

GREATER SOUTHEAST MANAGEMENT DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2011

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Board of Directors
Greater Southeast Management District
Harris County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and major fund of the Greater Southeast 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 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 as promulgated within the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 major fund of the District as of December 31, 2011, 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.

Board of Directors
Greater Southeast Management District

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 26 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 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
McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

July 11, 2012

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

Management's discussion and analysis of Greater Southeast Management District's (the "District" or "GSMD") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the District's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

The following section summarizes significant financial events for the fiscal year ended December 31, 2011.

- The District levies an assessment each year which funds the five-year assessment plan. The assessment for tax year 2010 was \$0.1150 per \$100 valuation of properties located in the District. Budgeted assessment revenues for the fiscal year 2011 were \$1,218,011. In the current year, the District received \$1,141,460 for 2010 assessments, which represents a 85% collection rate, and \$11,005 for 2009 which represents a 0.7% collection rate. The 14% collection rate for 2011 assessments represents assessment payers that paid their taxes early; the 2011 assessment was not due until January 31, 2012.
- The District continued to work with The Goodman Corporation to provide an update to the Pedestrian-Transit Master plan for the District to draw down federal funds in the amount of \$15 Million Dollars over ten years which included funding for additional transit improvements and a study of Old Spanish Trail and Griggs Road. In fiscal year 2011, the District received over \$219,765 in federal dollars for design and construction of pedestrian improvements along McGowan, Elgin, Griggs, and Old Spanish Trail.
- In fiscal year 2011, the District entered into a contract with Flores Quality Service to provide trash collection, litter removal, and landscaping services at a monthly rate of \$15,833 for a twelve-month period.
- The District is committed to providing a safe and secure environment within the GSMD area. The District pays off-duty HPD bike patrol officers an hourly rate of \$32.50 to provide daytime bike patrol. The District also entered into a contract with Harris County Constable Precinct 7 to provide security patrol (five deputies) day and night for a monthly amount of \$30,453 for the twelve-month period ending December 31, 2011.
- The District entered into a contract in 2009 with the Greater East End Management District to provide graffiti abatement services for the areas within the GSMD boundaries with an amount not to exceed \$30,000 during 2011.
- The District continued to market and increase awareness of business opportunities in the GSMD area. In fiscal year 2011, the District released four newsletters and three flyers.

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

FINANCIAL HIGHLIGHTS (Continued)

- The District's office lease for 2011 was at a monthly rate of \$1,214 which includes all utilities excluding phone and internet service.
- Creating a more walkable community is the core of improving the health and positive identity of the community and honoring the heritage. Creating and sustaining a viable and economically robust community that is home to a major employment center is a priority for the District. Keeping with this focus, the District created a Green-Space Master Plan.
- In August of 2011, the District's Business and Economic Development Committee hosted its 3rd annual Debunking the Myths conference at the School of Architecture, University of Houston. This conference catered to real estate professionals, financial institutions, resource agencies, developers, realtors, and business owners. The conference addressed issues related to commercial real estate trends, challenges and opportunities in underserved and underinvested communities.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to the basic financial statements. The 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 Funds Revenues, Expenditures and Changes in Fund Balance. This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of the government-wide statements is the Statement of Net Assets. This information is found in the Statement of Net Assets column on page 11. The Statement of Net Assets is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on page 13 reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type and considers it to be a major fund. The General Fund accounts 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 financial 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 12 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities on page 14 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 15 through 24 in this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison is included as RSI for the General Fund.

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

GOVERNMENT-WIDE FINANCIAL STATEMENT 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 \$816,594 as of December 31, 2011.

A portion of the District's net assets reflects its investment in capital assets (e.g. furniture and fixtures) less any debt used to acquire those assets that is still outstanding. The District uses these assets to handle administrative functions.

The following is a comparative analysis of government-wide changes in the Statement of Net Assets:

	Summary of Changes in the Statement of Net Assets		
	2011	2010	Change Positive (Negative)
Current and Other Assets	\$ 2,292,670	\$ 2,380,622	\$ (87,952)
Capital Assets (Net of Accumulated Depreciation)	4,694	6,541	(1,847)
Total Assets	\$ 2,297,364	\$ 2,387,163	\$ (89,799)
Deferred Assessment Revenue	\$ 1,326,934	\$ 1,332,376	\$ 5,442
Other Liabilities	153,836	102,837	(50,999)
Total Liabilities	\$ 1,480,770	\$ 1,435,213	\$ (45,557)
Net Assets:			
Invested in Capital Assets	\$ 4,694	\$ 6,541	\$ (1,847)
Restricted	32,022	73,206	(41,184)
Unrestricted	779,878	872,203	(92,325)
Total Net Assets	\$ 816,594	\$ 951,950	\$ (135,356)

The following table provides a summary of the District's operations for the years ended December 31, 2011, and December 31, 2010. The District's net assets decreased by \$135,356, accounting for a 14.22% decrease in net assets.

