

# ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF HARRIS }

I, Debbie Gibson of the  
(Name of Duly Authorized District Representative)  
Greater Southeast Management District  
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 8th day of May, 2013, its annual audit report for the fiscal year or period ended December 31, 2012 and that copies of the annual audit report have been filed in the district office, located at

5445 Almeda Road, Suite 503, Houston, TX 77004  
(Address of District)

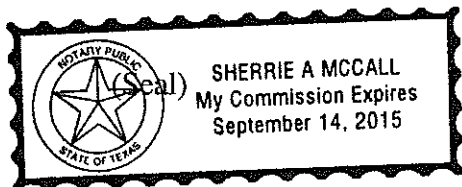
The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: May 15, 2013.

By: *Debbie Gibson*  
(Signature of District Representative)

Debbie Gibson, Auditor  
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this the 15th day of May 2013.



*Sherrie A. McCall*  
(Signature of Notary)

My Commission Expires On: September 14, 2015.  
Notary Public in the State of Texas.

**TEXAS WATER CODE SECTION 49.194**  
**Filing of Audits, Affidavits, and Financial Reports**

- (a) After the board has approved the audit, it shall submit a copy of the report to the executive director for filing within 135 days after the close of the district's fiscal year.
- (b) If the board refuses to approve the annual audit report, the board shall submit a copy of the report to the executive director for filing within 135 days after the close of the district's fiscal year, accompanied by a statement from the board explaining the reasons for its failure to approve the report.
- (c) Copies of the audit, the annual financial dormancy affidavit, or annual financial report described in Sections 49.197 and 49.198 shall be filed annually in the office of the district.
- (d) Each district shall file with the executive director an annual filing affidavit in a format prescribed by the executive director, executed by a duly authorized representative of the board, stating that all copies of the annual audit report, annual financial dormancy affidavit, or annual financial report have been filed under this section.
- (e) The annual filing affidavit shall be submitted with the applicable annual document when it is submitted to the executive director for filing as prescribed by this subchapter.
- (f) The executive director shall file with the attorney general the names of any districts that do not comply with the provisions of this subchapter.

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**THE ANNUAL FILING AFFIDAVIT IS PRINTED ON THE OTHER SIDE**

Please review the affidavit, making sure it has been fully completed, signed, and notarized. Attach the affidavit to the audit report before mailing. Submit the completed affidavit and audit report to:

Reports & Supervision Team – MC 152  
TCEQ – Water Utilities Division  
P.O. Box 13087  
Austin, Texas 78711-3087

**GREATER SOUTHEAST MANAGEMENT DISTRICT**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2012**

**GREATER SOUTHEAST MANAGEMENT DISTRICT**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Greater Southeast Management District  
Harris County, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and major fund of Greater Southeast Management District (the "District"), as of and for the year ended December 31, 2012, 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

  
McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants

May 8, 2013

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012. Please read it in conjunction with the District's financial statements, which begin on page 10.

**FINANCIAL HIGHLIGHTS**

The following section summarizes significant financial events for the fiscal year ended December 31, 2012.

- The District levies an assessment each year which funds the ten-year assessment plan. The assessment for tax year 2011 was \$0.11500 per \$100 valuation of properties located in the District. Budgeted assessment revenues for the fiscal year 2012 were \$1,375,910. In the current year, the District received \$1,266,196 for 2011 assessments, which represents a 96% collection rate, and \$35,038 for 2010 which represents a 97% collection rate. The 11% collection rate for 2012 assessments represents assessment payers that paid their taxes early. The 2012 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 over ten years which included funding for additional transit improvements and a study of Old Spanish Trail and Griggs Road. In fiscal year 2012, the District received over \$1,247,906 in federal funds for design and construction of pedestrian improvements along McGowan, Elgin, Griggs, and Old Spanish Trail.
- In fiscal year 2012, the District entered into a contract with Flores Quality Service to provide trash collection, litter removal, and landscaping services at a monthly rate of \$17,083 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 on January 1, 2012, with Harris County Constable Precinct 7 to provide security patrol (four deputies) day and night for a monthly amount of \$24,363 for the twelve-month period ending December 31, 2012.
- 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 2012.
- In fiscal year 2012, the District sponsored various events, at which marketing presentations were made on businesses and business opportunities within the management district.



