

MONTROSE MANAGEMENT DISTRICT
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montrose Management District
Harris County, Texas

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 7 and the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Funds on pages 25 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 13, 2016

**MONTROSE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Management's discussion and analysis of the Montrose Management District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the District's financial statements, which begin on page 8.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position 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 Position. This information is found in the Statement of Net Position column on pages 8 and 9. The Statement of Net Position is the District-wide statement of its financial position presenting information that includes all of the District's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on pages 11 and 12 reports how the District's net position 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. The General Funds for the East Zone and West Zone account for resources not accounted for in another fund, assessment revenues, costs and general expenditures.

**MONTROSE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 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 FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the 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, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's assets exceeded liabilities and deferred inflows of resources by \$1,126,927 as of December 31, 2015. A portion of the District's net position reflects its net investment in capital assets (e.g., signage, a vehicle and related equipment), less any debt used to acquire those assets that is still outstanding. The District uses these assets to provide security services.

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

	Summary of Changes in the Statement of Net Position		
	2015	2014	Change Positive (Negative)
Current and Other Assets	\$ 3,382,757	\$ 2,929,004	\$ 453,753
Capital Assets (Net of Accumulated Depreciation)	8,147	8,780	(633)
Total Assets	\$ 3,390,904	\$ 2,937,784	\$ 453,120
Total Liabilities	\$ 109,216	\$ 100,952	\$ (8,264)
Deferred Inflows of Resources	\$ 2,154,761	\$ 1,983,240	\$ (171,521)
Net Position:			
Net Investment in Capital Assets	\$ 8,147	\$ 8,780	\$ (633)
Unrestricted	1,118,780	844,812	273,968
Total Net Position	\$ 1,126,927	\$ 853,592	\$ 273,335

**MONTROSE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the District's operations for the years ended December 31, 2015 and December 31, 2014. The District's net position increased by \$273,335

	Summary of Changes in the Statement of Activities		
	2015	2014	Change Positive (Negative)
Revenues:			
Property Assessments	\$ 1,934,021	\$ 1,631,269	\$ 302,752
Other Revenues	52,180	66,163	(13,983)
Total Revenues	\$ 1,986,201	\$ 1,697,432	\$ 288,769
Expenses for Services	1,712,866	1,551,925	(160,941)
Change in Net Position	\$ 273,335	\$ 145,507	\$ 127,828
Net Position, Beginning of Year	853,592	708,085	145,507
Net Position, End of Year	\$ 1,126,927	\$ 853,592	\$ 273,335

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The General Fund balance for the East Zone increased by \$62,902 due to assessment revenues exceeding current year expenditures. The General Fund balance for the West Zone increased by \$224,859 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 \$8,709 more than budgeted and governmental funds total expenditures were \$1,501,009 less than budgeted. East Zone revenues were \$15,082 more than budgeted due to more assessment revenue collected than budgeted. East Zone expenditures were \$476,542 less than budgeted. West Zone revenues were \$6,373 less than budgeted due primarily to less assessment revenue collected than budgeted. West Zone expenditures were \$1,024,467 less 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, 2015**

CAPITAL ASSETS

The District's capital assets as of December 31, 2015, amount to \$8,147 (net of accumulated depreciation). These capital assets include one vehicle, related equipment and signage.

Capital Assets At Year-End, Net of Accumulated Depreciation

Capital Assets Subject to Depreciation:	
Automobiles, Equipment and Signage	\$ <u>8,147</u>

Additional information on the District's capital assets can be found in Note 4 on page 21 of this report.

LONG-TERM DEBT ACTIVITY

The District does not have any long-term debt as of December 31, 2015.