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

CAPITAL ASSETS (Continued)

Capital Assets at Year-End, Net of Accumulated Depreciation			
	2011	2010	Net Increase (Decrease)
Capital Assets Net of Accumulated Depreciation:			
Furniture and Fixtures	\$ 1,325	\$ 1,769	\$ (444)
Equipment and Software	<u>3,369</u>	<u>4,772</u>	<u>(1,403)</u>
Total Net Capital Assets	<u>\$ 4,694</u>	<u>\$ 6,541</u>	<u>\$ (1,847)</u>

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

LONG-TERM DEBT ACTIVITY

The District does not have any outstanding debt.

FUTURE PROJECTS

The following projects and services will be ongoing for the District.

- *Security and Public Safety:* The District will commit additional funds to further enhance current Bicycle Patrol, Night Patrol, and Graffiti Abatement Programs by adding more equipment, officers, and deputies. The District will continue the partnership with the Old Spanish Trail Corridors Redevelopment Authority (TIRZ #7) for \$150,000 for one Constable and Houston Police Department bike officer patrols. The District's part-time security coordinator will also conduct quarterly meetings with all Public Safety Agencies that operate in the District, as well as up-to-date crime stats from Houston Police Department.
- *Marketing & Perception Enhancement:* The District will continue to market areas within the District by using various platforms such as a website, digital notices, newsletters, events, social media and mobile engagement to the District's assessment payers, developers, District residents and the city at large. The District expects to hire firm to re-brand the District and manage our digital outreach, public outreach, and business outreach efforts. The District expects to be the title sponsor of the Motown and More Revue in 2013.
- *Visual Improvements:* The District will continue the pick up trash and cut the grass in the rights-of-way on all major corridors and the graffiti abatement program in the District. The District will seek additional funding to implement a Master Plan for Green Space and subsequent implementation of:

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Activities		
	2011	2010	Change Positive (Negative)
Revenues:			
Assessment Revenues	\$ 1,212,504	\$ 1,376,526	\$ (164,022)
Grant Revenues	310,629	356,912	(46,283)
Conference Revenues	5,550	5,462	88
Other Revenues	<u>46,588</u>	<u>82,699</u>	<u>(36,111)</u>
Total Revenues	\$ 1,575,271	\$ 1,821,599	\$ (246,328)
Expenses for Services	<u>(1,710,627)</u>	<u>(1,766,733)</u>	<u>56,106</u>
Change in Net Assets	\$ (135,356)	\$ 54,866	\$ (190,222)
Net Assets, Beginning of Year	<u>951,950</u>	<u>897,084</u>	<u>54,866</u>
Net Assets, End of Year	<u>\$ 816,594</u>	<u>\$ 951,950</u>	<u>\$ (135,356)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund fund balance as of December 31, 2011, was \$578,105, a decrease of \$110,581 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the current fiscal year to decrease assessment revenues by \$57,000 and increase expenditures by \$40,596. Actual revenues were \$434,188 more than budgeted revenues. Actual expenditures were \$526,682 more than budgeted expenditures. See page 26 for budget and actual comparison.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2011, is \$4,694 (net of accumulated depreciation).

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

FUTURE PROJECTS (Continued)

- - Blodgett Street Improvement Project: The District passed a resolution committing to maintain the \$1.8 million Blodgett Street improvements under the Third Ward Connectivity Plan.
 - The District will continue to maintain the improvements along Almeda Road.
 - The District committed to maintain the Park at Palm Center that was constructed in fiscal year 2009.
 - The District expects to maintain the improvements along Main and Fannin Street.
- *Business & Economic:* The District will continue to log all requests for information about the District and keep a data base of disadvantage business that have registered with TXDOT, Metro, and the City of Houston. Board members and staff will participate in conferences and seminars with the Greater Houston Partnership and the Urban Land Institute. The District will research new ways of engaging business owners to define their needs and strengthen their business through our partnerships with Houston Community College with programs like the 10,000 Small Businesses and Texas Skills Development, as well as identifying new retail opportunities in the area. The District may publish a market analysis study to more accurately gauge the potential for new business in the District. The District will also explore opportunities with corporations for future economic developments. The District will continue to fund and seek outside funding to complete the following projects:
 - Expects to create and implement a Business Plan for the District
 - Expects to host the "Together Achieving More Summit & Luncheon" to identify and engage business owners, developers, and real estate professional about the District.
- *Transportation Improvements:* The District will continue to seek earmarks in the 2013 federal budgetary process as well as the Houston-Galveston Area Council 2010-2013 Transportation Improvements Projects. The District's Transportation Committee will be embarking on a pedestrian design and construction of and enhancement project that will focus on the area around Riverside Hospital and McGowen Street from Scott to Highway 59. The District expects to complete the update to the Transit Access Plan. The District's staff will continue to liaison with Metro during the construction of the Southeast Light Rail Line.
- *Administration:* The District's office lease is on a month-to-month basis. The District will look into options for office space.