**GREATER SOUTHEAST MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**FINANCIAL HIGHLIGHTS** (Continued)

- The District's office lease for 2012 was at a monthly rate of \$1,214 which includes all utilities excluding phone and internet service.
- Creating a more viable community, improving the economic health of the area, and changing the public perception of Greater Southeast Houston, continue to be at the core of the District's mission. The District continues to support workshops that encourage business expansion, foster economic growth and promote sustainability for the entire community.
- The District also sponsored the Together Achieving More Summit & Luncheon (TAM) in 2012, to promote awareness about the District among business owners, developers, and real estate professionals.

**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 financial statements. The 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 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 Position. This information is found in the Statement of Net Position column on page 10. 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, 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 financial health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on page 12 reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**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 Position on page 11 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance 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 FINANCIAL STATEMENTS**

The accompanying notes to 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 24 in this report.

**OTHER INFORMATION**

In addition to the 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.

**GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS**

Net Position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$901,614 as of December 31, 2012.

A portion of the District's net position 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.

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS (Continued)**

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

	Summary of Changes in the Statement of Net Position		
	2012	2011	Change Positive (Negative)
Current and Other Assets	\$ 2,444,940	\$ 2,292,670	\$ 152,270
Capital Assets (Net of Accumulated Depreciation)	<u>2,895</u>	<u>4,694</u>	<u>(1,799)</u>
Total Assets	<u>\$ 2,447,835</u>	<u>\$ 2,297,364</u>	<u>\$ 150,471</u>
Other Liabilities	<u>\$ 170,310</u>	<u>\$ 153,836</u>	<u>\$ (16,474)</u>
Deferred Inflows of Resources	<u>\$ 1,375,911</u>	<u>\$ 1,326,934</u>	<u>\$ (48,977)</u>
Net Position:			
Net Investment in Capital Assets	\$ 2,895	\$ 4,694	\$ (1,799)
Restricted	127,370	32,022	95,348
Unrestricted	<u>771,349</u>	<u>779,878</u>	<u>(8,529)</u>
Total Net Position	<u>\$ 901,614</u>	<u>\$ 816,594</u>	<u>\$ 85,020</u>

The following table provides a summary of the District's operations for the years ended December 31, 2012, and December 31, 2011. The District's net position increased by \$85,020, accounting for a 10.4% increase in net position.

	Summary of Changes in the Statement of Activities		
	2012	2011	Change Positive (Negative)
Revenues:			
Assessment Revenues	\$ 1,309,170	\$ 1,212,504	\$ 96,666
Grant Revenues	1,259,324	310,629	948,695
Conference Revenues	17,365	5,550	11,815
Other Revenues	<u>56,787</u>	<u>46,588</u>	<u>10,199</u>
Total Revenues	\$ 2,642,646	\$ 1,575,271	\$ 1,067,375
Expenses for Services	<u>(2,557,626)</u>	<u>(1,710,627)</u>	<u>(846,999)</u>
Change in Net Position	\$ 85,020	\$ (135,356)	\$ 220,376
Net Position, Beginning of Year	<u>816,594</u>	<u>951,950</u>	<u>(135,356)</u>
Net Position, End of Year	<u>\$ 901,614</u>	<u>\$ 816,594</u>	<u>\$ 85,020</u>

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND**

The District's General Fund fund balance as of December 31, 2012, was \$662,258, an increase of \$84,153 from the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors amended the budget during the current fiscal year to increase expenditures by \$93,146. Actual revenues were \$1,375,330 more than budgeted revenues and actual expenditures were \$1,441,179 more than budgeted expenditures as the District does not budget for FTA grant revenues and expenditures. See page 26 for budget and actual comparison.

**CAPITAL ASSETS**

The District's investment in capital assets as of December 31, 2012, is \$2,895 (net of accumulated depreciation).

Capital Assets at Year-End, Net of Accumulated Depreciation			
	2012	2011	Net Increase (Decrease)
Capital Assets Net of Accumulated Depreciation:			
Furniture and Fixtures	\$ 934	\$ 1,325	\$ (391)
Equipment and Software	1,961	3,369	(1,408)
Total Net Capital Assets	\$ 2,895	\$ 4,694	\$ (1,799)

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 funds to current Bicycle Patrol Program, Constable Patrol Program, and Graffiti Abatement. The District will continue the partnership with the OST/Alameda Corridors Redevelopment Authority (TIRZ #7) for \$150,000 (contingent upon approval by the City of Houston) to fund at least one additional Constable for the Precinct 7-contracted program and Houston Police officers for the District Bicycle Patrol Program. The District will conduct monthly meetings with Public Safety Agencies that operate in the District to coordinate services and to review activity reports.

