape Architect's compensation would need to increase to address the risks posed by this Project. Client, therefore, acknowledging its right to discuss this provision with legal counsel experienced in the design and construction process, as well as other design professionals, voluntarily agrees that, to the fullest extent permitted by law, Landscape Architect's total liability to Client for any and all injuries, claims, liabilities, losses, costs, expenses or damages whatsoever arising out of or in any way related to the Project or this Agreement from any cause or causes including, but not limited to, Landscape Architect's negligence, errors, omissions or breach of contract, shall not exceed the amount of the total compensation received by Landscape Architect under this Agreement. This limitation of liability shall apply to Client's direct claims and Client's claims arising from third parties.
- G. Client agrees to indemnify, defend and hold Landscape Architect harmless from and against any and all claims, liabilities, suits, demands, losses, costs and expenses, including, but not limited to, reasonable attorneys' fees and all legal expenses and fees incurred through appeal, and all interest thereon, accruing or resulting to any and all persons, firms or any other legal entities on account of any damages or losses to property or persons, including injuries or death, or economic losses, arising out of the Project and/or this Agreement, except that the Landscape Architect shall not be entitled to be indemnified to the extent such damages or losses are found by a court or forum of competent jurisdiction to be caused by Landscape Architect's negligent errors or omissions.



- H. The relationship between the Landscape Architect and the Client under this Agreement and otherwise shall be that of independent contractor. The Landscape Architect is not by the terms of this Agreement or otherwise, an agent, employee, or representative of the Client.
- I. For purposes of interpretation of the meaning of any clause, phrase or paragraph of this Agreement, both parties to this Agreement acknowledge having had input in the drafting of this agreement. This Agreement shall not therefore be interpreted for or against either party because of that party or its counsel having drafted the Agreement.

INDEMNITY PROVISION

LANDSCAPE ARCHITECT SHALL DEFEND, INDEMNIFY, AND HOLD HARMLESS CLIENT, ITS DIRECTORS, OFFICERS, AGENTS, EMPLOYEES, AND AFFILIATES FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, OR CAUSES OF ACTION (AND ALL LOSSES, LIABILITIES, EXPENSES, AND JUDGMENTS INCURRED IN CONNECTION THEREWITH, INCLUDING ATTORNEYS' FEES AND EXPENSES, COURT COSTS, AND OTHER EXPENSES INCURRED IN ENFORCING THIS INDEMNITY PROVISION) BROUGHT BY LANDSCAPE ARCHITECT OR ANY OF LANDSCAPE ARCHITECT'S EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, OUTSIDE ADVISORY OR SUPPORT CONSULTANTS, OR REPRESENTATIVES, OR BY ANY THIRD PARTY, BASED UPON, OR IN CONNECTION WITH, RESULTING FROM, OR ARISING OUT OF, THE NEGLIGENCE, OMISSION, OR MISCONDUCT OF LANDSCAPE ARCHITECT'S EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, OUTSIDE ADVISORY OR SUPPORT CONSULTANTS, OR REPRESENTATIVES.

Accepted: *Montrose District*

Submitted: *Kudela & Weinheimer LP*

Signature/Date:

Signature/Date:

Print:

Name/Title: _____

Print:

Name/Title: Darin Weinheimer
Secretary.