**GREATER SOUTHEAST MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 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 Greater Southeast Management District, 5445 Almeda Road, Suite 503, Houston, Texas 77004.

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

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash - Note 3	\$ 784,706	\$	\$ 784,706
Cash - FTA Projects	32,022		32,022
Investments, Note 3	15,787		15,787
Receivables:			
Assessments	1,298,079		1,298,079
Penalty and Interest on Delinquent Assessments	69,833		69,833
FTA Projects	90,864		90,864
Other	500		500
Prepaid Costs	879		879
Capital Assets (Net of Accumulated Depreciation), Note 5		4,694	4,694
TOTAL ASSETS	<u>\$ 2,292,670</u>	<u>\$ 4,694</u>	<u>\$ 2,297,364</u>
LIABILITIES			
Accounts Payable	\$ 67,144	\$	\$ 67,144
Due to OST Griggs	60,583		60,583
Due to Taxpayers	26,109		26,109
Deferred Revenues:			
Assessments	1,490,896	(163,962)	1,326,934
Penalty and Interest on Delinquent Assessments	69,833	(69,833)	
TOTAL LIABILITIES	<u>\$ 1,714,565</u>	<u>\$ (233,795)</u>	<u>\$ 1,480,770</u>
FUND BALANCE/NET ASSETS			
FUND BALANCE			
Nonspendable: Prepaid Costs	\$ 879	\$ (879)	\$
Restricted for FTA Projects	32,022	(32,022)	
Assigned for Economic Development	11,200	(11,200)	
Unassigned	534,004	(534,004)	
TOTAL FUND BALANCE	<u>\$ 578,105</u>	<u>\$ (578,105)</u>	<u>\$ -0-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,292,670</u>		
NET ASSETS			
Invested in Capital Assets		\$ 4,694	\$ 4,694
Restricted		32,022	32,022
Unrestricted		779,878	779,878
TOTAL NET ASSETS		<u>\$ 816,594</u>	<u>\$ 816,594</u>

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

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

Total Fund Balance - Governmental Funds	\$ 578,105
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.	4,694
Deferred assessment revenues for the 2010 and prior levies became part of recognized revenues in the governmental activities of the District.	163,962
Deferred penalty and interest on delinquent assessments for the 2010 and prior levies became part of recognized revenues in the governmental activities of the District.	<u>69,833</u>
Total Net Assets - Governmental Activities	<u>\$ 816,594</u>

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

GREATER SOUTHEAST MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Adjustments	Statement of Activities
REVENUES			
Assessment Revenues	\$ 1,231,670	\$ (19,166)	\$ 1,212,504
Penalty and Interest	41,606	(3,762)	37,844
Grant Revenues, Note 8	310,629		310,629
Conference Revenues	5,550		5,550
Investment Revenues	2,359		2,359
Miscellaneous Revenues	<u>6,385</u>		<u>6,385</u>
TOTAL REVENUES	<u>\$ 1,598,199</u>	<u>\$ (22,928)</u>	<u>\$ 1,575,271</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Personnel	\$ 230,934	\$	\$ 230,934
Professional Fees	65,425		65,425
Contracted Services	30,665		30,665
Administrative Costs	47,007		47,007
Depreciation, Note 5		1,847	1,847
Business and Economic Development	48,334		48,334
Enhanced Public Safety	496,193		496,193
Local Mobility Improvements	147,047		147,047
Marketing and Perception Enhancements	39,738		39,738
Visual Improvements and Services	267,013		267,013
Programs	<u>336,424</u>		<u>336,424</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 1,708,780</u>	<u>\$ 1,847</u>	<u>\$ 1,710,627</u>
NET CHANGE IN FUND BALANCE	\$ (110,581)	\$ 110,581	\$
CHANGE IN NET ASSETS		(135,356)	(135,356)
FUND BALANCE/NET ASSETS – JANUARY 1, 2011	<u>688,686</u>	<u>263,264</u>	<u>951,950</u>
FUND BALANCE/NET ASSETS – DECEMBER 31, 2011	<u>\$ 578,105</u>	<u>\$ 238,489</u>	<u>\$ 816,594</u>