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**FUTURE PROJECTS** (Continued)

- *Marketing & Perception Enhancement:* The District will continue to market areas within the District by using various platforms such as an enhanced interactive website, digital notices, videos promoting local businesses, newsletters, events, social media and mobile engagement. The District will utilize the aforementioned forms of media to engage District assessment payers, developers, residents and other community stakeholders. In December 2012, the Board approved the commitment of \$10,000 for website development, \$3,500 for logo enhancement/rebranding, \$15,000 to develop a District Marketing & Perception Plan and \$1,500 to print Summary of Revenues and Expenses postcards for assessment payers. The District expects to hire a public relations firm to re-brand the District and manage its digital outreach, public outreach, and business outreach efforts. The District expects to continue to be the title sponsor of the “Dancin’ in the Street: Motown and More Revue” in 2013 and will consider naming rights for other key events.
  
- *Visual Improvements:* The District will continue to provide trash removal, landscaping services in the rights-of-ways (on all major corridors) and graffiti abatement within the District. The District will seek additional funding to implement a Master Plan for Green Space and subsequent implementation of the Plan. The District will maintain the following projects:
  - Third Ward Connectivity Project: The District passed a resolution to maintain the \$1.8 million dollar Blodgett Street improvements under the Third Ward Connectivity Project. The scope of work currently under construction includes landscape enhancements, irrigation installation, street furniture and lighting fixtures.
  - Alameda Road Enhancements: The District will continue to maintain the improvements along Alameda Road which includes landscape enhancements, paver installation, street furniture and lighting fixtures.
  - Park at Palm Center: The District will maintain the Park at Palm Center improvements including upgrades scheduled to be substantially completed April 2013. Improvements include landscape enhancements, irrigation installation, recreational amenities, shade structures, outdoor performance area, urban/community garden and public art.
  - Museum District/Main Street Improvements: Upon completion of installation of improvements by the City of Houston, the District will maintain the landscape enhancements, irrigation system, wayfinding signs and sidewalk pavers along Main Street.
  - OST/Griggs Landscape Project: Upon installation of improvements by OST/Alameda Corridors Redevelopment Authority (TIRZ #7) scheduled to be substantially completed May 2013, followed by a one-year maintenance of improvements by the Authority’s contractor, the District will maintain the improvements along Old Spanish Trail and Griggs Road which include landscape enhancements, irrigation installation, paver installation and street furniture.

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**FUTURE PROJECTS** (Continued)

- *Business & Economic Development:* 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 businesses. The District will initiate partnerships with Houston Community College (on programs like the 10,000 Small Businesses Initiative and Texas Skills Development), identify new retail opportunities to establish the District as a hub for small businesses, and explore opportunities with corporations for economic development.
- *Transportation Improvements:* The District will continue to seek federal funding in the 2013 – 2014 federal budget and Executive Branch process, as well as the Houston-Galveston Area Council Transportation Improvements Projects. The District will continue to monitor TXDOT's proposed SH 288 toll road, the Almeda widening project and the Texas Medical Center proposed direct connector off ramp from SH 288. The District will complete the update to the Transit Access Plan with a focus on multi-modal transportation options including a transit center and sites amenable to transit oriented development. The District's staff will continue to collaborate with the Metropolitan Transit Authority of Harris County during the construction of the Southeast Light Rail Line along with other transit related projects and the OST/Almeda Corridors Redevelopment Authority (TIRZ #7) in design and construction of right-of-way improvements.
- *Administration:* The District's office lease is on a yearly basis. The District will research options for longer term office space in the future.