CONTACTING THE DISTRICT'S MANAGEMENT

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

MONTROSE MANAGEMENT DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2015

	East Zone General Fund	West Zone General Fund	Governmental Funds Total
ASSETS			
Cash, Note 3	\$ 274,984	\$ 579,088	\$ 854,072
Investments, Note 3	312,000	438,000	750,000
Receivables:			
Assessments	471,854	1,289,958	1,761,812
Penalty and Interest	1,111	8,701	9,812
Accrued Interest	484	490	974
Due From Bank	80		80
Prepaid Costs	2,560	3,447	6,007
Capital Assets (Net of Accumulated Depreciation), Note 4			
TOTAL ASSETS	<u>\$ 1,063,073</u>	<u>\$ 2,319,684</u>	<u>\$ 3,382,757</u>
LIABILITIES			
Accounts Payable	\$ 34,972	\$ 70,594	\$ 105,566
Payroll Liabilities	19	41	60
Due to Taxpayers	<u>3,503</u>	<u>87</u>	<u>3,590</u>
TOTAL LIABILITIES	<u>\$ 38,494</u>	<u>\$ 70,722</u>	<u>\$ 109,216</u>
DEFERRED INFLOWS OF RESOURCES			
Assessments	<u>\$ 656,879</u>	<u>\$ 1,537,078</u>	<u>\$ 2,193,957</u>
FUND BALANCES			
Nonspendable Prepaid Costs	\$ 2,560	\$ 3,447	\$ 6,007
Unassigned	<u>365,140</u>	<u>708,437</u>	<u>1,073,577</u>
TOTAL FUND BALANCES	<u>\$ 367,700</u>	<u>\$ 711,884</u>	<u>\$ 1,079,584</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,063,073</u>	<u>\$ 2,319,684</u>	<u>\$ 3,382,757</u>
NET POSITION			
Net Investment in Capital Assets Unrestricted			
TOTAL NET POSITION			

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

<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 854,072
	750,000
	1,761,812
	9,812
	974
	80
	6,007
<u>8,147</u>	<u>\$ 8,147</u>
<u>\$ 8,147</u>	<u>\$ 3,390,904</u>
\$	\$ 105,566
	60
	<u>3,590</u>
<u>\$</u>	<u>\$ 109,216</u>
<u>\$ (39,196)</u>	<u>\$ 2,154,761</u>
\$ (6,007)	\$
<u>(1,073,577)</u>	<u></u>
<u>\$ (1,079,584)</u>	<u>\$ -0-</u>
\$ 8,147	\$ 8,147
<u>1,118,780</u>	<u>1,118,780</u>
<u>\$ 1,126,927</u>	<u>\$ 1,126,927</u>

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

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**MONTROSE MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015**

Total Fund Balances - Governmental Funds	\$ 1,079,584
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	8,147
Deferred assessment and penalty and interest revenues for the 2014 and prior levies became part of recognized revenues in the governmental activities of the District.	<u>39,196</u>
Total Net Position - Governmental Activities	<u>\$ 1,126,927</u>

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

**MONTROSE MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	East Zone General Fund	West Zone General Fund
REVENUES		
Assessment Revenues	\$ 610,991	\$ 1,335,027
Penalty and Interest	9,065	17,537
Investment Revenues	1,709	2,168
Miscellaneous Revenues	<u>6,417</u>	<u>17,080</u>
TOTAL REVENUES	<u>\$ 628,182</u>	<u>\$ 1,371,812</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Security and Public Safety	\$ 140,496	\$ 292,938
Mobility and Transportation	70,143	147,278
Visual Improvements and Cultural	51,239	60,009
Business Development	150,598	319,132
Administrative Expenditures	101,889	219,401
Legal Expenditures	50,915	108,195
Depreciation	<u> </u>	<u> </u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 565,280</u>	<u>\$ 1,146,953</u>
NET CHANGE IN FUND BALANCES	\$ 62,902	\$ 224,859
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION – JANUARY 1, 2015	<u>304,798</u>	<u>487,025</u>
FUND BALANCES/NET POSITION – DECEMBER 31, 2015	<u>\$ 367,700</u>	<u>\$ 711,884</u>

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

Governmental Funds Total	Adjustments	Statement of Activities
\$ 1,946,018	\$ (11,997)	\$ 1,934,021
26,602	(1,796)	24,806
3,877		3,877
<u>23,497</u>		<u>23,497</u>
<u>\$ 1,999,994</u>	<u>\$ (13,793)</u>	<u>\$ 1,986,201</u>
\$ 433,434	\$	\$ 433,434
217,421		217,421
111,248		111,248
469,730		469,730
321,290		321,290
159,110		159,110
	<u>633</u>	<u>633</u>
<u>\$ 1,712,233</u>	<u>\$ 633</u>	<u>\$ 1,712,866</u>
\$ 287,761	\$ (287,761)	\$
	273,335	273,335
<u>791,823</u>	<u>61,769</u>	<u>853,592</u>
<u>\$ 1,079,584</u>	<u>\$ 47,343</u>	<u>\$ 1,126,927</u>

The accompanying notes to the 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, 2015**

Net Change in Fund Balances - Governmental Funds	\$	287,761
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(633)
Governmental funds report assessment and penalty and interest revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the assessments and penalty and interest are levied.		<u>(13,793)</u>
Change in Net Position - Governmental Activities	\$	<u>273,335</u>

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

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the “Commission”).

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

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 set forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net positions into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

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

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has two major governmental funds.