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

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

Net Change in Fund Balance - Governmental Funds	\$ (110,581)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report assessment revenues when collected. However, in the Statement of Activities, revenues are recorded in the accounting period for which the assessments are levied.	(19,166)
Governmental funds report penalty and interest on delinquent assessments when collected. However, in the Statement of Activities, revenues are recorded in the accounting period in which the penalty and interest are assessed.	(3,762)
Governmental funds do not account for depreciation. However, in the Statement of Net Assets, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	<u>(1,847)</u>
Change in Net Assets - Governmental Activities	<u>\$ (135,356)</u>

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

GREATER SOUTHEAST MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. CREATION OF DISTRICT

Greater Southeast Management District (the "District") was created effective June 17, 2001, by the Texas Legislature under provisions of House Bill No. 3692, of the 77th Legislature Regular Session, 2001, codified as Chapter 3808, Texas Special District Local Laws Code (formerly Subchapter H, Chapter 376, Texas Local Government Code). Pursuant to the provisions of the Act creating the District, the District is empowered to promote, develop, encourage, and maintain employment, commerce, transportation, housing, tourism, recreation, arts, entertainment, economic development, safety, and the public welfare in the southeast area of City of Houston, Texas. The Board of Directors held its first meeting on April 8, 2002.

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").

The 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 municipality. The District does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the District's basic financial statements.

Financial Statement Presentation

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

GREATER SOUTHEAST MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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.

GREATER SOUTHEAST MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (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 revenues and expenses 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 financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds

The District has one governmental fund and considers it to be a major fund.

General Fund - 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 collectable 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 collectable 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.

Assessments considered available by the District and included in revenues include the 2010 assessment collections during the period October 1, 2010, to December 31, 2011, and assessments collected from January 1, 2011, through December 31, 2011, for all prior assessments. The 2011 assessment has been fully deferred to meet the District's planned expenditures in the 2012 fiscal year.

GREATER SOUTHEAST MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include equipment, 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.

The District does not have a written depreciation policy. Historically, capital assets have been capitalized if they have an original useful life over two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Computers and Office Equipment	5
Furniture and Fixtures	7
Software	3

Budgeting

In compliance with governmental accounting principles, the District's Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended during the current fiscal year.

Pensions

A pension plan has not been established. The District makes payments into the social security/medicare system for its 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.

GREATER SOUTHEAST 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 are included on the Balance Sheet as follows:

Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, 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.

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. The Board has assigned \$11,200 to be used for Economic Development.

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.

GREATER SOUTHEAST MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

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.

Subsequent Events

In preparing these financial statements management has evaluated and disclosed all material subsequent events through July 11, 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 \$832,515 and the bank balance was \$938,992. Of the bank balance, \$546,826 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

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

GREATER SOUTHEAST MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

	Cash	Certificates of Deposit	Total
GENERAL FUNDS	\$ 784,706	\$ 15,787	\$ 800,493
GRANT FUNDS	32,022		32,022
TOTAL DEPOSITS	<u>\$ 816,728</u>	<u>\$ 15,787</u>	<u>\$ 832,515</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) 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:

GREATER SOUTHEAST MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND -</u> Certificates of Deposit	\$ 15,787	\$ 15,787	\$ -0-	\$ -0-	\$ -0-

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2011, the District manages credit risk by investing in certificates as deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

Grant funds of \$32,022 have been restricted for use in FTA grant projects.

NOTE 4. ANNUAL ASSESSMENT

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

On April 26, 2004, the District approved the Greater Southeast Management District Service Plan (the "Plan"). It was updated September 12, 2007. The Plan authorized levying an annual assessment which would assure sufficient funding for the services provided under the ten year term of the Plan through 2018. The Plan provides for a maximum annual assessment rate of no more than \$0.115 per \$100 of assessed valuation of land and improvements within the District. During the current fiscal year, the District levied an assessment of \$0.115 per \$100 of assessed valuation, which resulted in an assessment of \$1,326,934 on the adjusted taxable valuation of \$1,159,734,609 for the 2011 assessment 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.