**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 POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2012**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash - Note 3	\$ 761,497	\$	\$ 761,497
Cash – FTA Projects/Local Mobility	127,370		127,370
Investments, Note 3	15,810		15,810
Receivables:			
Assessments	1,389,510		1,389,510
Penalty and Interest on Delinquent Assessments	74,437		74,437
FTA Projects	74,922		74,922
Other	500		500
Prepaid Costs	894		894
Capital Assets (Net of Accumulated Depreciation), Note 5		2,895	2,895
<b>TOTAL ASSETS</b>	<b>\$ 2,444,940</b>	<b>\$ 2,895</b>	<b>\$ 2,447,835</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 121,056	\$	\$ 121,056
Due to Taxpayers	49,254		49,254
<b>TOTAL LIABILITIES</b>	<b>\$ 170,310</b>	<b>\$ -0-</b>	<b>\$ 170,310</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Assessments	\$ 1,537,935	\$ (162,024)	\$ 1,375,911
Penalty and Interest on Delinquent Assessments	74,437	(74,437)	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 1,612,372</b>	<b>\$ (236,461)</b>	<b>\$ 1,375,911</b>
<b>FUND BALANCE</b>			
Nonspendable: Prepaid Costs	\$ 894	\$ (894)	\$
Restricted for FTA Projects/Local Mobility	127,370	(127,370)	
Committed for Marketing & Perception	30,000	(30,000)	
Assigned for Economic Development	11,200	(11,200)	
Unassigned	492,794	(492,794)	
<b>TOTAL FUND BALANCE</b>	<b>\$ 662,258</b>	<b>\$ (662,258)</b>	<b>\$ -0-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,444,940</b>		
<b>NET POSITION</b>			
Net Investment in Capital Assets		\$ 2,895	\$ 2,895
Restricted		127,370	127,370
Unrestricted		771,349	771,349
<b>TOTAL NET POSITION</b>		<b>\$ 901,614</b>	<b>\$ 901,614</b>

The accompanying notes to the 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 POSITION  
DECEMBER 31, 2012**

Total Fund Balance - Governmental Funds	\$ 662,258
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.	2,895
Deferred assessment revenues for the 2011 and prior levies became part of recognized revenues in the governmental activities of the District.	162,024
Deferred penalty and interest on delinquent assessments for the 2011 and prior levies became part of recognized revenues in the governmental activities of the District.	<u>74,437</u>
Total Net Position - Governmental Activities	<u>\$ 901,614</u>

The accompanying notes to the 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, 2012**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Assessment Revenues	\$ 1,311,107	\$ (1,937)	\$ 1,309,170
Penalty and Interest	50,698	4,603	55,301
Grant Revenues, Note 8	1,259,324		1,259,324
Conference Revenues	17,365		17,365
Investment Revenues	<u>1,486</u>		<u>1,486</u>
<b>TOTAL REVENUES</b>	<u>\$ 2,639,980</u>	<u>\$ 2,666</u>	<u>\$ 2,642,646</u>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Personnel	\$ 168,099	\$	\$ 168,099
Professional Fees	90,985		90,985
Contracted Services	52,786		52,786
Administrative Costs	50,728		50,728
Depreciation, Note 5		1,799	1,799
Business and Economic Development	43,595		43,595
Enhanced Public Safety	367,746		367,746
Local Mobility Improvements – Non FTA	157,845		157,845
Marketing and Perception Enhancements	26,072		26,072
Visual Improvements and Services	324,898		324,898
Local Mobility Improvements – FTA	<u>1,273,073</u>		<u>1,273,073</u>
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 2,555,827</u>	<u>\$ 1,799</u>	<u>\$ 2,557,626</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 84,153	\$ (84,153)	\$
<b>CHANGE IN NET POSITION</b>		85,020	85,020
<b>FUND BALANCE/NET POSITION – JANUARY 1, 2012</b>	<u>578,105</u>	<u>238,489</u>	<u>816,594</u>
<b>FUND BALANCE/NET POSITION – DECEMBER 31, 2012</b>	<u>\$ 662,258</u>	<u>\$ 239,356</u>	<u>\$ 901,614</u>

The accompanying notes to the 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, 2012**

Net Change in Fund Balance - Governmental Funds	\$ 84,153
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.	(1,937)
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.	4,603
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.	<u>(1,799)</u>
Change in Net Position - Governmental Activities	<u>\$ 85,020</u>

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

**GREATER SOUTHEAST MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**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 77<sup>th</sup> 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 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 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 FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**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 Position and a Statement of Activities. It requires the classification of net position 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.

**GREATER SOUTHEAST MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**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 2011 assessment collections during the period October 1, 2011, to December 31, 2012, and assessments collected from January 1, 2012, through December 31, 2012, for all prior assessments. The 2012 assessment has been fully deferred to meet the District's planned expenditures in the 2013 fiscal year.

**GREATER SOUTHEAST MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

Capital assets, which include equipment, 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 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.

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>
Computer Equipment	5
Copiers/Printers	5
Furniture & Fixtures	7

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 FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**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 assets, 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. Fund balances in governmental funds 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 Board approved to commit \$30,000 to be used for Marketing and Perception.

*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 FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**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 May 8, 2013, which is the date these statements were available to be issued.

New Pronouncements

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for fiscal years beginning after December 15, 2011, provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's assets that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of assets applicable to a future reporting period. GASB Statement No. 63 has been implemented in these financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for fiscal years beginning after December 15, 2012, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 has been early implemented in these financial statements.

