

**INTERNATIONAL MANAGEMENT DISTRICT**  
**HARRIS COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2010**

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Board of Directors  
International Management District  
Harris County, Texas

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the International Management District (the "District"), as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, 2010, 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  
International Management District

The Management's Discussion and Analysis on pages 3 through 6 and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund on page 20 are not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants

May 26, 2011

**INTERNATIONAL MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED DECEMBER 31, 2010**

Management's discussion and analysis of the International Management District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2010. Please read it in conjunction with the District's financial statements, which begin on page 7.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The first of the government-wide statements is the Statement of Net Assets. This information is found in the Statement of Net Assets column on page 7. 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 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 Statement of Activities on page 9 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 a major fund. The General Fund accounts for resources from assessment revenues costs and general expenditures.

**INTERNATIONAL MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED DECEMBER 31, 2010**

**FUND FINANCIAL STATEMENTS (Continued)**

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets on page 8 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in the Fund Balances to the Statement of Activities on page 10 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 11 through 18 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 schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$542,566 as of December 31, 2010.

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

**INTERNATIONAL MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED DECEMBER 31, 2010**

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

	Summary of the Changes in the Statement of Net Assets		
	2010	2009	Change Positive (Negative)
Current and Other Assets	\$ 1,758,008	\$ 1,667,799	\$ 90,209
Capital Assets (Net of Accumulated Depreciation)	<u>42,611</u>	<u>                    </u>	<u>42,611</u>
Total Assets	<u>\$ 1,800,619</u>	<u>\$ 1,667,799</u>	<u>\$ 132,820</u>
Other Liabilities	<u>\$ 1,258,053</u>	<u>\$ 1,351,218</u>	<u>\$ 93,165</u>
Total Liabilities	<u>\$ 1,258,053</u>	<u>\$ 1,351,218</u>	<u>\$ 93,165</u>
Net Assets:			
Invested in Capital Assets	42,611		42,611
Unrestricted	<u>499,955</u>	<u>316,581</u>	<u>183,374</u>
Total Net Assets	<u>\$ 542,566</u>	<u>\$ 316,581</u>	<u>\$ 225,985</u>

The following table provides a summary of the District's operations for the years ended December 31, 2010, and December 31, 2009. The District net assets increased by \$225,985 accounting for a 71.4% increase in net assets.

	Summary of the Changes in the Statement of Activities		
	2010	2009	Change Positive (Negative)
Revenues:			
Assessment Revenue	\$ 1,232,994	\$ 1,268,793	\$ (35,799)
Other Revenues	<u>70,820</u>	<u>64,472</u>	<u>6,348</u>
Total Revenues	<u>\$ 1,303,814</u>	<u>\$ 1,333,265</u>	<u>\$ (29,451)</u>
Expenses for Services	<u>1,077,829</u>	<u>826,734</u>	<u>(251,095)</u>
Change in Net Assets	<u>\$ 225,985</u>	<u>\$ 506,531</u>	<u>\$ (280,546)</u>
Net Assets, Beginning of Year	<u>316,581</u>	<u>(189,950)</u>	<u>506,531</u>
Net Assets, End of Year	<u>\$ 542,566</u>	<u>\$ 316,581</u>	<u>\$ 225,985</u>

**INTERNATIONAL MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED DECEMBER 31, 2010**

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

The District's General Fund fund balance as of December 31, 2010 was \$435,902. The current year increase of \$183,389 was primarily due to the receipt of assessment revenues that exceeded current operating costs.

**BUDGETARY HIGHLIGHTS**

The Board of Directors amended the budget during the current fiscal year. Actual revenues were \$42,771 less than budgeted revenues. Actual expenditures were \$221,100 less than budgeted expenditures. See the budget to actual comparison on page 20.

**CAPITAL ASSETS**

The District's investment in capital assets as of December 31, 2010, amounts to \$42,611 (net of accumulated depreciation). This investment in capital assets includes equipment and furniture and leasehold improvements.

Capital Assets At Year-End, Net of Accumulated Depreciation

Equipment & Furniture	\$ 4,302
Leasehold Improvements	<u>38,309</u>
Total Net Capital Assets	<u>\$ 42,611</u>

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

**LONG-TERM DEBT ACTIVITY**

As of December 31, 2010, the District did not have long-term debt.

**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 International Management District, c/o Hawes Hill Calderon LLP, P. O. Box 22167, Houston, Texas 77227-2167.