GREATER SOUTHEAST MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, is as follows:

	January 1, 2011	Increases	Decreases	December 31, 2011
Capital Assets Subject to Depreciation				
Furniture and Fixtures	\$ 3,432	\$	\$	\$ 3,432
Equipment and Software	<u>12,800</u>	<u></u>	<u></u>	<u>12,800</u>
Total Capital Assets Subject to Depreciation	<u>\$ 16,232</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 16,232</u>
Less Accumulated Depreciation				
Furniture and Fixtures	\$ 1,663	\$ 444	\$	\$ 2,107
Equipment and Software	<u>8,028</u>	<u>1,403</u>	<u></u>	<u>9,431</u>
Total Accumulated Depreciation	<u>\$ 9,691</u>	<u>\$ 1,847</u>	<u>\$ -0-</u>	<u>\$ 11,538</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,541</u>	<u>\$ 1,847</u>	<u>\$ -0-</u>	<u>\$ 4,694</u>

NOTE 6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; and natural disasters. The District participates in the Texas Municipal League Intergovernmental Risk Pool ("TML") to provide its general liability, automobile liability, law enforcement liability, errors and omissions coverage and workers compensation 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 year ended December 31, 2011, the District's net contribution to the fund for insurance coverage was \$2,551. The District purchases fidelity bonds from a commercial insurance carrier. There have been no significant reductions in coverage from the prior year and there have been no claims in the prior three years.

NOTE 7. LEASE PAYMENTS

On June 8, 2006, the District entered into an agreement to lease office space at 5445 Alameda Road, Suite 503, Houston, Texas, for \$931 per month plus a prorated share of real property taxes. The original lease was from June 1, 2006, through December 31, 2007. A letter of agreement extended the lease through December 31, 2010, at \$1,214 per month plus a pro rated share of real property taxes.

GREATER SOUTHEAST MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 7. LEASE PAYMENTS (Continued)

On November 30, 2010, the District executed a letter agreement for the period from January 1, 2011, through December 31, 2011, at \$1,214 per month plus a pro rated share of excess operating costs for the building and its pro rated share of all real property taxes. During the current fiscal year, the District recorded an expenditure of \$14,288 related to this lease.

Subsequent to year end, the District executed a letter agreement for the period from January 1, 2012, through December 31, 2012 at \$1,214 per month plus a pro-rated share of excess operating costs for the building and its pro-rated share of all real property taxes. Either party may terminate the agreement with 60 days written notice.

NOTE 8. GRANT REVENUES

The District was approved for a Federal Transit Administration Grant for pedestrian transit access improvements to the Old Spanish Trail and Griggs corridors. Under an agreement dated March 25, 2009 between Old Spanish Trail/Alameda Corridors Redevelopment Authority (the "Authority"), the Authority agreed to manage and oversee the improvement design, development and construction activities. In the current fiscal year, \$42,076 was received and \$85,244 was disbursed for this project, and revenues of \$43,773 were accrued.

The Riverside Hospital project was approved for a Federal Transit Administration Grant for sidewalk improvements and handicap ramps. In the current fiscal year, \$69,846 was received, \$27,278 in revenues were accrued and \$146,730 was disbursed for this project.

The McGowen Street Project was approved in October 2010 to provide Pedestrian improvements, including sidewalk design, ramps, landscaping and street lighting within the right-of-way along McGowen Street east of US Highway 59. In the current fiscal year, \$107,843 was received and \$91,303 was disbursed. In addition, \$13,147 was payable to the engineers at year end and revenues of \$19,813 were accrued.

GREATER SOUTHEAST MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2011

**GREATER SOUTHEAST MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Assessment Revenues	\$ 1,218,011	\$ 1,218,011	\$ 1,287,124	\$ 69,113
Less: Refunds		(57,000)	(55,454)	1,546
Penalty and Interest			41,606	41,606
Grant Revenues			310,629	310,629
Conference Revenue			5,550	5,550
Investment Revenues	3,000	3,000	2,359	(641)
Miscellaneous Revenues			6,385	6,385
TOTAL REVENUES	<u>\$ 1,221,011</u>	<u>\$ 1,164,011</u>	<u>\$ 1,598,199</u>	<u>\$ 434,188</u>
EXPENDITURES				
Service Operations				
Personnel	\$ 180,471	\$ 211,686	\$ 230,934	\$ (19,248)
Professional Fees	60,400	67,900	65,425	2,475
Contracted Services	23,100	23,100	30,665	(7,565)
Administrative Costs	29,219	48,600	47,007	1,593
Business and Economic Development	63,600	59,100	48,334	10,766
Enhanced Public Safety	364,712	364,712	496,193	(131,481)
Local Mobility Improvements	85,000	75,000	147,047	(72,047)
Marketing and Perception Enhancements	92,000	69,000	39,738	29,262
Visual Improvements and Services Programs	243,000	263,000	267,013	(4,013)
			336,424	(336,424)
TOTAL EXPENDITURES	<u>\$ 1,141,502</u>	<u>\$ 1,182,098</u>	<u>\$ 1,708,780</u>	<u>\$ (526,682)</u>
NET CHANGE IN FUND BALANCE	\$ 79,509	\$ (18,087)	\$ (110,581)	\$ (92,494)
FUND BALANCE – JANUARY 1, 2011	<u>688,686</u>	<u>688,686</u>	<u>688,686</u>	
FUND BALANCE – DECEMBER 31, 2011	<u>\$ 768,195</u>	<u>\$ 670,599</u>	<u>\$ 578,105</u>	<u>\$ (92,494)</u>