**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.



**GREATER SOUTHEAST MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

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 \$904,677 and the bank balance was \$951,502. Of the bank balance, \$549,252 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, 2012, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUNDS	\$ 761,497	\$ 15,810	\$ 777,307
FTA PROJECTS/LOCAL MOBILITY	<u>127,370</u>	<u>          </u>	<u>127,370</u>
TOTAL DEPOSITS	<u>\$ 888,867</u>	<u>\$ 15,810</u>	<u>\$ 904,677</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

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

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, 2012, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND -</u> Certificates of Deposit	<u>\$ 15,810</u>	<u>\$ 15,810</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2012, the District manages credit risk by investing in certificates of deposit with balances below the maximum FDIC coverage limit.

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 \$127,370 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.

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 4. ANNUAL ASSESSMENT (Continued)**

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 \$1,375,911 on the adjusted taxable valuation of \$1,226,994,768 for the 2012 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.

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012, is as follows:

	<u>January 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2012</u>
<b>Capital Assets Subject to Depreciation</b>				
Furniture and Fixtures	\$ 3,432	\$	\$	\$ 3,432
Equipment and Software	<u>12,800</u>	<u>          </u>	<u>          </u>	<u>12,800</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 16,232</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 16,232</u>
<b>Less Accumulated Depreciation</b>				
Furniture and Fixtures	\$ 2,107	\$ 391	\$	\$ 2,498
Equipment and Software	<u>9,431</u>	<u>1,408</u>	<u>          </u>	<u>10,839</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 11,538</u>	<u>\$ 1,799</u>	<u>\$ -0-</u>	<u>\$ 13,337</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 4,694</u>	<u>\$ (1,799)</u>	<u>\$ -0-</u>	<u>\$ 2,895</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, property

**GREATER SOUTHEAST MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 6. RISK MANAGEMENT (Continued)**

coverage, boiler and machinery 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, 2012, the District's net contribution to the fund for insurance coverage was \$2,726. The District purchases fidelity bonds from a commercial insurance carrier. There have been no significant reductions in coverage from the prior three years.

**NOTE 7. LEASE PAYMENTS**

On June 8, 2006, the District entered into an agreement to lease office space at 5445 Almeda 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.

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.

On January 11, 2012, the District executed a letter agreement that extended the lease through December 31, 2012 at the same rate. On November 19, 2012, the District executed a letter of agreement that extended the lease through December 31, 2013 at the same rate. Either party may terminate the agreement with 60 days written notice. During the current fiscal year, the District recorded an expenditure of \$16,410 related to this lease.

**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/Almeda Corridors Redevelopment Authority (the "Authority"), the Authority agreed to manage and oversee the improvement design, development and construction activities. In the current fiscal year, \$476,800 was recorded in grant revenues and \$458,806 was disbursed for this project.

**GREATER SOUTHEAST MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 8. GRANT REVENUES (Continued)**

The Riverside Hospital project was approved for a Federal Transit Administration Grant for sidewalk improvements and handicap ramps. In the current fiscal year, \$162,749 was recorded in grant revenues and \$164,202 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, \$619,775 was recorded in grant revenues and \$650,065 was disbursed.

**NOTE 9. PARTNERSHIP FOR ENHANCED PUBLIC SAFETY**

The District has a partnership with OST/Almeda Corridors Redevelopment Authority (TIRZ #7) for \$150,000 (contingent upon approval by the City of Houston) to fund at least one additional Constable for the Precinct 7-contracted program and/or Houston Police Department and Sheriff Deputies for the District Bicycle Patrol Program.

During the current fiscal year, the District received \$150,613 from TIRZ #7, which was applied against Enhanced Public Safety costs of \$518,359 for a net Enhanced Public Safety cost of \$367,746 for the District.