General Funds - For the East Zone and West Zone to account for resources not required to be accounted for in another fund, assessment revenues, costs and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectible within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Annual assessments considered available by the District and included in revenue include the 2014 assessments collected during the period October 1, 2014 to December 31, 2015. In addition, assessments collected from January 1, 2015, to December 31, 2015, for the 2013 and prior assessment levies are included in revenues. The 2015 annual assessments for the District have been fully deferred to meet the operating expenditures for the 2016 fiscal year.

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Capital Assets

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

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

	<u>Years</u>
Automobiles, Equipment and Signage	3-5

Budgeting

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

Pensions

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

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

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.

Unassigned: all other spendable amounts in the General Fund.

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

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$1,604,072 and the bank balance was \$1,628,295. Of the bank balance, \$900,000 was covered by federal depository insurance and \$594,431 was covered by collateral pledged in the name of the District and held in a third party depository. However, the balance of \$133,864 was not covered by collateral as the depository bank failed to pledge securities.

The carrying values of the deposits are included in the Governmental Funds Balance Sheets and the Statement of Net Position at December 31, 2015, as listed below:

	<u>CASH</u>	<u>CERTIFICATES OF DEPOSIT</u>	<u>TOTAL</u>
EAST ZONE GENERAL FUND	\$ 274,984	\$ 312,000	\$ 586,984
WEST ZONE GENERAL FUND	<u>579,088</u>	<u>438,000</u>	<u>1,017,088</u>
TOTAL DEPOSITS	<u>\$ 854,072</u>	<u>\$ 750,000</u>	<u>\$ 1,604,072</u>

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load 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.

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2015, 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	\$ 312,000	\$ 312,000	\$	\$	\$
<u>WEST ZONE GENERAL</u>					
<u>FUND -</u>					
Certificates of Deposit	438,000	438,000			
Total Investments	\$ 750,000	\$ 750,000	\$ -0-	\$ -0-	\$ -0-

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2015:

	January 1, 2015	Additions/Deductions	December 31, 2015
Capital Assets Subject to Depreciation			
Automobiles, Equipment and Signage	\$ 39,087	\$ 0	\$ 39,087
Less Accumulated Depreciation			
Automobiles, Equipment and Signage	\$ 30,307	\$ (633)	\$ 30,940
Total Capital Assets, Net of Accumulated Depreciation	\$ 8,780	\$ (633)	\$ 8,147

NOTE 5. ANNUAL ASSESSMENTS

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

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5. ANNUAL ASSESSMENTS (Continued)

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, 2015, the East Zone levied an assessment of \$0.125 per \$100 of assessed valuation of taxable real property, which resulted in an assessment of \$652,486 for the 2015 assessment year. Total revenue of \$610,991 has been recorded in the current year.

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, 2015, the West Zone levied an assessment of \$0.125 per \$100 of assessed valuation of taxable real property, which resulted in an assessment of \$1,502,274 for the 2015 assessment year. Total revenue of \$1,335,027 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 assessment payer is liable for penalty and interest

NOTE 6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The District participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide general liability, automobile, errors and omissions, law enforcement and real and personal property coverage.

MONTROSE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6. RISK MANAGEMENT (Continued)

The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 7. PROMISSORY NOTE

On November 19, 2015, the District signed a promissory note agreement with Tradition Bank for a principal amount of \$2,200,000 with interest accruing at 3.5% per annum. The maturity of the note will be on March 1, 2017, of which the District will repay the principal and interest on the loan. The purpose of the note is to help proceed with the development of the District's capital improvements prior to the time that the District can issue its bonds or otherwise borrow funds to pay the costs of such improvements. The District will periodically request for loan proceeds which are to be advanced in connection with the contracted capital improvements. As of the fiscal year end of 2015, the District has not requested any draws on the loan.

