

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

INTERNATIONAL MANAGEMENT DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
International Management District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of the International Management District (the "District"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Board of Directors
International Management District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2015, 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.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

May 26, 2016

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

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, 2015. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The first of the government-wide statements is the Statement of Net Position. The Statement of Net Position is the District-wide statement of its financial position presenting information that includes all of the District's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of Statement of Activities 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.

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, 2015**

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in the Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the 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 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 \$999,028 as of December 31, 2015.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2015	2014	Change Positive (Negative)
Current and Other Assets	\$ 1,795,466	\$ 1,668,598	\$ 126,868
Capital Assets (Net of Accumulated Depreciation)	985,065	1,046,669	(61,604)
Total Assets	\$ 2,780,531	\$ 2,715,267	\$ 65,264
Long -Term Liabilities	\$ 128,542	\$ 257,691	\$ 129,149
Other Liabilities	199,669	256,471	56,802
Total Liabilities	\$ 328,211	\$ 514,162	\$ 185,951
Deferred Inflows of Resources	\$ 1,453,292	\$ 1,323,158	\$ (130,134)
Net Position:			
Net Investment in Capital Assets	\$ 727,374	\$ 664,301	\$ 63,073
Unrestricted	271,654	213,646	58,008
Total Net Position	\$ 999,028	\$ 877,947	\$ 121,081

The following table provides a summary of the District's operations for the years ended December 31, 2015, and December 31, 2014. The District net position increased by \$121,081.

	Summary of Changes in the Statement of Activities		
	2015	2014	Change Positive (Negative)
Revenues:			
Assessment Revenue	\$ 1,286,387	\$ 1,211,211	\$ 75,176
Other Revenues	28,776	25,044	3,732
Total Revenues	\$ 1,315,163	\$ 1,236,255	\$ 78,908
Expenses for Services	1,194,082	1,227,669	33,587
Change in Net Position	\$ 121,081	\$ 8,586	\$ 112,495
Net Position, Beginning of Year	877,947	869,361	8,586
Net Position, End of Year	\$ 999,028	\$ 877,947	\$ 121,081

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

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of December 31, 2015 was \$247,804. The current year increase of \$67,241 was primarily due to assessment revenue exceeding service operations and debt service.

BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$10,780 more than budgeted revenues. Actual expenditures were \$95,878 less than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of December 31, 2015, total \$985,065 (net of accumulated depreciation) and includes equipment and furniture, leasehold improvements and street enhancements.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2015	2014	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Construction in Progress	\$ 310,104	\$ 269,652	\$ 40,452
Capital Assets, Net of Accumulated Depreciation:			
Leasehold Improvements		3,886	(3,886)
Equipment and Furniture	986	1,648	(662)
Street Enhancements	673,975	771,483	(97,508)
Total Net Capital Assets	\$ 985,065	\$ 1,046,669	\$ (61,604)

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

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

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total debt payable of \$257,691. The changes in the debt service position of the District during the fiscal year ended December 31, 2015, are summarized as follows:

Note Payable, January 1, 2015	\$ 382,368
Less: Note Principal Paid	<u>124,677</u>
Note Payable, December 31, 2015	<u>\$ 257,691</u>

CONTACTING THE DISTRICT'S MANAGEMENT

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

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

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash, Note 3	\$ 611,384	\$	\$ 611,384
Receivables:			
Assessment Fees	1,173,507		1,173,507
Penalty and Interest on Delinquent Taxes	5,506		5,506
Prepaid Costs	5,069		5,069
Construction in Progress, Note 5		310,104	310,104
Capital Assets (Net of Accumulated Depreciation), Note 5		674,961	674,961
TOTAL ASSETS	\$ 1,795,466	\$ 985,065	\$ 2,780,531
LIABILITIES			
Accounts Payable	\$ 61,195	\$	\$ 61,195
Due to Taxpayers	9,325		9,325
Long Term Liabilities:			
Due Within One Year, Note 7		129,149	129,149
Due After One Year, Note 7		128,542	128,542
TOTAL LIABILITIES	\$ 70,520	\$ 257,691	\$ 328,211
DEFERRED INFLOWS OF RESOURCES			
Assessment Fees	\$ 1,471,636	\$ (18,344)	\$ 1,453,292
Penalty and Interest on Delinquent Assessments	5,506	(5,506)	
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 1,477,142	\$ (23,850)	\$ 1,453,292
FUND BALANCE			
Nonspendable:			
Prepaid Costs	\$ 5,069	\$ (5,069)	\$
Assigned to 2016 Budget Deficit, Note 2	79,992	(79,992)	
Unassigned	162,743	(162,743)	
TOTAL FUND BALANCE	\$ 247,804	\$ (247,804)	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
	\$ 1,795,466		
NET POSITION			
Net Investment in Capital Assets		\$ 727,374	\$ 727,374
Unrestricted		271,654	271,654
TOTAL NET POSITION		\$ 999,028	\$ 999,028