**GREATER SOUTHEAST MANAGEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2012**

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Assessment Revenues	\$ 1,261,650	\$ 1,261,650	\$ 1,311,107	\$ 49,457
Penalty and Interest			50,698	50,698
Grant Revenues			1,259,324	1,259,324
Conference Revenue			17,365	17,365
Investment Revenues	<u>3,000</u>	<u>3,000</u>	<u>1,486</u>	<u>(1,514)</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,264,650</u>	<u>\$ 1,264,650</u>	<u>\$ 2,639,980</u>	<u>\$ 1,375,330</u>
<b>EXPENDITURES</b>				
Service Operations				
Personnel	\$ 177,636	\$ 235,984	\$ 168,099	\$ 67,885
Professional Fees	50,000	50,000	90,985	(40,985)
Contracted Services	32,500	32,500	52,786	(20,286)
Administrative Costs	33,054	53,920	50,728	3,192
Business and Economic Development	73,600	70,600	43,595	27,005
Enhanced Public Safety	214,712	245,283	367,746	(122,463)
Local Mobility Improvements – Non FTA	85,000	90,000	157,845	(67,845)
Marketing and Perception Enhancements	92,000	70,500	26,072	44,428
Visual Improvements and Services	263,000	265,861	324,898	(59,037)
Local Mobility Improvements -- FTA			<u>1,273,073</u>	<u>(1,273,073)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,021,502</u>	<u>\$ 1,114,648</u>	<u>\$ 2,555,827</u>	<u>\$ (1,441,179)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 243,148</u>	<u>\$ 150,002</u>	<u>\$ 84,153</u>	<u>\$ (65,849)</u>
<b>FUND BALANCE – JANUARY 1, 2012</b>	<u>578,105</u>	<u>578,105</u>	<u>578,105</u>	
<b>FUND BALANCE – DECEMBER 31, 2012</b>	<u>\$ 821,253</u>	<u>\$ 728,107</u>	<u>\$ 662,258</u>	<u>\$ (65,849)</u>

See accompanying independent auditor's report.

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
SUPPLEMENTARY INFORMATION REQUIRED BY THE  
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE  
DECEMBER 31, 2012**



**GREATER SOUTHEAST MANAGEMENT DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

PERSONNEL (Including Benefits)	
Insurance	\$ 23,884
Payroll Taxes	10,566
Salaries	<u>133,649</u>
TOTAL PERSONNEL (Including Benefits)	<u>\$ 168,099</u>
PROFESSIONAL FEES:	
Auditing	\$ 15,900
Delinquent Tax Attorney	16,895
Legal	<u>58,190</u>
TOTAL PROFESSIONAL FEES	<u>\$ 90,985</u>
PURCHASED SERVICES FOR RESALE	<u>\$ -0-</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 12,000
Payroll Processing	2,403
Tax Assessor/Collector	19,155
Other	<u>19,228</u>
TOTAL CONTRACTED SERVICES	<u>\$ 52,786</u>
ADMINISTRATIVE EXPENDITURES:	
Bank Charges	\$ 917
Insurance	2,760
Office Occupancy	16,410
Office Supplies and Postage	14,625
Telephone	4,334
Travel and Meetings	<u>11,682</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 50,728</u>

See accompanying independent auditor's report.

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>CAPITAL OUTLAY:</b>	
Capitalized Assets	\$
Expenditures Not Capitalized	<u>                    </u>
<b>TOTAL CAPITAL OUTLAY</b>	<b>\$ -0-</b>
 <b>BUSINESS AND ECONOMIC DEVELOPMENT</b>	
Conferences and Seminars - Attend	\$ 1,665
Conferences and Seminars - Host	9,600
GSMD Conference	<u>32,330</u>
<b>TOTAL BUSINESS AND ECONOMIC DEVELOPMENT</b>	<b>\$ 43,595</b>
 <b>ENHANCED PUBLIC SAFETY:</b>	
Constable Patrol	\$ 141,739
Police on Patrol	214,681
Security Coordinator	10,000
Other	<u>1,326</u>
<b>TOTAL ENHANCED PUBLIC SAFETY</b>	<b>\$ 367,746</b>
 <b>LOCAL MOBILITY IMPROVEMENTS – NON FTA</b>	
Mobility Advocacy	<u>\$ 157,845</u>
<b>TOTAL LOCAL MOBILITY IMPROVEMENTS – NON FTA</b>	<b>\$ 157,845</b>
 <b>MARKETING AND PERCEPTION ENHANCEMENTS:</b>	
Newsletters/Flyers	\$ 2,500
Office Supplies and Distribution Costs	3,821
Sponsorships	18,280
Website	541
Other	<u>930</u>
<b>TOTAL MARKETING AND PERCEPTION ENHANCEMENTS</b>	<b>\$ 26,072</b>

See accompanying independent auditor's report.

