

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96**

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Water Control and
Improvement District No. 96
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Water Control and Improvement District No. 96 (the "District"), as of and for the year ended July 31, 2013, 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.

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 July 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 8 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

November 5, 2013

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JULY 31, 2013

Management's discussion and analysis of Harris County Water Control and Improvement District No. 96's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended July 31, 2013. Please read it in conjunction with the District's financial statements, which begin on page 9.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The first of the government-wide statements is the Statement of Net Position. This information is found in the Statement of Net Position column on pages 9 through 12. The Statement of Net Position 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 position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on pages 14 and 15 reports how the District's net position changed during the current fiscal year. All current year revenues and expenditures 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 three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2013**

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position on page 13 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 16 explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 35 in this report.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund, see page 37.

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 by \$6,778,779 as of July 31, 2013.

A portion of the District's net position reflects its net investment in capital assets (e.g. water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2013	2012	Change Positive (Negative)
Current and Other Assets	\$ 12,030,043	\$ 13,785,750	\$ (1,755,707)
Capital Assets (Net of Accumulated Depreciation)	43,343,702	43,522,431	(178,729)
Total Assets	<u>\$ 55,373,745</u>	<u>\$ 57,308,181</u>	<u>\$ (1,934,436)</u>
Due to Developer	\$ 128,971	\$ 1,008,285	\$ 879,314
Long -Term Liabilities	45,023,090	45,928,751	905,661
Other Liabilities	3,442,905	3,438,011	(4,894)
Total Liabilities	<u>\$ 48,594,966</u>	<u>\$ 50,375,047</u>	<u>\$ 1,780,081</u>
Net Position:			
Net Investment in Capital Assets	\$ (1,756,259)	\$ (1,225,907)	\$ (530,352)
Restricted	6,190,969	6,040,995	149,974
Unrestricted	2,344,069	2,118,046	226,023
Total Net Position	<u>\$ 6,778,779</u>	<u>\$ 6,933,134</u>	<u>\$ (154,355)</u>

*

The following table provides a summary of the District's operations for the years ended July 31, 2013, and July 31, 2012. The District's net position decreased by \$154,355 during the current fiscal year, accounting for a 2.2% decrease in net position.

	Summary of Changes in the Statement of Activities		
	2013	2012	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 5,402,528	\$ 5,344,565	\$ 57,963
Charges for Services	2,193,268	1,844,014	349,254
Other Revenues	62,787	92,276	(29,489)
Total Revenues	<u>\$ 7,658,583</u>	<u>\$ 7,280,855</u>	<u>\$ 377,728</u>
Expenses for Services	<u>7,812,938</u>	<u>6,150,742</u>	<u>(1,662,196)</u>
Change in Net Position	\$ (154,355)	\$ 1,130,113	\$ (1,284,468)
Net Position, Beginning of Year	6,933,134	5,803,021	1,130,113
Net Position, End of Year	<u>\$ 6,778,779</u>	<u>\$ 6,933,134</u>	<u>\$ (154,355)</u>

*

* As Adjusted, See Note 16

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2013**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2013, were \$10,992,512 a decrease of \$1,568,728 from the prior year.

The General Fund fund balance increased by \$278,867, primarily due to service revenues exceeding operating costs.

The Debt Service Fund fund balance increased by \$74,308, primarily due to the structure of the District's outstanding debt service and issuance of Series 2012 Refunding bonds.

The Capital Projects Fund fund balance decreased by \$1,921,903. This decrease is due to planned capital outlay and park capital outlay expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$86,953 more than budgeted, actual expenditures were \$1,400,609 less than budgeted. See the budget to actual comparison on page 37.

CAPITAL ASSETS

The District's capital assets as of July 31, 2013, amount to \$43,343,702 (net of accumulated depreciation). These capital assets include land, construction in progress, building and park improvements, as well as the water, wastewater and drainage systems, and water and wastewater impact fees.

Some of the significant capital asset additions during the current fiscal year include:

- Fall Creek Sections 20, 21, 27 and 29
- Fall Creek Athletic Fields, Access Roads, and Athletic Facility
- Water Plant and Fall Creek Lift Station Generator Fuel Storage Improvements
- Impact Fees

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2013**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2013	2012	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,769,173	\$ 1,769,173	\$
Construction in Progress	4,900	3,632,508	(3,627,608)
Capital Assets, Net of Accumulated Depreciation:			
Building and Park Improvements	3,332,638	73,561	3,259,077
Water System	5,796,156	5,764,658	31,498
Wastewater System	8,461,031	8,292,841	168,190
Drainage System	22,075,753	22,207,681	(131,928)
Impact Fees-Water	8,998	9,321	(323)
Impact Fees-Wastewater	1,895,053	1,772,688	122,365
Total Net Capital Assets	\$ 43,343,702	\$ 43,522,431	\$ (178,729)

Additional information on the District's capital assets can be found in Note 6 of this report.

LONG TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$47,395,000.

The changes in the debt position of the District during the fiscal year ended July 31, 2013, are summarized as follows:

Bond Debt Payable, August 1, 2012	\$ 48,860,000
Add: Bond Sale	9,305,000
Less: Bond Principal Paid	10,770,000
Bond Debt Payable, July 31, 2013	\$ 47,395,000

The District's bonds carry an underlying rating of "A-" by Standard and Poor's. The District's Series 2004, 2004-A and 2006 bonds carry a "B+" rating by virtue of bond insurance issued by Radian Asset Assurance Inc. ("Radian"). The Series 2006-A bonds were insured by virtue of bond insurance issued by Ambac. Ambac's insured rating has been withdrawn. The Series 2008, 2009, 2010, 2011 and 2012 bonds carry a "AA-" rating by virtue of bond insurance issued by Assured Guaranty. The ratings above are as of July 31, 2013.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2013**

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 Harris County Water Control and Improvement District No. 96, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Blvd., Suite 1380, Houston, TX 77056.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2013**

	General Fund	Debt Service Fund
ASSETS		
Cash, Note 5	\$ 1,818,286	\$ 3,847,983
Investments, Note 5	1,018,887	2,836,863
Receivables:		
Property Taxes	40,809	110,674
Penalty and Interest on Delinquent Taxes		40,583
Service Accounts (Net of Allowance for Doubtful Accounts of \$2,000)	113,142	
Accrued Interest	675	832
Other	23,134	
Due from Other Funds, Note 2		3,696
Prepaid Costs		
Land, Note 6		
Construction in Progress, Note 6		
Capital Assets (Net of Accumulated Depreciation), Note 6		
TOTAL ASSETS	\$ 3,014,933	\$ 6,840,631