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

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

Total Fund Balance - Governmental Fund	\$	247,804
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		985,065
<p>Deferred assessment revenues and deferred penalty and interest revenues on delinquent assessment for the 2014 and prior assessment levies became part of recognized revenue in the governmental activities of the District.</p>		23,850
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:</p>		
Note Payable Within One Year	\$ (129,149)	
Note Payable After One Year	<u>(128,542)</u>	<u>(257,691)</u>
Total Net Position - Governmental Activities	\$	<u>999,028</u>

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

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

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Assessment Revenue	\$ 1,295,063	\$ (8,676)	\$ 1,286,387
Penalty and Interest	<u>29,333</u>	<u>(557)</u>	<u>28,776</u>
TOTAL REVENUES	<u>\$ 1,324,396</u>	<u>\$ (9,233)</u>	<u>\$ 1,315,163</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Administrative			
Professional Fees	\$ 29,634	\$	\$ 29,634
Contracted Services	67,417		67,417
Depreciation, Note 5		102,056	102,056
Other	17,707		17,707
Enviro & Urban Design/Mobility	345,232		345,232
Public Safety and Security	421,653		421,653
Business and Economic Development	198,607		198,607
Capital Outlay	40,452	(40,452)	
Debt Service:			
Note Principal, Note 7	124,677	(124,677)	
Note Interest	<u>11,776</u>		<u>11,776</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 1,257,155</u>	<u>\$ (63,073)</u>	<u>\$ 1,194,082</u>
NET CHANGE IN FUND BALANCE	\$ 67,241	\$ (67,241)	\$
CHANGE IN NET POSITION		121,081	121,081
FUND BALANCE/NET POSITION - JANUARY 1, 2015	<u>180,563</u>	<u>697,384</u>	<u>877,947</u>
FUND BALANCE/NET POSITION - DECEMBER 31, 2015	<u>\$ 247,804</u>	<u>\$ 751,224</u>	<u>\$ 999,028</u>

The accompanying notes to the 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, 2015**

Net Change in Fund Balance - Governmental Fund	\$	67,241
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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, revenue is recorded in the accounting period for which the taxes are levied.		(8,676)
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Governmental funds report penalty and interest revenue on assessments when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		(557)
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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.		(102,056)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		40,452
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Governmental funds report note principal payments as expenditures. However, in the Statement of Net Position, note principal payments are reported as decreases in long-term liabilities.		124,677
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Change in Net Position - Governmental Activities	\$	<u>121,081</u>
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The accompanying notes to the financial statements are an integral part of this report.

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

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 80th 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 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 Commission.

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

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.

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:

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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.

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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. 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 Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as expenses 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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 not amended during the current fiscal year.

Pensions

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

Measurement Focus

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of December 31, 2015, the District has assigned \$79,992 to the 2016 budget deficit.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

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.

**INTERNATIONAL MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 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 \$611,384 and the bank balance was \$636,445. Of the bank balance, \$454,579 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 Position at December 31, 2015, as listed below:

	Cash
GENERAL FUND	\$ 611,384

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other

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

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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, 2015, the District did not have any investments.

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 2015 assessment year, the District levied an ad valorem assessment of \$0.10 per \$100 of assessed valuation, resulting in an assessment of \$1,453,292 on the taxable valuation of \$1,453,935,517. The 2015 assessment has been fully deferred to meet the operating expenditures for the 2016 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 assessment payer is liable for penalty and interest.