See accompanying independent auditor's report.

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GREATER SOUTHEAST MANAGEMENT DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2011

**GREATER SOUTHEAST MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

PERSONNEL (Including Benefits)	
Insurance	\$ 37,087
Payroll Taxes	14,724
Salaries	<u>179,123</u>
TOTAL PERSONNEL (Including Benefits)	\$ <u>230,934</u>
PROFESSIONAL FEES:	
Auditing	\$ 14,000
Delinquent Tax Attorney	13,775
Legislative Advocate	12,500
Legal	<u>25,150</u>
TOTAL PROFESSIONAL FEES	\$ <u>65,425</u>
PURCHASED SERVICES FOR RESALE	\$ <u>-0-</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 12,000
Payroll Processing	2,403
Tax Assessor/Collector	<u>16,262</u>
TOTAL CONTRACTED SERVICES	\$ <u>30,665</u>
ADMINISTRATIVE EXPENDITURES:	
Bank Charges	\$ 2,263
Insurance	2,592
Office Occupancy	14,288
Office Supplies and Postage	11,225
Telephone	6,009
Travel and Meetings	<u>10,630</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>47,007</u>

See accompanying independent auditor's report.

**GREATER SOUTHEAST MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

CAPITAL OUTLAY:	
Capitalized Assets	\$
Expenditures Not Capitalized	
TOTAL CAPITAL OUTLAY	\$ -0-
 BUSINESS AND ECONOMIC DEVELOPMENT	
Business Interns	\$ 6,839
Conferences and Seminars - Attend	2,113
Conferences and Seminars - Host	9,600
GSMD Conference	<u>29,782</u>
TOTAL BUSINESS AND ECONOMIC DEVELOPMENT	\$ <u>48,334</u>
 ENHANCED PUBLIC SAFETY:	
Constable Patrol	\$ 241,010
Police on Patrol	242,253
Security Coordinator	12,000
Other	<u>930</u>
TOTAL ENHANCED PUBLIC SAFETY	\$ <u>496,193</u>
 LOCAL MOBILITY IMPROVEMENTS	
Mobility Advocacy	\$ 146,775
Other	<u>272</u>
TOTAL LOCAL MOBILITY IMPROVEMENTS	\$ <u>147,047</u>
 MARKETING AND PERCEPTION ENHANCEMENTS:	
Newsletters/Flyers	\$ 24,540
Office Supplies and Distribution Costs	11,546
Website	2,872
Other	<u>780</u>
TOTAL MARKETING AND PERCEPTION ENHANCEMENTS	\$ <u>39,738</u>

See accompanying independent auditor's report.

**GREATER SOUTHEAST MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

VISUAL IMPROVEMENTS AND SERVICES:			
Graffiti Abatement		\$	15,680
Right-of-Way Maintenance			190,700
Streetscape Maintenance			53,071
Waste Removal			6,942
Other			<u>620</u>
TOTAL VISUAL IMPROVEMENTS AND SERVICES		\$	<u>267,013</u>
PROGRAMS			
McGowen Street Project		\$	104,450
Riverside Project			146,730
OST Griggs TIRZ Project			<u>85,244</u>
TOTAL PROGRAMS		\$	<u>336,424</u>
TOTAL EXPENDITURES		\$	<u>1,708,780</u>
Number of persons employed by the District	<u>3</u>	Full-Time	<u>1</u> Part-Time*

* Varies throughout the year

See accompanying independent auditor's report.

GREATER SOUTHEAST 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>GENERAL FUND</u>					
Certificate of Deposit	2002411	0.150%	04/20/12	\$ 15.787	\$ -0-

See accompanying independent auditor's report.