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 434,062	\$ 6,100,331	\$	\$ 6,100,331
1,612,661	5,468,411		5,468,411
	151,483		151,483
	40,583		40,583
	113,142		113,142
	1,507		1,507
	23,134		23,134
	3,696	(3,696)	
		131,452	131,452
		1,769,173	1,769,173
		4,900	4,900
		41,569,629	41,569,629
<u>\$ 2,046,723</u>	<u>\$ 11,902,287</u>	<u>\$ 43,471,458</u>	<u>\$ 55,373,745</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2013**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 430,202	\$ 9,997
Accrued Interest Payable		
Due to Developers, Note 8		
Due to Other Funds, Note 2	3,696	
Due to Taxpayers		30,969
Security Deposits	236,966	
Long Term Liabilities:		
Bonds Payable, Due Within One Year, Note 3		
Bonds Payable, Due After One Year, Note 3		
TOTAL LIABILITIES	\$ 670,864	\$ 40,966
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	40,809	110,674
Penalty and Interest on Delinquent Taxes		40,583
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 40,809	\$ 151,257
 FUND BALANCES		
Restricted for Authorized Construction:		
Bond Proceeds	\$	\$
Park Bond Proceeds		
Net Investment Revenues		
Restricted for Debt Service		6,648,408
Assigned to 2014 Budget Deficit, Note 2	1,059,376	
Unassigned	1,243,884	
TOTAL FUND BALANCES	\$ 2,303,260	\$ 6,648,408
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,014,933	\$ 6,840,631
 NET POSITION		
Net Investment in Capital Assets		
Restricted for:		
Debt Service		
Capital Projects		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 5,879	\$ 446,078	\$	\$ 446,078
		813,892	813,892
		128,971	128,971
	3,696	(3,696)	
	30,969		30,969
	236,966		236,966
		1,915,000	1,915,000
		45,023,090	45,023,090
<u>\$ 5,879</u>	<u>\$ 717,709</u>	<u>\$ 47,877,257</u>	<u>\$ 48,594,966</u>
	151,483	(151,483)	
	40,583	(40,583)	
<u>\$ -0-</u>	<u>\$ 192,066</u>	<u>\$ (192,066)</u>	<u>\$ -0-</u>
\$ 1,404,775	\$ 1,404,775	\$ (1,404,775)	\$
430,873	430,873	(430,873)	
205,196	205,196	(205,196)	
	6,648,408	(6,648,408)	
	1,059,376	(1,059,376)	
	1,243,884	(1,243,884)	
<u>\$ 2,040,844</u>	<u>\$ 10,992,512</u>	<u>\$ (10,992,512)</u>	<u>\$ - 0 -</u>
<u>\$ 2,046,723</u>	<u>\$ 11,902,287</u>		
		\$ (1,756,259)	\$ (1,756,259)
		5,985,773	5,985,773
		205,196	205,196
		<u>2,344,069</u>	<u>2,344,069</u>
		<u>\$ 6,778,779</u>	<u>\$ 6,778,779</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JULY 31, 2013**

Total Fund Balances - Governmental Funds \$ 10,992,512

Amounts reported for governmental activities in the Statement of Net Position are different because:

Prepaid bond insurance is amortized over the term of the refunding bonds. 131,452

Land, 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. 43,343,702

Deferred tax revenues and deferred penalty and interest revenues on delinquent taxes for the 2012 and prior tax levies became part of recognized revenue in the governmental activities of the District. 192,066

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:

Due to Developer	\$ (128,971)	
Accrued Interest Payable	(813,892)	
Bonds Payable Within One Year	(1,915,000)	
Bonds Payable After One Year	(45,023,090)	<u>(47,880,953)</u>

Total Net Position - Governmental Activities \$ 6,778,779

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

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2013**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,522,757	\$ 3,890,950
Water Service	1,113,787	
Wastewater Service	723,472	
Sales Tax Revenues, Note 12	77,302	
Penalty and Interest	38,672	51,621
Tap Connection and Inspection Fees	188,203	
Investment Revenues	5,778	12,636
Miscellaneous Revenues	39,772	100
TOTAL REVENUES	\$ 3,709,743	\$ 3,955,307
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 212,697	\$ 16,268
Contracted Services	632,141	75,023
Purchased Water Service, Note 10	1,177,876	
Purchased Wastewater Service, Note 11	413,389	
Utilities	98,080	
Repairs and Maintenance	601,837	
Depreciation, Note 6		
Other	257,644	21,200
Capital Outlay	37,212	
Debt Service:		
Bond Principal		1,750,000
Bond Interest		2,018,961
Bond Issuance Costs		333,461
TOTAL EXPENDITURES/EXPENSES	\$ 3,430,876	\$ 4,214,913
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 278,867	\$ (259,606)
OTHER FINANCING SOURCES (USES)		
Refunding Bonds, Note 15	\$	\$ 9,305,000
Payment to Refunded Bond Escrow Agent, Note 15		(9,436,084)
Bond Discount		(70,959)
Bond Premium		535,957
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 333,914
NET CHANGE IN FUND BALANCES	\$ 278,867	\$ 74,308
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2012, AS ADJUSTED, NOTE 16	2,024,393	6,574,100
FUND BALANCES/NET POSITION - JULY 31, 2013	\$ 2,303,260	\$ 6,648,408

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 5,413,707	\$ (11,179)	\$ 5,402,528
	1,113,787		1,113,787
	723,472		723,472
	77,302		77,302
	90,293	211	90,504
	188,203		188,203
4,501	22,915		22,915
	39,872		39,872
<u>\$ 4,501</u>	<u>\$ 7,669,551</u>	<u>\$ (10,968)</u>	<u>\$ 7,658,583</u>
\$	\$ 228,965	\$ 241,068	\$ 470,033
	707,164		707,164
	1,177,876		1,177,876
	413,389		413,389
	98,080		98,080
	601,837		601,837
		1,170,102	1,170,102
7,760	286,604		286,604
1,918,644	1,955,856	(1,955,856)	
	1,750,000	(1,750,000)	
	2,018,961	629,022	2,647,983
	333,461	(93,591)	239,870
<u>\$ 1,926,404</u>	<u>\$ 9,572,193</u>	<u>\$ (1,759,255)</u>	<u>\$ 7,812,938</u>
<u>\$ (1,921,903)</u>	<u>\$ (1,902,642)</u>	<u>\$ 1,748,287</u>	<u>\$ (154,355)</u>
\$	\$ 9,305,000	\$ (9,305,000)	\$
	(9,436,084)	9,436,084	
	(70,959)	70,959	
	535,957	(535,957)	
<u>\$ -0-</u>	<u>\$ 333,914</u>	<u>\$ (333,914)</u>	<u>\$ -0-</u>
\$ (1,921,903)	\$ (1,568,728)	\$ 1,568,728	\$
		(154,355)	(154,355)
<u>3,962,747</u>	<u>12,561,240</u>	<u>(5,628,106)</u>	<u>6,933,134</u>
<u>\$ 2,040,844</u>	<u>\$ 10,992,512</u>	<u>\$ (4,213,733)</u>	<u>\$ 6,778,779</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2013**

Net Change in Fund Balances - Governmental Funds	\$ (1,568,728)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(11,179)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	211
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.	(1,170,102)
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.	1,714,788
Governmental funds report bond insurance as expenditures and bond discounts and bond premiums as other financing sources(uses) in the year paid. However, in the Statement of Net Position, the bond insurance, bond discounts and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(371,407)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	1,750,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(629,022)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(9,305,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	<u>9,436,084</u>
Change in Net Position - Governmental Activities	<u>\$ (154,355)</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 1. CREATION OF DISTRICT

Harris County Water Control and Improvement District No. 96 of Harris County, Texas (the "District") was created effective June 16, 1966 by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"). Pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting in 1966. The first bonds were sold on January 16, 2003.

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

Financial Statement Presentation

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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. As of July 31, 2013, the District's General Fund owed the Debt Service Fund \$3,696 for an overtransfer of maintenance tax collections.

Capital Assets

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

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

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-40
All Other Equipment	3-20

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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service determined that directors are considered to be “employees” for federal 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. The District does not have any nonspendable fund balances.