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

NOTE 5. CAPITAL ASSETS

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

	January 1, 2015	Increases	Decreases	December 31, 2015
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 269,652	\$ 40,452	_____	\$ 310,104
Capital Assets Subject to Depreciation				
Leasehold Improvements	\$ 43,000	\$	\$	\$ 43,000
Equipment and Furniture	4,640	_____	_____	4,640
Street Enhancements	975,079	_____	_____	975,079
Total Capital Assets Subject to Depreciation	\$ 1,022,719	\$ - 0 -	\$ - 0 -	\$ 1,022,719
Accumulated Depreciation				
Leasehold Improvements	\$ 39,114	\$ 3,886	\$	\$ 43,000
Equipment and Furniture	2,992	662	_____	3,654
Street Enhancements	203,596	97,508	_____	301,104
Total Accumulated Depreciation	\$ 245,702	\$ 102,056	\$ - 0 -	\$ 347,758
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 777,017	\$ (102,056)	\$ - 0 -	\$ 674,961
Total Capital Assets, Net of Accumulated Depreciation	\$ 1,046,669	\$ (61,604)	\$ - 0 -	\$ 985,065

NOTE 6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The District participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide general liability, errors and omissions liability, automobile liability and real and personal property coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. During the fiscal year ended December 31, 2015, the District contributed \$1,016 to the fund for this insurance coverage. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

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

NOTE 7. NOTES PAYABLE

On June 23, 2011, the District entered into a \$750,000 note agreement with Amegy Bank N.A. to fund the District's contribution to the construction of a Hike and Bike trail development project by the City of Houston, see Note 8. The first draw against this note was made August 12, 2011, and the note was activated. Interest on this note is payable monthly as it accrues. This note is due and payable in monthly installments in an amount sufficient to pay off the amount advanced, commencing on January 23, 2013, and continuing regularly through December 23, 2017. The District made principal payments of \$124,677 during the current fiscal year. As of December 31, 2015, the note requirements of the amount outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 129,149	\$ 7,303	\$ 136,452
2017	128,542	2,621	131,163
	<u>\$ 257,691</u>	<u>\$ 9,924</u>	<u>\$ 267,615</u>

Amount Due Within One Year	\$ 129,149
Amount Due After One Year	<u>128,542</u>
Total Long-Term Liabilities	<u>\$ 257,691</u>

NOTE 8. INTERLOCAL AGREEMENT WITH THE CITY OF HOUSTON

The District entered into an agreement with the City of Houston, Texas ("City") to develop Hike and Bike multi-use trails for public use. The City and the Texas Department of Transportation ("TxDOT") entered into the Advance Funding Agreement for Transportation Enhancement Projects for this project and four others and the District has agreed to partner with the City to meet the obligations under the TxDOT contract. The total estimated cost of the project is \$2,007,843, TxDOT has agreed to fund the 80% federal share totaling \$1,606,274, the City will provide the 20% non-federal share in the TxDOT contract totaling \$401,569. During fiscal year 2013, the District paid 100% of the non-federal share to the City. The City will manage all aspects of the project. The District will be responsible for operation and maintenance services upon completion. The District has renegotiated this agreement with the City. The City will reimburse the District \$200,000 of their share of the project costs. The District received the City's reimbursement during the prior fiscal year.

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INTERNATIONAL MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015

**INTERNATIONAL MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Assessment Revenue	\$ 1,296,616	\$ 1,295,063	\$ (1,553)
Penalty and Interest	<u>17,000</u>	<u>29,333</u>	<u>12,333</u>
TOTAL REVENUES	<u>\$ 1,313,616</u>	<u>\$ 1,324,396</u>	<u>\$ 10,780</u>
EXPENDITURES			
Services Operations:			
Administrative:			
Professional Fees	\$ 39,250	\$ 29,634	\$ 9,616
Contracted Services	66,000	67,417	(1,417)
Other	12,100	17,707	(5,607)
Enviro & Urban Design/Mobility	363,700	345,232	18,468
Public Safety and Security	422,530	421,653	877
Business and Economic Development	257,000	198,607	58,393
Community Development	10,000		10,000
Capital Outlay	46,000	40,452	5,548
Debt Service: Note Principal and Interest	<u>136,453</u>	<u>136,453</u>	
TOTAL EXPENDITURES	<u>\$ 1,353,033</u>	<u>\$ 1,257,155</u>	<u>\$ 95,878</u>
NET CHANGE IN FUND BALANCE	\$ (39,417)	\$ 67,241	\$ 106,658
FUND BALANCE - JANUARY 1, 2015	<u>180,563</u>	<u>180,563</u>	
FUND BALANCE - DECEMBER 31, 2015	<u><u>\$ 141,146</u></u>	<u><u>\$ 247,804</u></u>	<u><u>\$ 106,658</u></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, 2015**