MONTROSE MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015

**MONTROSE MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GOVERNMENTAL FUNDS TOTAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Assessment Revenues	\$ 1,959,460	\$ 1,946,018	\$ (13,442)
Penalty and Interest	29,000	26,602	(2,398)
Investment Revenues	2,825	3,877	1,052
Miscellaneous Revenues	<u> </u>	<u>23,497</u>	<u>23,497</u>
TOTAL REVENUES	<u>\$ 1,991,285</u>	<u>\$ 1,999,994</u>	<u>\$ 8,709</u>
EXPENDITURES			
Service Operations:			
Security and Public Safety	\$ 533,625	\$ 433,434	\$ 100,191
Mobility and Transportation	1,100,000	217,421	882,579
Visual Improvements and Cultural	720,000	111,248	608,752
Business Development	446,550	469,730	(23,180)
Administrative Expenditures	339,067	321,290	17,777
Legal Expenditures	<u>74,000</u>	<u>159,110</u>	<u>(85,110)</u>
TOTAL EXPENDITURES	<u>\$ 3,213,242</u>	<u>\$ 1,712,233</u>	<u>\$ 1,501,009</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,221,957)</u>	<u>\$ 287,761</u>	<u>\$ 1,509,718</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Note	<u>\$ 1,000,000</u>	<u>\$ 0</u>	<u>\$ (1,000,000)</u>
NET CHANGE IN FUND BALANCE	\$ (221,957)	\$ 287,761	\$ 509,718
FUND BALANCE – JANUARY 1, 2015	<u>791,823</u>	<u>791,823</u>	<u> </u>
FUND BALANCE – DECEMBER 31, 2015	<u>\$ 569,866</u>	<u>\$ 1,079,584</u>	<u>\$ 509,718</u>

See accompanying independent auditor's report.

**MONTROSE MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – EAST ZONE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Assessment Revenues	\$ 601,860	\$ 610,991	\$ 9,131
Penalty and Interest	10,000	9,065	(935)
Investment Revenues	1,240	1,709	469
Miscellaneous Revenues	<u> </u>	<u>6,417</u>	<u>6,417</u>
TOTAL REVENUES	<u>\$ 613,100</u>	<u>\$ 628,182</u>	<u>\$ 15,082</u>
EXPENDITURES			
Service Operations:			
Security and Public Safety	\$ 160,467	\$ 140,496	\$ 19,971
Mobility and Transportation	332,000	70,143	261,857
Visual Improvements and Cultural	251,000	51,239	199,761
Business Development	142,651	150,598	(7,947)
Administrative Expenditures	133,504	101,889	31,615
Legal Expenditures	<u>22,200</u>	<u>50,915</u>	<u>(28,715)</u>
TOTAL EXPENDITURES	<u>\$ 1,041,822</u>	<u>\$ 565,280</u>	<u>\$ 476,542</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (428,722)</u>	<u>\$ 62,902</u>	<u>\$ 491,624</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Note	<u>\$ 300,000</u>	<u>\$ 0</u>	<u>\$ (300,000)</u>
NET CHANGE IN FUND BALANCE	\$ (128,722)	\$ 62,902	\$ 191,624
FUND BALANCE – JANUARY 1, 2015	<u>304,798</u>	<u>304,798</u>	<u> </u>
FUND BALANCE – DECEMBER 31, 2015	<u>\$ 176,076</u>	<u>\$ 367,700</u>	<u>\$ 191,624</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, 2015**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Assessment Revenues	\$ 1,357,600	\$ 1,335,027	\$ (22,573)
Penalty and Interest	19,000	17,537	(1,463)
Investment Revenues	1,585	2,168	583
Miscellaneous Revenues	<u> </u>	<u>17,080</u>	<u>17,080</u>
TOTAL REVENUES	<u>\$ 1,378,185</u>	<u>\$ 1,371,812</u>	<u>\$ (6,373)</u>
EXPENDITURES			
Service Operations:			
Security and Public Safety	\$ 373,158	\$ 292,938	\$ 80,220
Mobility and Transportation	768,000	147,278	620,722
Visual Improvements and Cultural	469,000	60,009	408,991
Business Development	303,899	319,132	(15,233)
Administrative Expenditures	205,563	219,401	(13,838)
Legal Expenditures	<u>51,800</u>	<u>108,195</u>	<u>(56,395)</u>
TOTAL EXPENDITURES	<u>\$ 2,171,420</u>	<u>\$ 1,146,953</u>	<u>\$ 1,024,467</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (793,235)</u>	<u>\$ 224,859</u>	<u>\$ 1,018,094</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Note	<u>\$ 700,000</u>	<u>\$ 0</u>	<u>\$ (700,000)</u>
NET CHANGE IN FUND BALANCE	\$ (93,235)	\$ 224,859	\$ 318,094
FUND BALANCE – JANUARY 1, 2015	<u>487,025</u>	<u>487,025</u>	<u> </u>
FUND BALANCE – DECEMBER 31, 2015	<u>\$ 393,790</u>	<u>\$ 711,884</u>	<u>\$ 318,094</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, 2015

MONTROSE MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES – GOVERNMENTAL FUNDS TOTAL
FOR THE YEAR ENDED DECEMBER 31, 2015

PURCHASED SERVICES FOR RESALE:

Security and Public Safety	\$ 433,434
Mobility and Transportation	217,421
Visual Improvements and Cultural	111,248
Business Development	469,730
Administrative Expenditures	321,290
Legal Expenditures	<u>159,110</u>

TOTAL EXPENDITURES \$ 1,712,233

See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES – EAST ZONE
FOR THE YEAR ENDED DECEMBER 31, 2015

PURCHASED SERVICES FOR RESALE:

Security and Public Safety	\$ 140,496
Mobility and Transportation	70,143
Visual Improvements and Cultural	51,239
Business Development	150,598
Administrative Expenditures	101,889
Legal Expenditures	<u>50,915</u>

TOTAL EXPENDITURES \$ 565,280

See accompanying independent auditor's report.

**MONTROSE MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES – WEST ZONE
FOR THE YEAR ENDED DECEMBER 31, 2015**

PURCHASED SERVICES FOR RESALE:

Security and Public Safety	\$ 292,938
Mobility and Transportation	147,278
Visual Improvements and Cultural	60,009
Business Development	319,132
Administrative Expenditures	219,401
Legal Expenditures	<u>108,195</u>

TOTAL EXPENDITURES \$ 1,146,953

See accompanying independent auditor's report.

**MONTROSE MANAGEMENT DISTRICT
INVESTMENTS
DECEMBER 31, 2015**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>EAST ZONE</u>					
Certificate of Deposit	xxxxxxxx43	.45%	05/31/2016	\$ 50,000	\$ 92
Certificate of Deposit	xxxxxxxx69	.45%	05/02/2016	50,000	110
Certificate of Deposit	xxxxxxxx11	.45%	05/31/2016	50,000	75
Certificate of Deposit	xxxxxxxx89	.30%	02/29/2016	50,000	111
Certificate of Deposit	xxxxxxxx19	.75%	11/19/2016	<u>112,000</u>	<u>96</u>
TOTAL EAST ZONE				<u>\$ 312,000</u>	<u>\$ 484</u>
<u>WEST ZONE</u>					
Certificate of Deposit	xxxxxxxx10	.40%	06/09/2016	\$ 50,000	\$ 43
Certificate of Deposit	xxxxxxxx97	.30%	02/29/2016	50,000	111
Certificate of Deposit	xxxxxxx3030	.21%	04/01/2016	50,000	60
Certificate of Deposit	xxxxxxx8030	.21%	03/25/2016	50,000	70
Certificate of Deposit	xxxxxxxx19	.75%	11/19/2016	<u>238,000</u>	<u>206</u>
TOTAL WEST ZONE				<u>\$ 438,000</u>	<u>\$ 490</u>
GRAND TOTAL				<u>\$ 750,000</u>	<u>\$ 974</u>

See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT
CHANGE IN ASSESSMENTS RECEIVABLE – GOVERNMENTAL FUNDS TOTAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	Assessments	
ASSESSMENTS RECEIVABLE –		
JANUARY 1, 2015	\$ 1,763,253	
Adjustments to Beginning Balance	<u>(49,220)</u>	\$ 1,714,033
Original 2015 Assessments Roll	\$ 2,154,761	
Adjustment to 2015 Assessments Roll	<u> </u>	<u>2,154,761</u>
 TOTAL TO BE ACCOUNTED FOR		 \$ 3,868,794
 ASSESSMENT COLLECTIONS:		
Prior Year	\$ 1,684,648	
Current Year	<u>422,334</u>	<u>2,106,982</u>
 ASSESSMENTS RECEIVABLE – DECEMBER 31, 2015		 <u>\$ 1,761,812</u>
 ASSESSMENTS RECEIVABLE BY YEAR:		
2015		\$ 1,732,427
2014		12,425
2013		10,909
2012		4,316
2011		1,616
2010		38
2009		38
2008 and prior		<u>43</u>
		 <u>\$ 1,761,812</u>

See accompanying independent auditor’s report.

MONTROSE MANAGEMENT DISTRICT
CHANGE IN ASSESSMENTS RECEIVABLE – EAST ZONE
FOR THE YEAR ENDED DECEMBER 31, 2015

	Assessments	
ASSESSMENTS RECEIVABLE –		
JANUARY 1, 2015	\$ 555,197	
Adjustments to Beginning Balance	<u>(7,867)</u>	\$ 547,330
Original 2015 Assessments Roll	\$ 652,487	
Adjustment to 2015 Assessments Roll	<u> </u>	<u>652,487</u>
TOTAL TO BE ACCOUNTED FOR		\$ 1,199,817
ASSESSMENT COLLECTIONS:		
Prior Year	\$ 544,048	
Current Year	<u>183,915</u>	<u>727,963</u>
ASSESSMENTS RECEIVABLE – DECEMBER 31, 2015		<u>\$ 471,854</u>
ASSESSMENTS RECEIVABLE BY YEAR:		
2015		\$ 468,572
2014		1,589
2013		831
2012		705
2011		38
2010		38
2009		38
2008 and prior		<u>43</u>
		<u>\$ 471,854</u>

See accompanying independent auditor's report.