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District has assigned \$1,059,376 of its General Fund fund balance to cover the projected 2014 budget deficit.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

New Pronouncements

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

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 3. BONDS PAYABLE

	<u>Series 2004</u>	<u>Series 2004-A</u>	<u>Series 2006</u>
Amount Outstanding – July 31, 2013	\$ 645,000	\$ 1,520,000	\$ 10,830,000
Interest Rates	4.625%	4.00% - 4.20%	4.00% - 4.75%
Maturity Date	September 1, 2013/2016	September 1, 2013/2016	September 1, 2013/2031
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2013*	September 1, 2013*	September 1, 2014*
	<u>Series 2006-A</u>	<u>Series 2008</u>	<u>Series 2009</u>
Amount Outstanding – July 31, 2013	\$ 4,040,000	\$ 6,360,000	\$ 5,175,000
Interest Rates	4.25% - 4.50%	4.00% - 5.50%	4.20% - 5.50%
Maturity Date	September 1, 2013/2032	September 1, 2013/2033	September 1, 2013/2033
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2015*	September 1, 2017*	September 1, 2018*

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2006-A term bonds maturing on September 1, 2029, and September 1, 2032, are subject to mandatory redemption by random selection beginning September 1, 2027, and September 1, 2030, respectively. Series 2008 term bonds maturing on September 1, 2029, September 1, 2031, and September 1, 2033, are subject to mandatory redemption by random selection beginning September 1, 2028, September 1, 2030, and September 1, 2032, respectively. Series 2009 term bonds maturing September 1, 2025, September 1, 2027, September 1, 2029, September 1, 2031, and September 1, 2033, are subject to mandatory redemption by random selection beginning September 1, 2024, September 1, 2026, September 1, 2028, September 1, 2030, and September 1, 2032, respectively.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 3. BONDS PAYABLE (Continued)

	Series 2010	Refunding Series 2011	Refunding Series 2012
Amount Outstanding – July 31, 2013	\$ 5,115,000	\$ 4,405,000	\$ 9,305,000
Interest Rates	4.00% - 5.25%	2.00% - 4.00%	2.00% - 4.00%
Maturity Date	September 1, 2013/2033	September 1, 2013/2026	September 1, 2013/2027
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2018*	September 1, 2019*	September 1, 2019*

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2010 term bonds maturing September 1, 2029, September 1, 2031, and September 1, 2033, are subject to mandatory redemption by random selection beginning September 1, 2028, September 1, 2030, and September 1, 2032, respectively.

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2013:

	August 1, 2012	Additions	Retirements	July 31, 2013
Bonds Payable	\$ 48,860,000	\$ 9,305,000	\$ 10,770,000	\$ 47,395,000
Unamortized Discounts	(1,181,249)	(70,959)	(287,338)	(964,870)
Unamortized Premiums		535,957	27,997	507,960
Total Long-Term Liabilities	<u>\$ 47,678,751</u>	<u>\$ 9,769,998</u>	<u>\$ 10,510,659</u>	<u>\$ 46,938,090</u>
		Amount Due Within One Year		\$ 1,915,000
		Amount Due After One Year		<u>45,023,090</u>
		Total Long-Term Liabilities		<u>\$ 46,938,090</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 3. BONDS PAYABLE (Continued)

As of July 31, 2013, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 1,915,000	\$ 1,915,435	\$ 3,830,435
2015	1,905,000	1,839,531	3,744,531
2016	1,940,000	1,762,718	3,702,718
2017	2,020,000	1,683,087	3,703,087
2018	2,070,000	1,606,932	3,676,932
2019-2023	11,140,000	6,918,589	18,058,589
2024-2028	13,130,000	4,543,949	17,673,949
2029-2033	11,800,000	1,687,701	13,487,701
2034	1,475,000	35,062	1,510,062
	<u>\$ 47,395,000</u>	<u>\$ 21,993,004</u>	<u>\$ 69,388,004</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

The District has additional authorized but unissued tax bonds totaling \$35,950,000, authorized but unissued refunding bonds totaling \$131,375,000, and authorized but unissued park bonds totaling \$2,685,000.

During the year ended July 31, 2013, the District levied an ad valorem debt service tax at the rate of \$0.69 per \$100 of assessed valuation, which resulted in a tax levy of \$3,893,686 on the adjusted taxable valuation of \$564,302,258 for the 2012 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. This information, along with the audited annual financial statements, is to be provided within six (6) months after the end of each fiscal year and shall continue to be provided through the life of the bonds.
- B. The bond orders state the District will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five year anniversary of each issue.

NOTE 5. 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 \$7,325,331 and the bank balance was \$7,630,639. Of the bank balance, \$2,231,694 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 July 31, 2013, as listed below:

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

	Cash	Certificates of Deposit	Total
	<u> </u>	<u> </u>	<u> </u>
GENERAL FUND	\$ 1,818,286	\$ 490,000	\$ 2,308,286
DEBT SERVICE FUND	3,847,983	735,000	4,582,983
CAPITAL PROJECTS FUND	<u>434,062</u>	<u> </u>	<u>434,062</u>
TOTAL DEPOSITS	<u>\$ 6,100,331</u>	<u>\$ 1,225,000</u>	<u>\$ 7,325,331</u>

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. Federated Investors manages the daily operations of TexPool under a contract with the Comptroller. The fair value of the District's position in the pool is the same as the value of pool shares.

As of July 31, 2013, 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>					
TexPool	\$ 528,887	\$ 528,887	\$	\$	\$
Certificates of Deposit	490,000	490,000			
<u>DEBT SERVICE FUND</u>					
TexPool	2,101,863	2,101,863			
Certificates of Deposit	735,000	735,000			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	1,612,661	1,612,661			
TOTAL INVESTMENTS	<u>\$5,468,411</u>	<u>\$5,468,411</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2013, the District's investment in TexPool was rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended July 31, 2013:

	August 1, 2012	Increases	Decreases	July 31, 2013
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,769,173	\$	\$	\$ 1,769,173
Construction in Progress	<u>3,632,508</u>	<u>1,232,441</u>	<u>4,860,049</u>	<u>4,900</u>
Total Capital Assets Not Being Depreciated	<u>\$ 5,401,681</u>	<u>\$ 1,232,441</u>	<u>\$ 4,860,049</u>	<u>\$ 1,774,073</u>
Capital Assets Subject to Depreciation				
Building and Park Improvements	\$ 76,398	\$ 3,355,595	\$	\$ 3,431,993
Water System	6,991,262	209,568		7,200,830
Wastewater System	9,936,930	413,796		10,350,726
Drainage System	26,280,394	460,130		26,740,524
Impact Fees-Water	12,538			12,538
Impact Fees-Wastewater	<u>2,058,890</u>	<u>179,892</u>		<u>2,238,782</u>
Total Capital Assets Subject to Depreciation	<u>\$ 45,356,412</u>	<u>\$ 4,618,981</u>	<u>\$ - 0 -</u>	<u>\$ 49,975,393</u>
Accumulated Depreciation				
Building and Park Improvements	\$ 2,837	\$ 96,518	\$	\$ 99,355
Water System	1,226,604	178,070		1,404,674
Wastewater System	1,644,089	245,606		1,889,695
Drainage System	4,072,713	592,058		4,664,771
Impact Fees-Water	3,217	323		3,540
Impact Fees-Wastewater	<u>286,202</u>	<u>57,527</u>		<u>343,729</u>
Total Accumulated Depreciation	<u>\$ 7,235,662</u>	<u>\$ 1,170,102</u>	<u>\$ - 0 -</u>	<u>\$ 8,405,764</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 38,120,750</u>	<u>\$ 3,448,879</u>	<u>\$ - 0 -</u>	<u>\$ 41,569,629</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 43,522,431</u>	<u>\$ 4,681,320</u>	<u>\$ 4,860,049</u>	<u>\$ 43,343,702</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 7. MAINTENANCE TAX