**GREATER SOUTHEAST MANAGEMENT DISTRICT
ASSESSMENTS LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Assessments</u>	
ASSESSMENTS RECEIVABLE – January 1, 2011	\$ 1,431,466	
Adjustments to Beginning Balance from Prior Year	<u>(119,872)</u>	\$ 1,311,594
Original 2011 Assessment Levy	\$ 1,326,934	
Adjustments to 2011 Assessment Levy	<u> </u>	<u>1,326,934</u>
TOTAL TO BE ACCOUNTED FOR		\$ 2,638,528
ASSESSMENT COLLECTIONS:		
Prior Years	\$ 1,147,634	
Current Year	<u>192,815</u>	<u>1,340,449</u>
ASSESSMENTS RECEIVABLE – December 31, 2011		<u>\$ 1,298,079</u>
REMAINING PORTION OF ASSESSMENTS RECEIVABLE BY YEAR:		
2011		\$ 1,134,119
2010		56,458
2009		39,953
2008		30,424
2007		12,429
2006 and prior		<u>24,696</u>
TOTAL ASSESSMENTS RECEIVABLE BY YEAR:		<u>\$ 1,298,079</u>

See accompanying independent auditor's report.

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GREATER SOUTHEAST MANAGEMENT DISTRICT
ASSESSMENTS LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
PROPERTY VALUATIONS				
Land and Improvements, Net of Exemptions	<u>\$1,159,734,609</u>	<u>\$1,166,116,018</u>	<u>\$1,229,252,249</u>	<u>\$1,123,455,618</u>
ASSESSMENT RATE PER \$100 VALUATION:	<u>\$ 0.115</u>	<u>\$ 0.115</u>	<u>\$ 0.115</u>	<u>\$ 0.115</u>
ADJUSTED ASSESSMENT LEVY*	<u>\$ 1,326,934</u>	<u>\$ 1,332,376</u>	<u>\$ 1,405,041</u>	<u>\$ 1,291,974</u>
PERCENT OF ASSESSMENTS COLLECTED TO ASSESSMENTS LEVIED	<u>14.53%</u>	<u>95.60%</u>	<u>97.07%</u>	<u>97.63%</u>

* Based upon the adjusted assessment levy at the time of the audit for the fiscal year in which the assessment was levied.

See accompanying independent auditor's report.

**GREATER SOUTHEAST MANAGEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	<u>Amounts</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
REVENUES			
Assessment Revenues	\$ 1,231,670	\$ 1,374,028	\$ 1,271,229
Penalty and Interest	41,606	73,032	72,222
Grant Revenues	310,629	356,912	221,883
Conference Revenues	5,550	5,462	
Investment Revenues	2,359	3,101	5,054
Miscellaneous Revenues	6,385	202	489
TOTAL REVENUES	<u>\$ 1,598,199</u>	<u>\$ 1,812,737</u>	<u>\$ 1,570,877</u>
EXPENDITURES			
Personnel	\$ 230,934	\$ 214,019	\$ 184,592
Professional Fees	65,425	62,415	68,831
Contracted Services	30,665	35,047	30,095
Administrative Costs	47,007	54,792	44,887
Business and Economic Development	48,334	62,275	102,170
Enhanced Public Safety	496,193	431,641	434,387
Local Mobility Improvements	147,047	64,630	61,600
Marketing and Perception Enhancements	39,738	90,316	93,491
Visual Improvements and Services	267,013	400,656	269,525
McGowen Street Project	104,450		
Riverside Hospital Project	146,730	38,698	
OST Griggs TIRZ Project	85,244	84,504	
Museum Parking Improvements		225,764	221,883
Capital Outlay		2,695	
TOTAL EXPENDITURES	<u>\$ 1,708,780</u>	<u>\$ 1,767,452</u>	<u>\$ 1,511,461</u>
NET CHANGE IN FUND BALANCE	<u>\$ (110,581)</u>	<u>\$ 45,285</u>	<u>\$ 59,416</u>
BEGINNING FUND BALANCE	<u>688,686</u>	<u>643,401</u>	<u>583,985</u>
ENDING FUND BALANCE	<u>\$ 578,105</u>	<u>\$ 688,686</u>	<u>\$ 643,401</u>

See accompanying independent auditor's report.