**INTERNATIONAL MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2015**

PROFESSIONAL FEES:	
Auditing	\$ 8,000
Legal	<u>21,634</u>
TOTAL PROFESSIONAL FEES	<u>\$ 29,634</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 12,747
Management Consultant	35,838
Assessment Collector	<u>18,832</u>
TOTAL CONTRACTED SERVICES	<u>\$ 67,417</u>
ENVIRO & URBAN DESIGN/MOBILITY	<u>\$ 345,232</u>
PUBLIC SAFETY AND SECURITY	<u>\$ 421,653</u>
BUSINESS AND ECONOMIC DEVELOPMENT	<u>\$ 198,607</u>
ADMINISTRATIVE EXPENDITURES:	
Insurance	\$ 1,451
Legal Notices	1,023
Office Supplies and Postage	7,294
Other	<u>7,939</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 17,707</u>
CAPITAL OUTLAY:	
Capitalized Assets	\$ 40,452
Expenditures Not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY	<u>\$ 40,452</u>
DEBT SERVICE:	
Note Principal	\$ 124,677
Note Interest	<u>11,776</u>
TOTAL DEBT SERVICE	<u>\$ 136,453</u>
TOTAL EXPENDITURES	<u>\$ 1,257,155</u>

See accompanying independent auditor's report.

**INTERNATIONAL MANAGEMENT DISTRICT
CHANGES IN ASSESSMENTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2015**

		Assessments
ASSESSMENT RECEIVABLE - JANUARY 1, 2015	\$ 1,111,185	
Adjustments to Beginning Balance	(36,771)	\$ 1,074,414
Original 2015 Assessment Levy	\$ 1,454,825	
Adjustment to 2015 Assessment Levy	(1,533)	1,453,292
TOTAL TO BE ACCOUNTED FOR		\$ 2,527,707
ASSESSMENT COLLECTIONS:		
Prior Years	\$ 1,056,070	
Current Year	298,129	1,354,199
ASSESSMENT RECEIVABLE - DECEMBER 31, 2015		\$ 1,173,508
ASSESSMENT RECEIVABLE BY YEAR:		
2015		\$ 1,155,163
2014		14,850
2013		936
2012		613
2011		577
2010		456
2009 & Prior		912
TOTAL		\$ 1,173,508

See accompanying independent auditor's report.

**INTERNATIONAL MANAGEMENT DISTRICT
CHANGES IN ASSESSMENTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
PROPERTY VALUATIONS:				
Land, Improvements, Personal Property, Exemptions	<u>\$1,453,935,517</u>	<u>\$1,323,710,841</u>	<u>\$1,251,493,596</u>	<u>\$1,180,899,775</u>
ASSESSMENT RATES PER \$100 VALUATION:				
Assessment	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>
ADJUSTED ASSESSMENT LEVY*	<u>\$ 1,453,292</u>	<u>\$ 1,323,158</u>	<u>\$ 1,251,495</u>	<u>\$ 1,179,417</u>
PERCENTAGE OF ASSESSMENTS COLLECTED TO ASSESSMENTS LEVIED	<u>20.51 %</u>	<u>98.88 %</u>	<u>99.93 %</u>	<u>99.95 %</u>

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

See accompanying independent auditor's report.