On May 5, 2001, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. During the current fiscal year, the District levied an ad valorem maintenance tax at the rate of \$0.27 per \$100 of assessed valuation, which resulted in a tax levy of \$1,523,616 on the taxable valuation of \$564,302,258 for the 2012 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

NOTE 8. DUE TO DEVELOPERS

The District has executed developer financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, wastewater, and drainage facilities until such time as the District can sell bonds. As reflected in the Statement of Net Position, \$128,971 has been recorded as a liability for facilities financed by Developers which the District now operates and maintains. Reimbursements to the Developers will come from future bond sales.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. WATER SUPPLY CONTRACT WITH THE CITY OF HOUSTON

The District entered into a Water Supply Contract with the City "(Supply Contract)" on May 17, 2001. Pursuant to the Supply Contract, the District agrees to construct all facilities necessary to enable it to receive water from the City's distribution system. The District's connection to the City's system will be metered. The District will be billed monthly once delivery of the water has commenced. The District's initial minimum quantity was 300,000 gallons per month. Effective October 1, 2010, the minimum monthly quantity was 15,745,000 gallons per month. The District must pay for the minimum monthly quantity whether or not the water is used. The District is entitled to revise its minimum monthly quantity no more than three times during the initial year of the contract term, twice during the second year, and once each year thereafter by providing written notice thereof to the Utility Official of the Department of Public Works and Engineering of the City. After the fourth year any revision resulting in an increase in excess of 10% of the current minimum monthly quantity will not be effective until approved in writing by the Utility Official. The charge for water shall be calculated in accordance with the rates for

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 10. WATER SUPPLY CONTRACT WITH THE CITY OF HOUSTON
(Continued)

contract treated water customers that do not receive surface water only. Currently, the rate for the minimum monthly quantity is \$2.6903 per 1,000 gallons. However, if the District exceeds the minimum monthly quantity, surcharges apply. The rates charged by the City may be amended at any time. The agreement shall expire on the fortieth (40th) anniversary of the contract date. During the current fiscal year, the District recorded expenditures of \$1,177,876 related to this contract.

NOTE 11. WASTE DISPOSAL CONTRACT WITH THE CITY OF HOUSTON

The District entered into a Waste Disposal Contract with the City ("Waste Contract") on July 9, 2001. Pursuant to the Waste Contract, the District agrees to construct all facilities necessary to enable it to convey its waste to the City's facilities. The District will be billed monthly on the amount of wastewater delivered to the City. The amount of wastewater delivered to the City will be calculated by taking the total of all water the District delivers to its customers as measured by the customer meters, less the amount of water measured by any irrigation meters. The rate currently charged for wholesale sewer service is \$1.352 per 1,000 gallons for eligible conservation and reclamation districts that have purchased permanent treatment capacity in the City's sewage treatment system. During the current fiscal year, the District recorded expenditures of \$413,389 related to this contract.

In addition, the District is required to make capital contributions to the City. These capital contributions were initially determined to be \$940 for each single-family residential customer receiving sewer treatment service from the District. During a prior fiscal year, this amount increased to \$1,105.90, and then increased to \$1,199.11. The District's payment of this fee entitles it to the wholesale sewer service charge applicable to users under similar circumstances.

The District's initial capacity must be at least 64 service units. During a prior fiscal year, the District reimbursed the Developer \$60,160 for the initial 64 service units. During prior fiscal years, the District purchased an additional 1,216 service units from the City of Houston at a cost of \$1,226,493 and an additional 644 service units from the City of Houston at a cost of \$772,237. During the current fiscal year, the District purchased an additional 150 service units from the City of Houston at a cost of \$179,892. The District is entitled to purchase additional capacity from time to time if there is uncommitted capacity available in the City plant and the District files an application with the City for additional capacity. Each purchase of capacity must include wastewater capacity for at least a platted subdivision. Rates for future capacity purchases will be the same rates as the City sets for wastewater impact fees. This term of this contract is forty (40) years.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective July 11, 2006, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas (the "City"). The agreement provides that in accordance with Chapter 43 of the Local Government Code and the Act, the City shall annex a tract of land defined as the "Tract" for limited purposes as outlined in the agreement. The District will continue to develop, to own, and to operate and maintain a water and wastewater system in the District.

All taxable property within the District shall not be liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. Upon the limited-purpose annexation of the Tract, the City's municipal courts shall have jurisdiction to adjudicate cases filed under the most current section of the Fire Code banning fireworks as adopted by City Council, and under state laws as set out in Article 4.14 of the Texas Code of Criminal Procedure, arising from actions occurring within the Tract. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period of this agreement.

After the Tract is annexed for limited purposes by the City, the qualified voters of the Tract may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the Tract.

The City shall impose a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City agreed to deliver to the District its share of the sales tax receipts within thirty (30) days of the City receiving the funds from the State Controllers office.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is thirty (30) years from the effective date of the agreement. During the current fiscal year, the District recorded revenues in the amount of \$77,302 related to this agreement.

NOTE 13. EMERGENCY WATER SUPPLY CONTRACT

On April 24, 2006, the District executed an emergency water supply contract with Harris County Municipal Utility District No. 400 ("District No. 400"). The contract provides that each district will construct a water line to the point of interconnect. Each district will be responsible for the construction of the water line on their respective sides of the point of interconnect. The districts will share equally in the construction of the interconnect facilities. The price to be paid for water

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 13. EMERGENCY WATER SUPPLY CONTRACT (Continued)

delivered shall be billed at the then effective City of Houston rate for wholesale treated surface water customers per thousand gallons of average daily usage for the number of days water is received. Average daily usage shall be calculated in accordance with the provisions outlined in the agreement. In the event the supplying party purchased all or a portion of the water supplied from an adjoining district, the receiving party shall pay the supplying party for water received at a rate per 1,000 gallons equal to the rate paid by the supplying party for such water in the event that such rate is greater than the City of Houston rate, as noted above. The term of the agreement is for forty (40) years.

On April 22, 2010, the District executed an emergency water supply contract with Harris County Municipal Utility District No. 49 ("District No. 49"). The contract provides that each district will construct a water line to the point of interconnect. Each district will be responsible for the construction of the water line on their respective sides of the point of interconnect. District No. 49 will install the cutoff valve and locking valve cover at the point of interconnect and will be responsible for all costs of design and construction of such cutoff valve and locking valve cover. Both Districts shall have keys to the lock and shall have right of access to the valve box at all times. The price to be paid for water delivered shall be billed at the actual cost to the supplying party per thousand gallons of average daily usage for the number of days water is received. Average daily usage shall be calculated in accordance with the provisions outlined in the agreement. The term of the agreement is for 50 years.