**INTERNATIONAL MANAGEMENT DISTRICT  
STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
DECEMBER 31, 2010**

	General Fund	Adjustments	Statement of Net Assets
<b>ASSETS</b>			
Cash, Note 3	\$ 538,676	\$	\$ 538,676
Investments, Note 3	200,000		200,000
Receivables:			
Assessments Fees	1,018,875		1,018,875
Accrued Interest	457		457
Capital Assets (Net of Accumulated Depreciation), Note 5		42,611	42,611
<b>TOTAL ASSETS</b>	<b>\$ 1,758,008</b>	<b>\$ 42,611</b>	<b>\$ 1,800,619</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 99,564	\$	\$ 99,564
Due to Taxpayers	7,602		7,602
Deferred Assessment Revenue	1,214,940	(64,053)	1,150,887
<b>TOTAL LIABILITIES</b>	<b>\$ 1,322,106</b>	<b>\$ (64,053)</b>	<b>\$ 1,258,053</b>
<b>FUND BALANCE/NET ASSETS</b>			
<b>FUND BALANCE</b>			
Unreserved – Undesignated	\$ 435,902	\$ (435,902)	\$ -0-
<b>TOTAL FUND BALANCE</b>	<b>\$ 435,902</b>	<b>\$ (435,902)</b>	<b>\$ -0-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,758,008</b>		
<b>NET ASSETS</b>			
Invested in Capital Assets		\$ 42,611	\$ 42,611
Unrestricted		499,955	499,955
<b>TOTAL NET ASSETS</b>		<b>\$ 542,566</b>	<b>\$ 542,566</b>

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

**INTERNATIONAL MANAGEMENT DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

Total Fund Balance – Governmental Fund	\$ 435,902
Amounts reported for governmental activities in the Statements 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.	42,611
Deferred assessment revenues for the 2009 and prior levies became part of recognized revenue in the governmental activities of the District.	<u>64,053</u>
Total Net Assets – Governmental Activities	<u>\$ 542,566</u>

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

**INTERNATIONAL MANAGEMENT DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General Fund	Adjustments	Statement of Activities
<b>REVENUES</b>			
Assessment Revenue	\$ 1,233,009	\$ (15)	\$ 1,232,994
Penalty and Interest	68,304		68,304
Investment Revenues	2,016		2,016
Miscellaneous Revenues	500		500
<b>TOTAL REVENUES</b>	<b>\$ 1,303,829</b>	<b>\$ (15)</b>	<b>\$ 1,303,814</b>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Administrative:			
Professional Fees	\$ 57,063	\$	\$ 57,063
Contracted Services	43,032		43,032
Depreciation, Note 5		5,029	5,029
Other	55,259		55,259
Environmental and Urban Design	271,603		271,603
Public Safety and Security	563,497		563,497
Business and Economic Development	81,346		81,346
Community Development	1,000		1,000
Capital Outlay:			
Public Safety and Security	47,640	(47,640)	
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 1,120,440</b>	<b>\$ (42,611)</b>	<b>\$ 1,077,829</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 183,389</b>	<b>\$ (183,389)</b>	<b>\$</b>
<b>CHANGE IN NET ASSETS</b>		225,985	225,985
<b>FUND BALANCE/NET ASSETS – JANUARY 1, 2010</b>	252,513	64,068	316,581
<b>FUND BALANCE/NET ASSETS – DECEMBER 31, 2010</b>	<b>\$ 435,902</b>	<b>\$ 106,664</b>	<b>\$ 542,566</b>

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

**INTERNATIONAL MANAGEMENT DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Net Change in Fund Balance - Governmental Fund	\$ 183,389
Amounts reported for governmental activities in the Statements of Activities are different because:	
Governmental funds report assessment revenue when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the assessments are levied.	(15)
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.	(5,029)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Assets, capital assets are increased by new purchases.	<u>47,640</u>
Change in Net Assets - Governmental Activities	<u>\$ 225,985</u>

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

**INTERNATIONAL MANAGEMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 1. CREATION OF DISTRICT**

The International Management District (the "District") was created, effective June 15, 2007, by the Texas Legislature under provisions of House Bill No. 4004, of the 80<sup>th</sup> Legislature, Regular Session, 2007, codified as Chapter 3849, Texas Special District Local Laws 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 and entertainment, economic development, safety, and the public welfare in the District. The Board of Directors held its first meeting on September 6, 2007.

**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. In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The District was created as an independent management district. The District does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the District's basic financial statements.

Financial Statement Presentation

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34-Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments.

GASB Statement No. 34 established 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:

**INTERNATIONAL MANAGEMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

Financial Statement Presentation (Continued)

- 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.