MONTROSE MANAGEMENT DISTRICT
CHANGE IN ASSESSMENTS RECEIVABLE – WEST ZONE
FOR THE YEAR ENDED DECEMBER 31, 2015

	Assessments	
ASSESSMENTS RECEIVABLE –		
JANUARY 1, 2015	\$ 1,208,056	
Adjustments to Beginning Balance	<u>(41,353)</u>	\$ 1,166,703
Original 2015 Assessments Roll	\$ 1,502,274	
Adjustment to 2015 Assessments Roll	<u> </u>	<u>1,502,274</u>
TOTAL TO BE ACCOUNTED FOR		\$ 2,668,977
ASSESSMENT COLLECTIONS:		
Prior Year	\$ 1,140,600	
Current Year	<u>238,419</u>	<u>1,379,019</u>
ASSESSMENTS RECEIVABLE – DECEMBER 31, 2015		<u>\$ 1,289,958</u>
ASSESSMENTS RECEIVABLE BY YEAR:		
2015		\$ 1,263,855
2014		10,836
2013		10,078
2012		3,611
2011 and prior		<u>1,578</u>
		<u>\$ 1,289,958</u>

See accompanying independent auditor’s report.

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

	Amounts		
	2015	2014	2013
REVENUES			
Assessment Revenues	\$ 1,946,018	\$ 1,616,864	\$ 1,406,939
Penalty and Interest	26,602	22,479	23,846
Investment Revenues	3,877	3,302	3,216
Miscellaneous Revenues	23,497	28,775	21,433
TOTAL REVENUES	\$ 1,999,994	\$ 1,671,420	\$ 1,455,434
EXPENDITURES			
Service Operations:			
Security and Public Safety	\$ 433,434	\$ 476,017	\$ 470,533
Mobility and Transportation	217,421	148,451	40,136
Visual Improvements and Cultural	111,248	99,618	95,660
Business Development	469,730	385,796	322,499
Administrative Expenditures	321,290	306,837	293,950
Legal Expenditures	159,110	123,242	157,610
Creation and Petition Services			
TOTAL EXPENDITURES	\$ 1,712,233	\$ 1,539,961	\$ 1,380,388
NET CHANGE IN FUND BALANCES	\$ 287,761	\$ 131,459	\$ 75,046
FUND BALANCE – Beginning of the Year	791,823	660,364	585,318
FUND BALANCE – End of the Year	\$ 1,079,584	\$ 791,823	\$ 660,364

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2012</u>	<u>2011</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,299,077	\$ 1,216,293	97.3%	96.7%	96.7%	97.3%	95.6%
20,122	30,768	1.3	1.4	1.6	1.5	2.4
3,108	1,597	0.2	0.2	0.2	0.2	0.1
<u>13,702</u>	<u>23,476</u>	<u>1.2</u>	<u>1.7</u>	<u>1.5</u>	<u>1.0</u>	<u>1.9</u>
<u>\$ 1,336,009</u>	<u>\$ 1,272,134</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 474,394	\$ 406,687	21.7%	28.4%	32.3%	35.5%	32.0%
41,307	127,834	10.9	8.9	2.8	3.1	10.0
82,610	43,871	5.6	6.0	6.6	6.2	3.4
250,982	101,092	23.5	23.1	22.2	18.8	7.9
288,746	290,507	16.1	18.3	20.2	21.6	22.8
91,411	75,107	7.9	7.4	10.8	6.8	5.9
<u>40,950</u>					<u>3.1</u>	
<u>\$ 1,270,400</u>	<u>\$ 1,045,098</u>	<u>85.7%</u>	<u>92.1%</u>	<u>94.9%</u>	<u>95.1%</u>	<u>82.0%</u>
\$ 65,609	\$ 227,036	<u>14.3%</u>	<u>7.9%</u>	<u>5.1%</u>	<u>4.9%</u>	<u>18.0%</u>
<u>519,709</u>	<u>292,673</u>					
<u>\$ 585,318</u>	<u>\$ 519,709</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2015	2014	2013
REVENUES			
Assessment Revenues	\$ 610,991	\$ 494,038	\$ 426,034
Penalty and Interest	9,065	9,886	8,844
Investment Revenues	1,709	1,456	1,607
Miscellaneous Revenues	<u>6,417</u>	<u>22,245</u>	<u>11,275</u>
TOTAL REVENUES	<u>\$ 628,182</u>	<u>\$ 527,625</u>	<u>\$ 447,760</u>
EXPENDITURES			
Service Operations:			
Security and Public Safety	\$ 140,496	\$ 153,718	\$ 151,680
Mobility and Transportation	70,143	47,504	12,879
Visual Improvements and Cultural	51,239	44,551	39,257
Business Development	150,598	123,874	103,876
Administrative Expenditures	101,889	122,008	114,507
Legal Expenditures	50,915	39,488	51,075
Creation and Petition Services			
TOTAL EXPENDITURES	<u>\$ 565,280</u>	<u>\$ 531,143</u>	<u>\$ 473,274</u>
NET CHANGE IN FUND BALANCE	\$ 62,902	\$ (3,518)	\$ (25,514)
FUND BALANCE – Beginning of the Year	<u>304,798</u>	<u>308,316</u>	<u>333,830</u>
FUND BALANCE – End of the Year	<u>\$ 367,700</u>	<u>\$ 304,798</u>	<u>\$ 308,316</u>