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

VISUAL IMPROVEMENTS AND SERVICES:			
Graffiti Abatement		\$	16,460
Right-of-Way Maintenance			205,000
Streetscape Maintenance			95,257
Waste Removal			7,561
Other			<u>620</u>
TOTAL VISUAL IMPROVEMENTS AND SERVICES		\$	<u>324,898</u>
LOCAL MOBILITY IMPROVEMENTS – FTA			
McGowen Street Project		\$	650,065
Riverside Project			164,202
OST Griggs TIRZ Project			<u>458,806</u>
TOTAL LOCAL MOBILITY IMPROVEMENTS – FTA		\$	<u>1,273,073</u>
TOTAL EXPENDITURES		\$	<u>2,555,827</u>
Number of persons employed by the District	<u>1</u>	Full-Time	<u>-0-</u> Part-Time*

\* Varies throughout the year

See accompanying independent auditor's report.

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
INVESTMENTS  
DECEMBER 31, 2012**

<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%	04/15/13	\$ <u>15,810</u>	\$ <u>-0-</u>

See accompanying independent auditor's report.

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
ASSESSMENTS LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Assessments	
ASSESSMENTS RECEIVABLE – January 1, 2012	\$ 1,298,079	
Adjustments to Beginning Balance from Prior Year	(17,764)	\$ 1,280,315
Original 2012 Assessment Levy	\$ 1,375,911	
Adjustments to 2012 Assessment Levy	_____	1,375,911
TOTAL TO BE ACCOUNTED FOR		\$ 2,656,226
ASSESSMENT COLLECTIONS:		
Prior Years	\$ 1,118,292	
Current Year	148,424	1,266,716
ASSESSMENTS RECEIVABLE – December 31, 2012		\$ 1,389,510
REMAINING PORTION OF ASSESSMENTS RECEIVABLE BY YEAR:		
2012		\$ 1,227,487
2011		47,747
2010		35,037
2009		29,201
2008		22,542
2007 and prior		27,496
TOTAL ASSESSMENTS RECEIVABLE BY YEAR:		\$ 1,389,510

See accompanying independent auditor's report.

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
ASSESSMENTS LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
PROPERTY VALUATIONS				
Land and Improvements, Net of Exemptions	<u>\$1,226,994,768</u>	<u>\$1,159,734,609</u>	<u>\$1,166,116,018</u>	<u>\$1,229,252,249</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>\$ 1,375,911</u>	<u>\$ 1,326,934</u>	<u>\$ 1,332,376</u>	<u>\$ 1,405,041</u>
PERCENT OF ASSESSMENTS COLLECTED TO ASSESSMENTS LEVIED	<u>10.79%</u>	<u>96.40%</u>	<u>97.39%</u>	<u>97.93%</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>2012</u>	<u>2011</u>	<u>2010</u>
<b>REVENUES</b>			
Assessment Revenues	\$ 1,311,107	\$ 1,231,670	\$ 1,374,028
Penalty and Interest	50,698	41,606	73,032
Grant Revenues	1,259,324	310,629	356,912
Conference Revenues	17,365	5,550	5,462
Investment Revenues	1,486	2,359	3,101
Miscellaneous Revenues	<u>        </u>	<u>6,385</u>	<u>202</u>
<b>TOTAL REVENUES</b>	<u>\$ 2,639,980</u>	<u>\$ 1,598,199</u>	<u>\$ 1,812,737</u>
<b>EXPENDITURES</b>			
Personnel	\$ 168,099	\$ 230,934	\$ 214,019
Professional Fees	90,985	65,425	62,415
Contracted Services	52,786	30,665	35,047
Administrative Costs	50,728	47,007	54,792
Business and Economic Development	43,595	48,334	62,275
Enhanced Public Safety	367,746	496,193	431,641
Local Mobility Improvements-Non FTA	157,845	147,047	64,630
Marketing and Perception Enhancements	26,072	39,738	90,316
Visual Improvements and Services	324,898	267,013	400,656
FTA-McGowen Street Project	650,065	104,450	
FTA-Riverside Hospital Project	164,202	146,730	38,698
FTA-OST Griggs TIRZ Project	458,806	85,244	84,504
FTA-Museum Parking Improvements			225,764
Capital Outlay	<u>        </u>	<u>        </u>	<u>2,695</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,555,827</u>	<u>\$ 1,708,780</u>	<u>\$ 1,767,452</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 84,153	\$ (110,581)	\$ 45,285
<b>BEGINNING FUND BALANCE</b>	<u>578,105</u>	<u>688,686</u>	<u>643,401</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 662,258</u>	<u>\$ 578,105</u>	<u>\$ 688,686</u>