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

Fund Financial Statements

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

**INTERNATIONAL MANAGEMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

Governmental Funds

The District has one governmental fund and considers it 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.

Annual assessments considered available by the District and included in revenue include the 2009 assessment collected during the period October 1, 2009, to December 31, 2010. In addition, assessments collected from January 1, 2010, to December 31, 2010, for the 2008 and prior assessment levies are included in revenues. The 2010 annual assessment has been fully deferred to meet the operating expenditures for the 2011 fiscal year.

Amounts transferred from one fund to another fund are reported as an other financing source or use. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include equipment and furniture, as well as leasehold improvements, 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 expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

**INTERNATIONAL MANAGEMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

Capital Assets (Continued)

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

	Years
Equipment and Furniture	7
Leasehold Improvements	Life of Lease

Budgeting

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

Pensions

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

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:



**INTERNATIONAL MANAGEMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

Measurement Focus (Continued)

Reserved:

To indicate fund equity which is legally segregated for a specific future use.

Unreserved:

Designated - To indicate fund equity for which the District has made tentative plans.

Undesignated - To indicate fund equity which is available for use in future periods.

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 26, 2011, 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 District 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 \$738,676 and the bank balance was \$746,651. The bank balance was fully covered by federal depository insurance.

**INTERNATIONAL MANAGEMENT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at December 31, 2010, as listed below:

	Cash	Certificates of Deposit	Total
TOTAL DEPOSITS	<u>\$ 538,676</u>	<u>\$ 200,000</u>	<u>\$ 738,676</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, (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.

**INTERNATIONAL MANAGEMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

Investments (Continued)

As of December 31, 2010, 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>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**NOTE 4. ANNUAL AD VALOREM ASSESSMENT**

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

On July 24, 2008, an order was approved granting a petition for a service plan and an assessment roll for the District. The order authorized levying annual assessments of \$0.10 per \$100 of valuation as listed in the 2008 assessed rolls against property within the District for a ten-year period.

For the 2010 assessment year, the District levied an ad valorem assessment of \$0.10 per \$100 of assessed valuation, resulting in an assessment of \$1,150,887 on the taxable valuation of \$1,151,230,702. The 2010 assessment has been fully deferred to meet the operating expenditures for the 2011 fiscal 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.



**INTERNATIONAL MANAGEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2010**

**INTERNATIONAL MANAGEMENT DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Assessment Revenue	\$ 1,303,400	\$ 1,303,400	\$ 1,233,009	\$ (70,391)
Penalty and Interest	60,100	40,000	68,304	28,304
Investment Revenues	3,200	3,200	2,016	(1,184)
Miscellaneous Revenues	<u>                    </u>	<u>                    </u>	<u>500</u>	<u>500</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,366,700</u>	<u>\$ 1,346,600</u>	<u>\$ 1,303,829</u>	<u>\$ (42,771)</u>
<b>EXPENDITURES</b>				
Service Operations:				
Administrative:				
Professional Fees	\$ 33,000	\$ 33,000	\$ 57,063	\$ (24,063)
Contracted Services	39,000	39,000	43,032	(4,032)
Other	57,250	37,150	55,259	(18,109)
Environmental and Urban				
Design	467,000	467,000	271,603	195,397
Public Safety and Security	678,090	678,090	563,497	114,593
Business and Economic				
Development	87,300	87,300	81,346	5,954
Community Development		20,000	1,000	19,000
Capital Outlay:				
Public Safety and Security	<u>                    </u>	<u>                    </u>	<u>47,640</u>	<u>(47,640)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,361,640</u>	<u>\$ 1,361,540</u>	<u>\$ 1,120,440</u>	<u>\$ 241,100</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 5,060</u>	<u>\$ (14,940)</u>	<u>\$ 183,389</u>	<u>\$ 198,329</u>
<b>FUND BALANCE – JANUARY 1, 2010</b>	<u>252,513</u>	<u>252,513</u>	<u>252,513</u>	<u>                    </u>
<b>FUND BALANCE – DECEMBER 31, 2010</b>	<u>\$ 257,573</u>	<u>\$ 237,573</u>	<u>\$ 435,902</u>	<u>\$ 198,329</u>

See accompanying independent auditor's report.