NOTE 14. WATER SUPPLY CONTRACT

On August 25, 2011, the District executed a water supply contract with District No. 49. The contract provides that District will construct a water line to the point of interconnect. District No. 49 will provide water service in an amount sufficient to serve approximately five domestic equivalent single family connection and 91 equivalent single family connections for irrigation water at 400 gallons per day per connection. The rates charged will be the current rate charged by District No. 49 to in-district commercial and irrigation water users. The term of the agreement is through July 31, 2021, but the agreement may be extended for additional one-year terms in accordance with the provisions of the agreement. The agreement may be terminated upon 60 days written notice by the District.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 15. REFUNDING BOND SALE

On October 18, 2012, the District closed on the sale of its \$9,305,000 Series 2012 Unlimited Tax Refunding Bonds with interest rates of 2.00% to 4.00% to refund \$2,670,000 of Series 2004 Bonds and \$6,350,000 of Series 2004-A Bonds. The net proceeds of \$9,436,084 (after payment of underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2004 and Series 2004-A refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

The District refunded the following bonds to restructure its total outstanding debt; the effect of which was to decrease its total debt service requirement over 14 years by \$1,130,354 and at the same time obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$898,546.

REFUNDED BONDS

<u>Issue</u>	<u>Interest rate</u>	<u>Maturities</u>	<u>Callable Dates</u>	<u>Outstanding at July 31, 2013</u>
2004	4.625%-4.875%	2017-2027	September 1, 2013	\$ 2,670,000
2004-A	4.30%-5.00%	2017-2027	September 1, 2013	<u>6,350,000</u>
TOTAL				<u>\$ 9,020,000</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2013**

NOTE 16. PRIOR PERIOD ADJUSTMENT

GASB Statement No. 65 was implemented in the current fiscal year. Bond issuance costs previously reported as assets to be amortized over the life of the related debt are now recognized as an expense in the period in which the bonds are sold. The effect of this change in accounting principle is as follows:

Net Position - August 1, 2012	\$ 9,083,336
Effect of Adjustment	<u>(2,150,202)</u>
Net Position - August 1, 2012, As Adjusted	<u>\$ 6,933,134</u>

NOTE 17. USE OF SURPLUS FUNDS

On April 19, 2013, the Commission approved the use of surplus Capital Projects Fund monies totaling \$1,003,385 to pay construction and engineering costs associated with Fall Creek Section 27 and 29. In accordance with this approval, the District reimbursed the Developers \$987,039.

NOTE 18. PENDING BOND APPLICATION

The Board has filed an application with the Commission to issue bonds in the amount of \$6,980,000. As of the date of this report, the application is still pending.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96**

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2013

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2013**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,536,640	\$ 1,522,757	\$ (13,883)
Water Service	1,200,000	1,113,787	(86,213)
Wastewater Service	700,000	723,472	23,472
Sales Tax Revenues	42,000	77,302	35,302
Penalty and Interest	36,000	38,672	2,672
Tap Connection and Inspection Fees	82,950	188,203	105,253
Investment Revenues	6,000	5,778	(222)
Miscellaneous Revenues	19,200	39,772	20,572
TOTAL REVENUES	\$ 3,622,790	\$ 3,709,743	\$ 86,953
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 172,500	\$ 212,697	\$ (40,197)
Contracted Services	593,100	632,141	(39,041)
Purchased Water Service	1,200,000	1,177,876	22,124
Purchased Wastewater Service	432,000	413,389	18,611
Utilities	69,420	98,080	(28,660)
Repairs and Maintenance	346,000	601,837	(255,837)
Other	228,465	257,644	(29,179)
Capital Outlay	1,790,000	37,212	1,752,788
TOTAL EXPENDITURES	\$ 4,831,485	\$ 3,430,876	\$ 1,400,609
NET CHANGE IN FUND BALANCE	\$ (1,208,695)	\$ 278,867	\$ 1,487,562
FUND BALANCE - AUGUST 1, 2012	2,024,393	2,024,393	
FUND BALANCE - JULY 31, 2013	\$ 815,698	\$ 2,303,260	\$ 1,487,562

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JULY 31, 2013

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2013**

1. SERVICES PROVIDED BY THE DISTRICT:

<u> X </u>	Retail Water	_____	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
<u> X </u>	Parks/Recreation	_____	Fire Protection	_____	Security
<u> X </u>	Solid Waste/Garbage	_____	Flood Control	_____	Roads
_____	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
_____	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 1" METER (OR EQUIVALENT):

Based on the rate order approved April 2, 2013.

	Minimum Charge	Minimum Usage	Flat Rate	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 28.32	10,000	N	\$ 2.34 \$ 2.96 \$ 3.31 \$ 3.68	10,001 to 15,000 15,001 to 20,000 20,001 to 25,000 25,001 and up
WASTEWATER:	\$ 20.66	10,000	N	\$ 1.48 \$ 1.77 \$ 2.05 \$ 2.34	10,001 to 15,000 15,001 to 20,000 20,001 to 25,000 25,001 and up
SURCHARGE:	\$ -0-				

District employs winter averaging for wastewater usage?

_____	<u> X </u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$28.32 Wastewater: \$20.66 Surcharge: \$0.00

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2013**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	1,457	1,439	x 1.0	1,439
1"	615	604	x 2.5	1,510
1½"	19	17	x 5.0	85
2"	56	56	x 8.0	448
3"	1	1	x 15.0	15
4"	1	1	x 25.0	25
6"			x 50.0	
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water Connections	<u>2,151</u>	<u>2,120</u>		<u>3,682</u>
Total Wastewater Connections	<u>1,982</u>	<u>1,952</u>	x 1.0	<u>1,952</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons purchased: 392,904,000* Water Accountability Ratio: 101.8%
(Gallons billed and sold/Gallons pumped and purchased)

Gallons billed to customers: 399,889,000

*The District purchases its water from the City of Houston, Texas. See Note 10.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2013**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ___ No X

Does the District have Operation and Maintenance standby fees? Yes ___ No X

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely X Partly _____ Not at all _____

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2013**

PROFESSIONAL FEES:	
Auditing	\$ 17,500
Engineering	85,282
Legal	<u>109,915</u>
TOTAL PROFESSIONAL FEES	<u>\$ 212,697</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 1,177,876
Purchased Wastewater Service	<u>413,389</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,591,265</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 15,718
Operations and Billing	116,919
Management Services	<u>48,888</u>
TOTAL CONTRACTED SERVICES	<u>\$ 181,525</u>
UTILITIES:	
Electricity	\$ 88,367
Telephone	<u>9,713</u>
TOTAL UTILITIES	<u>\$ 98,080</u>
REPAIRS AND MAINTENANCE	<u>\$ 601,837</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 13,650
Dues	4,735
Insurance	12,628
Office Supplies and Postage	1,138
Payroll Taxes	3,876
Travel and Meetings	6,955
Other	<u>21,516</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 64,498</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2013**

CAPITAL OUTLAY:	
Capitalized Assets	\$ <u>37,212</u>
TAP CONNECTIONS	\$ <u>118,301</u>
SOLID WASTE DISPOSAL	\$ <u>267,114</u>
SECURITY	\$ <u>183,502</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 2,819
Permit Fees	3,560
Inspection Fees	55,464
Regulatory Assessment	10,072
Other	<u>2,930</u>
TOTAL OTHER EXPENDITURES	\$ <u>74,845</u>
TOTAL EXPENDITURES	\$ <u>3,430,876</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
INVESTMENTS
JULY 31, 2013**