		Percent of Total Revenues				
2008	2007*	2011	2010	2009	2008	2007
\$ 1,054,752	\$ 586,198	77.1%	75.8%	80.9%	59.3%	92.1%
40,505	25,359	2.6	4.0	4.6	2.3	4.0
667,733	3,750	19.4	19.7	14.1	37.5	0.6
		0.3	0.3			
15,741	20,838	0.1	0.2	0.3	0.9	3.3
	118	0.5		0.1		
<u>\$ 1,778,731</u>	<u>\$ 636,263</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 160,289	\$ 117,941	14.4%	11.8%	11.8%	9.0%	18.5%
50,385	64,037	4.1	3.4	4.4	2.8	10.1
41,157	44,229	1.9	1.9	1.9	2.3	7.0
45,336	33,715	2.9	3.0	2.9	2.5	5.3
29,653	10,526	3.0	3.4	6.5	1.7	1.7
225,660	143,968	31.0	23.8	27.6	12.7	22.6
67,424	32,321	9.2	3.6	3.9	3.8	5.1
87,610	45,344	2.5	5.0	6.0	4.9	7.1
236,962	126,414	16.7	22.1	17.2	13.3	19.8
		6.5				
		9.2	2.1			
		5.5	4.7			
667,000			12.5	14.1	37.5	
6,197			0.2		0.4	
<u>\$ 1,617,673</u>	<u>\$ 618,495</u>	<u>106.9%</u>	<u>97.5%</u>	<u>96.3%</u>	<u>90.9%</u>	<u>97.2%</u>
\$ 161,058	\$ 17,768	(6.9)%	2.5%	3.7%	9.1%	2.8%
422,927	405,159					
<u>\$ 583,985</u>	<u>\$ 422,927</u>					

* Beginning fund balance was adjusted to recognize assessment revenues on the modified accrual basis of accounting

See accompanying independent auditor's report.

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

District Mailing Address - Greater Southeast Management District
5445 Almeda Road, Suite 503
Houston, TX 77004

District Telephone Number - (713) 942-0500

Board Members	<u>Appointed Term of Office</u>	<u>Fees of Office for the year ended December 31, 2011</u>	<u>Expense Reimbursements for the year ended December 31, 2011</u>	<u>Title</u>
Brian G. Smith	11/11 06/15	\$ -0-	\$ -0-	Chairman
Janice Sibley-Reid	11/11 06/15	\$ -0-	\$ -0-	Secretary
Min. Robert Muhammad	11/11 06/15	\$ -0-	\$ -0-	Treasurer
Robert Combre	11/11 06/15	\$ -0-	\$ -0-	Director
Zinetta A. Burney	11/11 06/13	\$ -0-	\$ -0-	Director
Dr. Teddy McDavid	11/11 06/15	\$ -0-	\$ -0-	Director/ Investment Officer
Chris Hageney	11/11 06/15	\$ -0-	\$ -0-	Director

See accompanying independent auditor's report.

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

Board Members	Appointed Term of Office	Fees for the year ended December 31, 2011	Expense Reimbursements for the year ended December 31, 2011	Title
Alan D. Bergeron	11/11 06/13	\$ -0-	\$ -0-	Director
Sharone Mayberry	11/11 06/13	\$ -0-	\$ -0-	Director
James J. Donatto, Sr.	11/11 06/13	\$ -0-	\$ -0-	Director
Hexser J. Holliday, II	11/11 06/13	\$ -0-	\$ -0-	Director
Osama Abdullatif	11/11 06/13	\$ -0-	\$ -0-	Director
Skye Thompson	11/11 06/13	\$ -0-	\$ -0-	Director
Jimmy Arnold	11/11 06/13	\$ -0-	\$ -0-	Director
Asmara Tekle	11/11 06/13	\$ -0-	\$ -0-	Director
Jaa St. Julien	11/11 06/13	\$ -0-	\$ -0-	Director
Cydonii Miles	11/11 06/13	\$ -0-	\$ -0-	Director

Note: Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): January 12, 2004.

See accompanying independent auditor's report.

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

Key Personnel:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2011</u>	<u>Title</u>
Jason McLemore 5445 Almeda Road, Suite 503 Houston, TX 77004	01/02/05	\$ 92,500	Executive Director/ Investment Officer
Consultants:			
Vinson & Elkins, L.L.P. 1001 Fannin Street, Suite 2300 Houston, TX 77002-6760	03/10/03	\$ 25,150	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	12/12/07	\$ 14,000	Auditor
McConnell & Jones, L.L.P. Certified Public Accountants 3040 Post Oak Blvd., Suite 1600 Houston, TX 77056	06/23/04	\$ 12,000	Bookkeeper
Perdue Brandon Fielder Collins & Mott, LLP 1235 North Loop West, Suite 600 Houston, TX 77008	06/21/05	\$ 13,775	Delinquent Assessment Attorney
Equi-Tax, Inc. P.O. Box 73109 Houston, TX 77273	03/10/03	\$ 16,262	Assessment Collector

See accompanying independent auditor's report.

GREATER SOUTHEAST MANAGEMENT DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2011

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