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**INTERNATIONAL MANAGEMENT DISTRICT  
SUPPLEMENTARY INFORMATION REQUIRED BY THE  
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE  
DECEMBER 31, 2010**



**INTERNATIONAL MANAGEMENT DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>-0-</u>
PROFESSIONAL FEES:	
Auditing	\$ 6,500
Legal	<u>50,563</u>
TOTAL PROFESSIONAL FEES	\$ <u>57,063</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 7,903
Management Consultant	16,673
Assessment Collector	<u>18,456</u>
TOTAL CONTRACTED SERVICES	\$ <u>43,032</u>
COMMUNITY DEVELOPMENT	\$ <u>1,000</u>
ENVIRONMENTAL AND URBAN DESIGN	\$ <u>271,603</u>
BUSINESS AND ECONOMIC DEVELOPMENT	\$ <u>81,346</u>
MOBILITY AND TRANSPORTATION	\$ <u>-0-</u>
PUBLIC SAFETY AND SECURITY	\$ <u>563,497</u>
ADMINISTRATIVE EXPENDITURES:	
Insurance	\$ 9,651
Legal Notices	334
Office Supplies and Postage	17,130
Other	<u>22,697</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>49,812</u>
CAPITAL OUTLAY:	
Capitalized Assets	\$ 47,640
Expenditures not Capitalized	<u>          </u>
TOTAL CAPITAL OUTLAY	\$ <u>47,640</u>
OPERATING LEASE	\$ <u>5,447</u>
TOTAL EXPENDITURES	\$ <u>1,120,440</u>

See accompanying independent auditor's report.

**INTERNATIONAL MANAGEMENT DISTRICT  
INVESTMENTS  
DECEMBER 31, 2010**

<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	19429	0.80%	03/20/11	\$ 50,000	\$ 78
Certificate of Deposit	10045	0.80%	04/16/11	50,000	26
Certificate of Deposit	3116002439	1.00%	01/19/11	50,000	180
Certificate of Deposit	3116002438	1.25%	02/18/11	<u>50,000</u>	<u>173</u>
<b>TOTAL</b>				<u>\$ 200,000</u>	<u>\$ 457</u>

See accompanying independent auditor's report.

**INTERNATIONAL MANAGEMENT DISTRICT  
CHANGES IN ASSESSMENTS RECEIVABLE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

		Assessments
ASSESSMENTS RECEIVABLE – JANUARY 1, 2010	\$ 1,171,054	
Adjustments to Beginning Balance	(59,508)	\$ 1,111,546
Original 2010 Assessment Levy	\$ 1,149,259	
Adjustment to 2010 Assessment Levy	1,628	1,150,887
TOTAL TO BE ACCOUNTED FOR		\$ 2,262,433
ASSESSMENT COLLECTIONS:		
Prior Years	\$ 1,047,493	
Current Year	196,065	1,243,558
ASSESSMENT RECEIVABLE – DECEMBER 31, 2010		\$ 1,018,875
ASSESSMENT RECEIVABLE BY YEAR:		
2010		\$ 954,822
2009		44,638
2008		19,415
		\$ 1,018,875

See accompanying independent auditor's report.

**INTERNATIONAL MANAGEMENT DISTRICT  
CHANGES IN ASSESSMENTS RECEIVABLE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
PROPERTY VALUATIONS Land, Improvements, Personal Property, Exemptions	<u>\$ 1,151,230,702</u>	<u>\$ 1,292,501,464</u>	<u>\$ 1,250,833,242</u>
ASSESSMENT RATES PER \$100 VALUATION: Assessment	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>
ADJUSTED ASSESSMENT LEVY*	<u>\$ 1,150,887</u>	<u>\$ 1,292,502</u>	<u>\$ 1,250,834</u>
PERCENT OF ASSESSMENT COLLECTED TO ASSESSMENT LEVIED	<u>17.04%</u>	<u>96.55%</u>	<u>98.45%</u>

\* Based upon adjusted assessment at time of audit for the period in which the assessment was levied.

See accompanying independent auditor's report.

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

	Amount		
	2010	2009	2008 *
<b>REVENUES</b>			
Assessment Revenue	\$ 1,233,009	\$ 1,204,725	\$
Penalty and Interest	68,304	60,345	
Investment Revenues	2,016	4,127	
Miscellaneous Revenues	500		
<b>TOTAL REVENUES</b>	<b>\$ 1,303,829</b>	<b>\$ 1,269,197</b>	<b>\$ -0-</b>
<b>EXPENDITURES</b>			
Service Operations:			
Administrative			
Professional Fees	\$ 57,063	\$ 40,670	\$
Contracted Services	43,032	36,964	
Other	55,259	40,728	
Creation Costs		187,672	
Mobility and Transportation		94,673	
Environmental and Urban Design	271,603	174,485	
Public Safety and Security	563,497	407,666	
Business and Economic Development	81,346	33,826	
Community Development	1,000		
Capital Outlay:			
Public Safety and Security	47,640		
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,120,440</b>	<b>\$ 1,016,684</b>	<b>\$ -0-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 183,389</b>	<b>\$ 252,513</b>	<b>\$ -0-</b>
<b>BEGINNING FUND BALANCE</b>	<b>252,513</b>		
<b>ENDING FUND BALANCE</b>	<b>\$ 435,902</b>	<b>\$ 252,513</b>	<b>\$ -0-</b>

\* First year audit, no activity

See accompanying independent auditor's report.