<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	1002129418	0.30%	08/08/13	\$ 245,000	\$ 348
Certificate of Deposit	3116001460	0.35%	09/13/13	245,000	327
TexPool	79707300001	Varies	Daily	<u>528,887</u>	
TOTAL GENERAL FUND				<u>\$ 1,018,887</u>	<u>\$ 675</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	511659	0.30%	08/27/13	\$ 245,000	\$ 312
Certificate of Deposit	6108591	0.15%	08/27/13	245,000	156
Certificate of Deposit	3300041543	0.35%	08/27/13	245,000	364
TexPool	7907300002	Varies	Daily	<u>2,101,863</u>	
TOTAL DEBT SERVICE FUND				<u>\$ 2,836,863</u>	<u>\$ 832</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	7907300005	Varies	Daily	<u>\$ 1,612,661</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 5,468,411</u>	<u>\$ 1,507</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2013**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2012	\$	44,212	\$	118,450
Adjustments to Beginning				
Balance		<u>(4,262)</u>	\$	<u>107,938</u>
Original 2012 Tax Levy	\$	1,466,126	\$	3,746,768
Adjustment to 2012 Tax Levy		<u>57,490</u>	<u>1,523,616</u>	<u>3,893,686</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	1,563,566	\$
				4,001,624
 TAX COLLECTIONS:				
Prior Years	\$	9,092	\$	22,696
Current Year		<u>1,513,665</u>	<u>1,522,757</u>	<u>3,890,950</u>
 TAXES RECEIVABLE -				
JULY 31, 2013		<u>\$</u>	<u>40,809</u>	<u>\$</u>
				<u>110,674</u>
 TAXES RECEIVABLE BY				
YEAR:				
2012	\$	9,951	\$	25,432
2011		7,066		17,411
2010		6,274		16,266
2009		4,709		12,556
2008		4,997		13,327
2007		5,139		15,227
2006		1,429		6,531
2005		881		3,924
2001		<u>363</u>		
TOTAL	\$	<u>40,809</u>	\$	<u>110,674</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96**

**TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2013**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
PROPERTY VALUATIONS:				
Land	\$ 141,925,221	\$ 135,509,505	\$ 131,903,097	\$ 132,506,343
Improvements	439,292,344	431,083,028	428,206,528	435,144,707
Personal Property	11,489,504	12,108,881	11,265,763	8,603,468
Exemptions	<u>(28,404,811)</u>	<u>(25,825,151)</u>	<u>(25,975,826)</u>	<u>(24,198,257)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 564,302,258</u>	<u>\$ 552,876,263</u>	<u>\$ 545,399,562</u>	<u>\$ 552,056,261</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.69	\$ 0.69	\$ 0.70	\$ 0.72
Maintenance	<u>0.27</u>	<u>0.28</u>	<u>0.27</u>	<u>0.27</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.96</u>	<u>\$ 0.97</u>	<u>\$ 0.97</u>	<u>\$ 0.99</u>
ADJUSTED TAX LEVY*	<u>\$ 5,417,302</u>	<u>\$ 5,362,900</u>	<u>\$ 5,290,376</u>	<u>\$ 5,465,357</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	<u>99.35 %</u>	<u>99.54 %</u>	<u>99.57 %</u>	<u>99.68 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on May 5, 2001.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2013**

S E R I E S - 2 0 0 4				
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total	
2014	\$ 150,000	\$ 26,363	\$	176,363
2015	155,000	19,309		174,309
2016	165,000	11,909		176,909
2017	175,000	4,047		179,047
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
	\$ 645,000	\$ 61,628	\$	706,628

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2013**

S E R I E S - 2 0 0 4 A

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2014	\$ 350,000	\$ 55,010	\$ 405,010
2015	370,000	40,610	410,610
2016	390,000	25,215	415,215
2017	410,000	8,610	418,610
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 1,520,000</u>	<u>\$ 129,445</u>	<u>\$ 1,649,445</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2013**

S E R I E S - 2 0 0 6

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2014	\$ 500,000	\$ 467,187	\$ 967,187
2015	500,000	447,188	947,188
2016	500,000	427,187	927,187
2017	500,000	407,188	907,188
2018	500,000	386,875	886,875
2019	500,000	365,937	865,937
2020	500,000	344,688	844,688
2021	500,000	323,437	823,437
2022	500,000	301,938	801,938
2023	500,000	280,125	780,125
2024	500,000	257,937	757,937
2025	500,000	235,438	735,438
2026	500,000	212,937	712,937
2027	500,000	190,313	690,313
2028	630,000	164,369	794,369
2029	800,000	131,300	931,300
2030	800,000	94,200	894,200
2031	800,000	56,800	856,800
2032	800,000	19,000	819,000
2033			
2034			
	<u>\$ 10,830,000</u>	<u>\$ 5,114,044</u>	<u>\$ 15,944,044</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2013**

S E R I E S - 2 0 0 6 A

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2014	\$ 150,000	\$ 175,013	\$ 325,013
2015	150,000	168,637	318,637
2016	150,000	162,263	312,263
2017	150,000	155,887	305,887
2018	150,000	149,513	299,513
2019	150,000	143,137	293,137
2020	150,000	136,763	286,763
2021	150,000	130,350	280,350
2022	150,000	123,862	273,862
2023	150,000	117,300	267,300
2024	150,000	110,700	260,700
2025	150,000	104,100	254,100
2026	150,000	97,425	247,425
2027	150,000	90,675	240,675
2028	240,000	81,900	321,900
2029	300,000	69,750	369,750
2030	300,000	56,250	356,250
2031	300,000	42,750	342,750
2032	300,000	29,250	329,250
2033	500,000	11,250	511,250
2034			
	<u>\$ 4,040,000</u>	<u>\$ 2,156,775</u>	<u>\$ 6,196,775</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2013**

S E R I E S - 2 0 0 8				
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total	
2014	\$ 150,000	\$ 280,631	\$	430,631
2015	150,000	272,381		422,381
2016	150,000	264,131		414,131
2017	150,000	255,881		405,881
2018	150,000	247,631		397,631
2019	150,000	240,506		390,506
2020	150,000	234,506		384,506
2021	175,000	228,006		403,006
2022	200,000	220,506		420,506
2023	210,000	212,175		422,175
2024	250,000	202,687		452,687
2025	250,000	192,219		442,219
2026	275,000	181,062		456,062
2027	275,000	169,376		444,376
2028	475,000	153,142		628,142
2029	500,000	131,813		631,813
2030	500,000	109,938		609,938
2031	500,000	87,750		587,750
2032	500,000	65,250		565,250
2033	600,000	40,500		640,500
2034	600,000	13,500		613,500
	\$ 6,360,000	\$ 3,803,591	\$	10,163,591

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2013**

S E R I E S - 2 0 0 9				
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total	
2014	\$ 150,000	\$ 264,400	\$	414,400
2015	150,000	256,525		406,525
2016	150,000	248,781		398,781
2017	175,000	240,563		415,563
2018	175,000	231,813		406,813
2019	175,000	223,062		398,062
2020	200,000	214,488		414,488
2021	200,000	205,887		405,887
2022	200,000	196,887		396,887
2023	225,000	186,887		411,887
2024	225,000	175,862		400,862
2025	225,000	164,444		389,444
2026	250,000	152,213		402,213
2027	250,000	139,150		389,150
2028	250,000	125,900		375,900
2029	350,000	109,737		459,737
2030	350,000	90,663		440,663
2031	350,000	71,500		421,500
2032	375,000	51,562		426,562
2033	375,000	30,938		405,938
2034	375,000	10,312		385,312
	\$ 5,175,000	\$ 3,391,574	\$	8,566,574