See accompanying independent auditor's report.

		Percent of Total Revenues						
<u>2012</u>	<u>2011</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>		
\$ 418,367	\$ 363,651	97.3%	93.6%	95.1%	96.4%	94.8%		
8,316	10,510	1.4	1.9	2.0	1.9	2.7		
1,663	984	0.3	0.3	0.4	0.4	0.3		
<u>5,536</u>	<u>8,444</u>	<u>1.0</u>	<u>4.2</u>	<u>2.5</u>	<u>1.3</u>	<u>2.2</u>		
<u>\$ 433,882</u>	<u>\$ 383,589</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>		
\$ 153,360	\$ 180,407	22.4%	29.1%	33.9%	35.3%	47.0%		
13,255	2,546	11.2	9.0	2.9	3.1	0.7		
35,092	23,080	8.2	8.4	8.8	8.1	6.0		
82,156	41,502	24.0	23.5	23.2	18.9	10.8		
111,658	66,389	16.2	23.1	25.6	25.7	17.3		
29,334	24,394	8.1	7.5	11.4	6.8	6.4		
<u>13,141</u>	<u> </u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>3.0</u>	<u>0.0</u>		
<u>\$ 437,996</u>	<u>\$ 338,318</u>	<u>90.1%</u>	<u>100.6%</u>	<u>105.8%</u>	<u>100.9%</u>	<u>88.2%</u>		
\$ (4,114)	\$ 45,271	<u>9.9%</u>	<u>(0.6)%</u>	<u>(5.8)%</u>	<u>(0.9)%</u>	<u>11.8%</u>		
<u>337,944</u>	<u>292,673</u>							
<u>\$ 333,830</u>	<u>\$ 337,944</u>							

See accompanying independent auditor's report.

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

	Amounts		
	2015	2014	2013
REVENUES			
Assessment Revenues	\$ 1,335,027	\$ 1,122,826	\$ 980,905
Penalty and Interest	17,537	12,593	15,002
Investment Revenues	2,168	1,846	1,609
Miscellaneous Revenues	<u>17,080</u>	<u>6,530</u>	<u>10,158</u>
TOTAL REVENUES	<u>\$ 1,371,812</u>	<u>\$ 1,143,795</u>	<u>\$ 1,007,674</u>
EXPENDITURES			
Service Operations:			
Security and Public Safety	\$ 292,938	\$ 322,299	\$ 318,853
Mobility and Transportation	147,278	100,947	27,257
Visual Improvements and Cultural	60,009	55,067	56,403
Business Development	319,132	261,922	218,623
Administrative Expenditures	219,401	184,829	179,443
Legal Expenditures	108,195	83,754	106,535
Creation and Petition Services			
TOTAL EXPENDITURES	<u>\$ 1,146,953</u>	<u>\$ 1,008,818</u>	<u>\$ 907,114</u>
NET CHANGE IN FUND BALANCE	\$ 224,859	\$ 134,977	\$ 100,560
FUND BALANCE – Beginning of the Year	<u>487,025</u>	<u>352,048</u>	<u>251,488</u>
FUND BALANCE – End of the Year	<u>\$ 711,884</u>	<u>\$ 487,025</u>	<u>\$ 352,048</u>

See accompanying independent auditor's report.