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2009</u>	<u>2008</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,271,229	\$ 1,054,752	49.7%	77.1%	75.8%	80.9%	59.3%
72,222	40,505	1.9	2.6	4.0	4.6	2.3
221,883	667,733	47.6	19.4	19.7	14.1	37.5
		0.7	0.3	0.3		
5,054	15,741	0.1	0.1	0.2	0.3	0.9
489			0.5		0.1	
<u>\$ 1,570,877</u>	<u>\$ 1,778,731</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 184,592	\$ 160,289	6.4%	14.4%	11.8%	11.8%	9.0%
68,831	50,385	3.4	4.1	3.4	4.4	2.8
30,095	41,157	2.0	1.9	1.9	1.9	2.3
44,887	45,336	1.9	2.9	3.0	2.9	2.5
102,170	29,653	1.7	3.0	3.4	6.5	1.7
434,387	225,660	13.9	31.0	23.8	27.6	12.7
61,600	67,424	6.0	9.2	3.6	3.9	3.8
93,491	87,610	1.0	2.5	5.0	6.0	4.9
269,525	236,962	12.3	16.7	22.1	17.2	13.3
		24.6	6.5			
		6.2	9.2	2.1		
		17.4	5.5	4.7		
221,883	667,000			12.5	14.1	37.5
	6,197			0.2		0.4
<u>\$ 1,511,461</u>	<u>\$ 1,617,673</u>	<u>96.8%</u>	<u>106.9%</u>	<u>97.5%</u>	<u>96.3%</u>	<u>90.9%</u>
\$ 59,416	\$ 161,058	<u>3.2%</u>	<u>(6.9)%</u>	<u>2.5%</u>	<u>3.7%</u>	<u>9.1%</u>
583,985	422,927					
<u>\$ 643,401</u>	<u>\$ 583,985</u>					

See accompanying independent auditor's report.



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**GREATER SOUTHEAST MANAGEMENT DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
DECEMBER 31, 2012**

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

District Telephone Number - (713) 942-0500

<b>Board Members</b>	<u>Appointed Term of Office</u>	<u>Fees of Office for the year ended December 31, 2012</u>	<u>Expense Reimbursements for the year ended December 31, 2012</u>	<u>Title</u>
Brian G. Smith	11/11 06/15	\$ -0-	\$ -0-	Chairman
Min. Robert Muhammad	11/11 06/15	\$ -0-	\$ -0-	1 <sup>st</sup> Vice Chairman
Jaa St. Julien	11/11 06/13	\$	\$	2 <sup>nd</sup> Vice Chairman
Janice Sibley-Reid	11/11 06/15	\$ -0-	\$ -0-	Secretary
Hexser J. Holiday, II	11/11 06/13	\$ -0-	\$ -0-	Assistant Secretary
Chris Hageney	11/11 06/15	\$ -0-	\$ -0-	Treasurer/ Investment Officer
Robert Combre	11/11 06/15	\$ -0-	\$ -0-	Director
Zinetta A. Burney	11/11 06/13	\$ -0-	\$ -0-	Director

See accompanying independent auditor's report.

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
DECEMBER 31, 2012**

<b>Board Members</b>	<u>Appointed Term of Office</u>	<u>Fees for the year ended December 31, 2012</u>	<u>Expense Reimbursements for the year ended December 31, 2012</u>	<u>Title</u>
Dr. Teddy McDavid	11/11 06/15	\$ -0-	\$ -0-	Director
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
Osama Abdullatif	11/11 06/13	\$ -0-	\$ -0-	Director
Sadie Rucker	09/12 06/13	\$ -0-	\$ -0-	Director
Jimmy Arnold	11/11 06/13	\$ -0-	\$ -0-	Director
Asmara Tekle	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): July 3, 2012.

See accompanying independent auditor's report.

**GREATER SOUTHEAST MANAGEMENT DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
DECEMBER 31, 2012**

<b>Key Personnel:</b>	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2012</u>	<u>Title</u>
Theola Petteway OST/Almeda Corridor Redevelopment Authority 5445 Almeda Road, Suite 503 Houston, TX 77004	10/29/12	\$ 17,678	Interim Executive Director/ Investment Officer
<b>Consultants:</b>			
Bracewell & Giuliani 711 Louisiana Street Houston, TX 77002-2770	03/10/03	\$ 55,710	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	12/12/07	\$ 15,900	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	\$ 16,895	Delinquent Assessment Attorney
Equi-Tax, Inc. P.O. Box 73109 Houston, TX 77273	03/10/03	\$ 19,155	Assessment Collector

See accompanying independent auditor's report.