Percentage of Total Revenue

<u>2010</u>	<u>2009</u>	<u>2008 *</u>
94.6%	94.9%	
5.2	4.8	
0.2	<u>0.3</u>	—
<u>100.0%</u>	<u>100.0%</u>	<u>-0-</u>
4.4%	3.2%	
3.3	2.9	
4.2	3.2	
	14.8	
	7.5	
20.8	13.7	
43.2	32.1	
6.2	2.7	
0.1		
<u>3.7</u>	—	—
<u>85.9%</u>	<u>80.1%</u>	<u>-0-</u>
<u>14.1%</u>	<u>19.9%</u>	<u>-0-</u>

See accompanying independent auditor's report.

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**INTERNATIONAL MANAGEMENT DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
DECEMBER 31, 2010**

District Mailing Address - International Management District  
c/o Hawes Hill Calderon LLP  
P. O. Box 22167  
Houston, TX 77227-2167

District Telephone Number - (713) 595-1200

<b>Board Members</b>	<b>Term of Office (Elected or Appointed)</b>	<b>Fees of Office for the year ended December 31, 2010</b>	<b>Expense Reimbursements for the year ended December 31, 2010</b>	<b>Title</b>
Gladys Brumfield	06/09 06/13 (Appointed)	\$ -0-	\$ -0-	Position 1
Fred Bhandara	06/09 06/13 (Appointed)	\$ -0-	\$ -0-	Position 2/ Vice Chairman
Karen Loper	06/09 06/13 (Appointed)	\$ -0-	\$ -0-	Position 3/ Secretary
Thuy Vu	06/09 06/13 (Appointed)	\$ -0-	\$ -0-	Position 4
Anthony Le	06/09 06/13 (Appointed)	\$ -0-	\$ -0-	Position 5
Vacant	06/09 06/13	\$ -0-	\$ -0-	Position 6
Leeshan Birney	06/07 06/11 (Appointed)	\$ -0-	\$ -0-	Position 7

See accompanying independent auditor's report.

**INTERNATIONAL MANAGEMENT DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
DECEMBER 31, 2010**

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>December 31, 2010</u>	Expense Reimbursements for the year ended <u>December 31, 2010</u>	<u>Title</u>
Stephen Le	06/07 06/11 (Appointed)	\$ -0-	\$ -0-	Position 8
Vacant	06/08 06/11	\$ -0-	\$ -0-	Position 9
Vican Tan Sun	06/07 06/11 (Appointed)	\$ -0-	\$ -0-	Position 10
Wea Lee	06/07 06/11 (Appointed)	\$ -0-	\$ -0-	Position 11/ Chairman

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):  
January 14, 2010.

See accompanying independent auditor's report.

**INTERNATIONAL MANAGEMENT DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
DECEMBER 31, 2010**

<b>Consultants:</b>	<b>Date Hired</b>	<b>Fees for the year ended December 31, 2010</b>	<b>Title</b>
Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027	09/06/07	\$ 22,522	Attorney
McCall Gibson Swedlund Barfoot PLLC 13100 Wortham Center Drive, Suite 235 Houston, TX 770655610	04/02/09	\$ 6,500	Auditor
Municipal Accounts & Consulting, LP 1300 Post Oak Boulevard, Suite 1600 Houston, TX 77056	08/01/08	\$ 8,674	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott 1235 North Loop West, Suite 600 Houston, TX 77008	07/01/09	\$ 28,158	Delinquent Assessment Attorney
Hawes Hill Calderon LLP 10103 Fondren, Suite 300 Houston, TX 77227-2167	09/06/07	\$ 234,886	Administrative Services
Mark M. Burton 1300 Post Oak Boulevard, Suite 1600 Houston, TX 77056	12/08	\$ -0-	Investment Officer
Equi-Tax, Inc. P.O. Box 73109 Houston, TX 77273	05/01/08	\$ 18,456	Assessment Collector
Harris County 1001 Preston, Suite 610 Houston, TX 77002	03/15/09	\$ 347,784	Law Enforcement Services

See accompanying independent auditor's report.