		Percent of Total Revenues					
<u>2012</u>	<u>2011</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	
\$ 880,710	\$ 852,642	97.3%	98.2%	97.3%	97.6%	96.0%	
11,806	20,258	1.3	1.1	1.5	1.3	2.3	
1,445	613	0.2	0.2	0.2	0.2	0.1	
<u>8,166</u>	<u>15,032</u>	<u>1.2</u>	<u>0.5</u>	<u>1.0</u>	<u>0.9</u>	<u>1.6</u>	
<u>\$ 902,127</u>	<u>\$ 888,545</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	
\$ 321,034	\$ 226,280	21.4%	28.2%	31.6%	35.6%	25.5%	
28,052	125,288	10.7	8.8	2.7	3.1	14.1	
47,518	20,791	4.4	4.8	5.6	5.3	2.3	
168,826	59,590	23.3	22.9	21.7	18.7	6.7	
177,088	224,118	16.0	16.2	17.8	19.6	25.2	
62,077	50,713	7.9	7.3	10.6	6.9	5.7	
<u>27,809</u>		<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>3.1</u>	<u>0.0</u>	
<u>\$ 832,404</u>	<u>\$ 706,780</u>	<u>83.7%</u>	<u>88.2%</u>	<u>90.0%</u>	<u>92.3%</u>	<u>79.5%</u>	
\$ 69,723	\$ 181,765	<u>16.3%</u>	<u>11.8%</u>	<u>10.0%</u>	<u>7.7%</u>	<u>20.5%</u>	
<u>181,765</u>							
<u>\$ 251,488</u>	<u>\$ 181,765</u>						

See accompanying independent auditor's report.

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**MONTROSE MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2015**

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, 2015	Expense reimbursements for the year ended December 31, 2015	Position
Claude Wynn	07/13 06/17 (Appointed)	\$ -0-	\$ -0-	1 – Chairman
Tammi Wallace	08/15 06/17 (Appointed)	\$ -0-	\$ -0-	2
Randy Mitchmore	07/13 06/17 (Appointed)	\$ -0-	\$ -0-	3 – Vice Chairman
Cassie Stinson	07/13 06/17 (Appointed)	\$ -0-	\$ -0-	4 – Secretary
Lane Llewellyn	07/13 06/17 (Appointed)	\$ -0-	\$ -0-	5
Robert Jara	07/11 06/15 (Appointed)	\$ -0-	\$ -0-	6
Ryan Haley	07/14 06/15 (Appointed)	\$ -0-	\$ -0-	7
Stephen Madden	07/14 06/15 (Appointed)	\$ -0-	\$ -0-	8
Kathy Hubbard	07/13 06/17 (Appointed)	\$ -0-	\$ -0-	9 – Treasurer
Michael Grover	07/13 06/17 (Appointed)	\$ -0-	\$ -0-	10

See accompanying independent auditor's report.

**MONTROSE MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2015**

Board Members (Continued)	Term of Office (Appointed)	Fees of office for the year ended December 31, 2015	Expense reimbursements for the year ended December 31, 2015	<u>Position</u>
Ellyn Wulfe	12/15 06/17 (Appointed)	\$ -0-	\$ -0-	11
Brad Nagar	07/13 06/17 (Appointed)	\$ -0-	\$ -0-	12 – Assistant Secretary
Vacant	07/14 06/15 (Appointed)	\$ -0-	\$ -0-	13
Todd Edwards	07/15 06/17 (Appointed)	\$ -0-	\$ -0-	14
Vacant	07/14 06/15 (Appointed)	\$ -0-	\$ -0-	15

See accompanying independent auditor's report.

**MONTROSE MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2015**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2015</u>	<u>Title</u>
Bracewell & Giuliani	03/01/13	\$ 46,165	General Counsel
McCall Gibson Swedlund Barfoot PLLC	02/18/09	\$ 8,500	Auditor
Equi-Tax Inc.	02/20/08	\$ 24,184	Assessment Collector and Database Management
Municipal Accounts and Consulting LP	08/20/08	\$ 24,092	Bookkeeper
Hawes Hill Calderon LLP	01/31/07	\$ 261,272	Administrator
Greater East End Management District	07/16/08	\$ 63,680	Graffiti Abatement
Mark M. Burton PLLC	11/1/09	\$ 3,600	Annual Financial Report
Blank Rome LLP	06/11/12	\$ 40,457	Attorney

See accompanying independent auditor's report.