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2013**

S E R I E S - 2 0 1 0

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2014	\$ 100,000	\$ 221,163	\$ 321,163
2015	100,000	216,162	316,162
2016	100,000	211,163	311,163
2017	115,000	205,643	320,643
2018	125,000	199,344	324,344
2019	125,000	192,781	317,781
2020	125,000	187,000	312,000
2021	125,000	182,000	307,000
2022	150,000	176,500	326,500
2023	150,000	170,500	320,500
2024	150,000	164,500	314,500
2025	175,000	158,000	333,000
2026	175,000	151,000	326,000
2027	200,000	143,500	343,500
2028	200,000	135,375	335,375
2029	500,000	120,625	620,625
2030	500,000	99,375	599,375
2031	500,000	77,812	577,812
2032	500,000	55,938	555,938
2033	500,000	33,750	533,750
2034	500,000	11,250	511,250
	<u>\$ 5,115,000</u>	<u>\$ 3,113,381</u>	<u>\$ 8,228,381</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2013**

SERIES-2011 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2014	\$ 265,000	\$ 134,318	\$ 399,318
2015	265,000	129,019	394,019
2016	270,000	123,669	393,669
2017	280,000	118,168	398,168
2018	290,000	112,106	402,106
2019	290,000	105,219	395,219
2020	305,000	97,020	402,020
2021	315,000	87,522	402,522
2022	320,000	77,400	397,400
2023	335,000	65,500	400,500
2024	345,000	51,900	396,900
2025	360,000	37,800	397,800
2026	375,000	23,100	398,100
2027	390,000	7,800	397,800
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 4,405,000</u>	<u>\$ 1,170,541</u>	<u>\$ 5,575,541</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2013**

SERIES - 2012 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2014	\$ 100,000	\$ 291,350	\$ 391,350
2015	65,000	289,700	354,700
2016	65,000	288,400	353,400
2017	65,000	287,100	352,100
2018	680,000	279,650	959,650
2019	710,000	265,750	975,750
2020	725,000	251,400	976,400
2021	745,000	232,975	977,975
2022	775,000	210,175	985,175
2023	810,000	186,400	996,400
2024	835,000	161,725	996,725
2025	865,000	131,900	996,900
2026	910,000	96,400	1,006,400
2027	955,000	59,100	1,014,100
2028	1,000,000	20,000	1,020,000
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 9,305,000</u>	<u>\$ 3,052,025</u>	<u>\$ 12,357,025</u>

See accompanying independent auditor's report.

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2013**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2014	\$ 1,915,000	\$ 1,915,435	\$ 3,830,435
2015	1,905,000	1,839,531	3,744,531
2016	1,940,000	1,762,718	3,702,718
2017	2,020,000	1,683,087	3,703,087
2018	2,070,000	1,606,932	3,676,932
2019	2,100,000	1,536,392	3,636,392
2020	2,155,000	1,465,865	3,620,865
2021	2,210,000	1,390,177	3,600,177
2022	2,295,000	1,307,268	3,602,268
2023	2,380,000	1,218,887	3,598,887
2024	2,455,000	1,125,311	3,580,311
2025	2,525,000	1,023,901	3,548,901
2026	2,635,000	914,137	3,549,137
2027	2,720,000	799,914	3,519,914
2028	2,795,000	680,686	3,475,686
2029	2,450,000	563,225	3,013,225
2030	2,450,000	450,426	2,900,426
2031	2,450,000	336,612	2,786,612
2032	2,475,000	221,000	2,696,000
2033	1,975,000	116,438	2,091,438
2034	1,475,000	35,062	1,510,062
	<u>\$ 47,395,000</u>	<u>\$ 21,993,004</u>	<u>\$ 69,388,004</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2013**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2012
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2004	\$ 4,250,000	\$ 3,455,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2004A	9,910,000	8,200,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2006	13,830,000	11,330,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2006A	4,790,000	4,190,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2008	8,160,000	6,510,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2009	5,550,000	5,300,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Park Bonds - Series 2010	5,315,000	5,215,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2011	4,775,000	4,660,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2012	<u>9,305,000</u>	<u> </u>
TOTAL	<u><u>\$ 65,885,000</u></u>	<u><u>\$ 48,860,000</u></u>

Bond Authority:	Tax Bonds*	Refunding Bonds	Park Bonds
Amount Authorized by Voters	\$ 88,000,000	\$ 132,000,000	\$ 8,000,000
Amount Issued	<u>52,050,000</u>	<u>625,000</u>	<u>5,315,000</u>
Remaining to be Issued	<u><u>\$ 35,950,000</u></u>	<u><u>\$ 131,375,000</u></u>	<u><u>\$ 2,685,000</u></u>

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding July 31, 2013	Paying Agent
	Principal	Interest		
\$	\$ 2,810,000	\$ 96,943	\$ 645,000	Wells Fargo Bank N.A. Houston, TX
	6,680,000	219,247	1,520,000	Wells Fargo Bank N.A. Houston, TX
	500,000	487,188	10,830,000	Wells Fargo Bank N.A. Houston, TX
	150,000	181,200	4,040,000	Wells Fargo Bank N.A. Houston, TX
	150,000	288,881	6,360,000	Wells Fargo Bank N.A. Houston, TX
	125,000	271,813	5,175,000	Wells Fargo Bank N.A. Houston, TX
	100,000	226,162	5,115,000	Wells Fargo Bank N.A. Houston, TX
	255,000	139,519	4,405,000	Wells Fargo Bank N.A. Fort Worth, TX
<u>9,305,000</u>		<u>108,008</u>	<u>9,305,000</u>	Wells Fargo Bank N.A. Houston, TX
<u>\$ 9,305,000</u>	<u>\$ 10,770,000</u>	<u>\$ 2,018,961</u>	<u>\$ 47,395,000</u>	

Debt Service Fund cash and investments balances as of
July 31, 2013:

\$ 6,684,846

Average annual debt service payment (principal and interest) for remaining term
of all debt:

\$ 3,304,191

See Note 3 for interest rate, interest payment dates and maturity dates.

The District has previously issued and subsequently retired a Series 2003 bond issue in the amount of \$5,560,000.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2013	2012	2011
REVENUES			
Property Taxes	\$ 1,522,757	\$ 1,539,727	\$ 1,467,915
Water Service	1,113,787	1,044,497	1,129,561
Wastewater Service	723,472	635,259	700,740
Sales Tax Revenue	77,302	48,097	55,683
Penalty and Interest	38,672	26,722	44,848
Tap Connection and Inspection Fees	188,203	84,162	93,809
Investment Revenues	5,778	5,658	6,952
Miscellaneous Revenues	39,772	12,397	16,202
TOTAL REVENUES	\$ 3,709,743	\$ 3,396,519	\$ 3,515,710
EXPENDITURES			
Professional Fees	\$ 212,697	\$ 185,427	\$ 177,173
Contracted Services	632,141	624,542	617,299
Purchased Water Service	1,177,876	954,694	1,084,653
Purchased Wastewater Service	413,389	331,066	392,758
Utilities	98,080	73,638	64,275
Repairs and Maintenance	601,837	378,359	362,418
Other	257,644	125,858	111,151
Capital Outlay	37,212	244,338	613,996
TOTAL EXPENDITURES	\$ 3,430,876	\$ 2,917,922	\$ 3,423,723
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 278,867	\$ 478,597	\$ 91,987
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ 380,890
NET CHANGE IN FUND BALANCE	\$ 278,867	\$ 478,597	\$ 472,877
BEGINNING FUND BALANCE	2,024,393	1,545,796	1,072,919
ENDING FUND BALANCE	\$ 2,303,260	\$ 2,024,393	\$ 1,545,796