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

	Amounts		
	2015	2014	2013
REVENUES			
Assessment Revenue	\$ 1,295,063	\$ 1,212,355	\$ 1,176,244
Penalty and Interest	29,333	23,741	39,368
Investment Revenues			15
TXDOT Match Income		200,000	
Miscellaneous Revenues		519	
TOTAL REVENUES	<u>\$ 1,324,396</u>	<u>\$ 1,436,615</u>	<u>\$ 1,215,627</u>
EXPENDITURES			
Administrative:			
Professional Fees	\$ 29,634	\$ 29,523	\$ 46,713
Contracted Services	67,417	61,322	29,193
Other	17,707	11,981	19,553
Enviro & Urban Design/Mobility	345,232	344,288	369,926
Public Safety and Security	421,653	320,268	323,370
Business and Economic Development	198,607	154,709	168,180
Community Development		3,000	7,000
Capital Outlay:			
Urban Design and Beautification	40,452	293,191	
Public Safety and Security			
Debt Service:			
Principal and Interest	136,453	136,452	141,956
TOTAL EXPENDITURES	<u>\$ 1,257,155</u>	<u>\$ 1,354,734</u>	<u>\$ 1,105,891</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 67,241</u>	<u>\$ 81,881</u>	<u>\$ 109,736</u>
OTHER FINANCING SOURCES (USES)			
Note Proceeds	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 67,241	\$ 81,881	\$ 109,736
BEGINNING FUND BALANCE	<u>180,563</u>	<u>98,682</u>	<u>(11,054)</u>
ENDING FUND BALANCE	<u>\$ 247,804</u>	<u>\$ 180,563</u>	<u>\$ 98,682</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2012	2011	2015	2014	2013	2012	2011
\$ 1,112,020	\$ 1,152,169	97.8 %	84.4 %	96.8 %	98.2 %	95.4 %
20,120	49,493	2.2	1.7	3.2	1.8	4.1
94	1,224					0.1
	5,000		13.9			0.4
<u>\$ 1,132,234</u>	<u>\$ 1,207,886</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 42,742	\$ 66,775	2.2 %	2.1 %	3.8 %	3.8 %	5.5 %
40,785	44,350	5.1	4.3	2.4	3.6	3.7
40,879	37,306	1.3	0.8	1.6	3.6	3.1
281,713	244,203	26.1	24.0	30.4	24.9	20.2
525,286	553,537	31.8	22.3	26.6	46.4	45.8
181,129	139,809	15.0	10.8	13.8	16.0	11.6
8,000	7,750		0.2	0.6	0.7	0.6
67,509	1,084,031	3.1	20.4		6.0	89.7
<u>114,418</u>	<u>5,255</u>	<u>10.3</u>	<u>9.5</u>	<u>11.7</u>	<u>10.1</u>	<u>0.4</u>
<u>\$ 1,302,461</u>	<u>\$ 2,183,016</u>	<u>94.9 %</u>	<u>94.4 %</u>	<u>90.9 %</u>	<u>115.1 %</u>	<u>180.6 %</u>
<u>\$ (170,227)</u>	<u>\$ (975,130)</u>	<u>5.1 %</u>	<u>5.6 %</u>	<u>9.1 %</u>	<u>(15.1) %</u>	<u>(80.6) %</u>
<u>\$ 98,401</u>	<u>\$ 600,000</u>					
<u>\$ (71,826)</u>	<u>\$ (375,130)</u>					
<u>60,772</u>	<u>435,902</u>					
<u>\$ (11,054)</u>	<u>\$ 60,772</u>					

See accompanying independent auditor's report.

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

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

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>December 31, 2015</u>	Expense Reimbursements for the year ended <u>December 31, 2015</u>	<u>Title</u>
Vacant				Position 1
Fred Bhandara	06/13 06/17 (Appointed)	\$ -0-	\$ -0-	Position 2/ Vice Chairman
Karen Loper	06/13 06/17 (Appointed)	\$ -0-	\$ -0-	Position 3/ Secretary
Thuy Vu	06/13 06/17 (Appointed)	\$ -0-	\$ -0-	Position 4
Vacant				Position 5
H.D. Chambers	06/13 06/17 (Appointed)	\$ -0-	\$ -0-	Position 6
Leeshan Birney	06/15 06/19 (Appointed)	\$ -0-	\$ -0-	Position 7

See accompanying independent auditor's report.

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

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>December 31, 2015</u>	Expense Reimbursements for the year ended <u>December 31, 2015</u>	<u>Title</u>
Stephen Le, Sr.	06/15 06/19 (Appointed)	\$ -0-	\$ -0-	Position 8
Vacant				Position 9
Vacant				Position 10
Wea Lee	06/15 06/19 (Appointed)	\$ -0-	\$ -0-	Position 11/ Chairman

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
May 12, 2016

See accompanying independent auditor's report.

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

Consultants:	Date Hired	Fees for the year ended December 31, 2015	Title
Allen Boone Humphries Robinson LLP	09/06/07	\$9,548	Attorney
McCall Gibson Swedlund Barfoot PLLC	04/02/09	\$8,000	Auditor
Municipal Accounts & Consulting, LP	08/01/08	\$15,003	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott	07/01/09	\$12,134	Delinquent Assessment Attorney
Hawes Hill Calderon LLP	09/06/07	\$329,783	Administrative Services
Mark M. Burton	12/08	\$-0-	Investment Officer
Equi-Tax, Inc.	05/01/08	\$18,832	Assessment Collector
Harris County	03/15/09	\$60,833	Law Enforcement Services

See accompanying independent auditor's report.