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2010	2009	2013	2012	2011	2010	2009
\$ 1,482,221	\$ 1,489,114	41.0 %	45.2 %	41.7 %	49.2 %	45.7
784,974	850,369	30.0	30.8	32.1	26.1	26.1
570,619	622,202	19.5	18.7	19.9	18.9	19.1
42,929	41,129	2.1	1.4	1.6	1.4	1.3
40,947	49,528	1.0	0.8	1.3	1.4	1.5
55,217	97,248	5.1	2.5	2.7	1.8	3.0
11,304	50,507	0.2	0.2	0.2	0.4	1.6
23,372	54,802	1.1	0.4	0.5	0.8	1.7
<u>\$ 3,011,583</u>	<u>\$ 3,254,899</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0</u>
\$ 164,100	\$ 140,042	5.7 %	5.5 %	5.0 %	5.5 %	4.2
537,433	446,282	17.0	18.4	17.6	17.8	13.7
854,921	857,719	31.8	28.1	30.8	28.5	26.4
374,621	406,376	11.1	9.7	11.2	12.4	12.5
45,693	65,248	2.6	2.2	1.8	1.5	2.0
280,693	282,275	16.2	11.1	10.3	9.3	8.7
120,006	597,828	6.9	3.7	3.2	4.0	18.4
<u>1,207,955</u>	<u>1,206,479</u>	<u>1.0</u>	<u>7.2</u>	<u>17.5</u>	<u>40.1</u>	<u>37.1</u>
<u>\$ 3,585,422</u>	<u>\$ 4,002,249</u>	<u>92.3 %</u>	<u>85.9 %</u>	<u>97.4 %</u>	<u>119.1 %</u>	<u>123.0</u>
<u>\$ (573,839)</u>	<u>\$ (747,350)</u>	<u>7.7 %</u>	<u>14.1 %</u>	<u>2.6 %</u>	<u>(19.1) %</u>	<u>(23.0)</u>
<u>\$ (33,607)</u>	<u>\$ - 0 -</u>					
\$ (607,446)	\$ (747,350)					
<u>1,680,365</u>	<u>2,427,715</u>					
<u>\$ 1,072,919</u>	<u>\$ 1,680,365</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2013	2012	2011
REVENUES			
Property Taxes	\$ 3,890,950	\$ 3,798,296	\$ 3,806,814
Penalty and Interest	51,621	50,176	37,631
Interest on Investments	12,636	15,771	24,488
Miscellaneous Revenues	100	498	210
TOTAL REVENUES	<u>\$ 3,955,307</u>	<u>\$ 3,864,741</u>	<u>\$ 3,869,143</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 108,991	\$ 94,214	\$ 93,454
Debt Service Principal	1,750,000	1,780,000	2,130,000
Debt Service Interest and Fees	2,022,461	2,146,968	2,362,952
Bond Issuance Costs	333,461		170,657
TOTAL EXPENDITURES	<u>\$ 4,214,913</u>	<u>\$ 4,021,182</u>	<u>\$ 4,757,063</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (259,606)</u>	<u>\$ (156,441)</u>	<u>\$ (887,920)</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$ 9,305,000	\$	\$ 4,775,000
Payment to Refunding Bond Escrow Agent	(9,436,084)		(4,551,473)
Bond Discount	(70,959)		(48,236)
Bond Premium	535,957		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 333,914</u>	<u>\$ - 0 -</u>	<u>\$ 175,291</u>
NET CHANGE IN FUND BALANCE	\$ 74,308	\$ (156,441)	\$ (712,629)
BEGINNING FUND BALANCE	<u>6,574,100</u>	<u>6,730,541</u>	<u>7,443,170</u>
ENDING FUND BALANCE	<u>\$ 6,648,408</u>	<u>\$ 6,574,100</u>	<u>\$ 6,730,541</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,120</u>	<u>1,941</u>	<u>1,861</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,952</u>	<u>1,782</u>	<u>1,700</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2010	2009	2013	2012	2011	2010	2009
\$ 3,957,297	\$ 4,003,227	98.4 %	98.3 %	98.4 %	97.2 %	93.8 %
61,799	118,887	1.3	1.3	1.0	1.5	2.8
44,164	143,856	0.3	0.4	0.6	1.1	3.4
8,256	386				0.2	
<u>\$ 4,071,516</u>	<u>\$ 4,266,356</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 95,149	\$ 116,693	2.8 %	2.4 %	2.4 %	2.3 %	2.7 %
1,980,000	1,205,000	44.2	46.1	55.1	48.6	28.2
2,222,166	2,047,226	51.1	55.6	61.1	54.6	48.0
		8.4		4.4		
<u>\$ 4,297,315</u>	<u>\$ 3,368,919</u>	<u>106.5 %</u>	<u>104.1 %</u>	<u>123.0 %</u>	<u>105.5 %</u>	<u>78.9 %</u>
<u>\$ (225,799)</u>	<u>\$ 897,437</u>	<u>(6.5) %</u>	<u>(4.1) %</u>	<u>(23.0) %</u>	<u>(5.5) %</u>	<u>21.1 %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (225,799)	\$ 897,437					
<u>7,668,969</u>	<u>6,771,532</u>					
<u>\$ 7,443,170</u>	<u>\$ 7,668,969</u>					
<u>1,784</u>	<u>1,725</u>					
<u>1,630</u>	<u>1,574</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2013**

District Mailing Address - Harris County Water Control and
Improvement District No. 96
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP
1980 Post Oak Blvd., Suite 1380
Houston, TX 77056

District Telephone Number - (713) 651-0111

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of office for the year ended <u>July 31, 2013</u>	Expense reimbursements for the year ended <u>July 31, 2013</u>	<u>Title</u>
Linda Ihns	05/10 - 05/14 (Elected)	\$ 3,600	\$ 1,271	President
Amber Hurd	05/10 - 05/14 (Elected)	\$ 2,100	\$ 977	Vice President
Lonnie Jackson	05/10 - 05/14 (Elected)	\$ 3,900	\$ 1,577	Secretary/ Treasurer
Brett Sileo	05/12 05/16 (Elected)	\$ 3,000	\$ 1,542	Assistant Secretary
Ben Bates	05/12 05/16 (Elected)	\$ 2,700	\$ 1,574	Assistant Secretary

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission Date of most recent District Registration Form (TWC Sections 36.054 and 49.054): May 23, 2012.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by the Commission (TWC Section 49.060). The District has only approved fees of office of \$6,000 per year per resolution approved on July 17, 2001. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2013**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2013</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP 1980 Post Oak Blvd., Suite 1380 Houston, TX 77056	01/20/10	\$ 239,472	Attorney/ Delinquent Tax Attorney/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	07/09/02	\$ 25,550	Auditor
Cindy Schmidt P.O. Box 80 Tomball, TX 77377	12/21/00	\$ 15,718	Bookkeeper/ Investment Officer
Harris County Appraisal District 13013 Northwest Freeway Houston, TX 77040-6304	Legislative Action	\$ 43,883	Central Appraisal District
Brown & Gay Engineers, Inc. 11490 Westheimer, Suite 700 Houston, TX 77077-6841	11/14/00	\$ 139,465	Engineer
First Southwest Company 700 Milam St., Suite 500 Houston, TX 77002	03/19/01	\$ 93,825	Financial Advisor
Si Environmental, LLC 6420 Reading Road Rosenberg, TX 77471	05/01/12	\$ 628,308	Operator
Bob Leared 11111 Katy Freeway, Suite 725 Houston, TX 77079	07/17/01	\$ 31,381	Tax Assessor/ Collector

See accompanying independent auditor's report.