

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

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2015

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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IMPROVEMENT DISTRICT NO. 96**

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TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	14-15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	16
NOTES TO THE FINANCIAL STATEMENTS	17-35
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	37
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	39-41
GENERAL FUND EXPENDITURES	42-43
INVESTMENTS	44
TAXES LEVIED AND RECEIVABLE	45-46
LONG-TERM DEBT SERVICE REQUIREMENTS	47-58
CHANGE IN LONG-TERM BOND DEBT	59-61
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	62-65
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	66-67

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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2015**

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

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The government-wide portion of the Statement of Activities 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, 2015**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$8,917,236 as of July 31, 2015.

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, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2015	2014	Change Positive (Negative)
Current and Other Assets	\$ 17,734,919	\$ 17,791,965	\$ (57,046)
Capital Assets (Net of Accumulated Depreciation)	43,470,372	43,549,097	(78,725)
Total Assets	<u>\$ 61,205,291</u>	<u>\$ 61,341,062</u>	<u>\$ (135,771)</u>
Deferred Outflows of Resources	\$ 626,626	\$ -0-	\$ 626,626
Due to Developer	\$ 128,971	\$ 128,971	\$
Long -Term Liabilities	48,742,661	50,209,031	1,466,370
Other Liabilities	4,043,049	3,858,362	(184,687)
Total Liabilities	<u>\$ 52,914,681</u>	<u>\$ 54,196,364</u>	<u>\$ 1,281,683</u>
Net Position:			
Net Investment in Capital Assets	\$ (1,538,717)	\$ (2,263,919)	\$ 725,202
Restricted	6,844,985	6,751,865	93,120
Unrestricted	3,610,968	2,656,752	954,216
Total Net Position	<u>\$ 8,917,236</u>	<u>\$ 7,144,698</u>	<u>\$ 1,772,538</u>

The following table provides a summary of the District's operations for the years ended July 31, 2015, and July 31, 2014. The District's net position increased by \$1,772,538 during the current fiscal year, accounting for a 24.8% increase in net position.

	Summary of Changes in the Statement of Activities		
	2015	2014	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 6,596,990	\$ 5,815,832	\$ 781,158
Charges for Services	2,078,468	2,281,674	(203,206)
Other Revenues	72,614	86,098	(13,484)
Total Revenues	<u>\$ 8,748,072</u>	<u>\$ 8,183,604</u>	<u>\$ 564,468</u>
Expenses for Services	6,975,534	7,817,685	842,151
Change in Net Position	\$ 1,772,538	\$ 365,919	\$ 1,406,619
Net Position, Beginning of Year	7,144,698	6,778,779	365,919
Net Position, End of Year	<u>\$ 8,917,236</u>	<u>\$ 7,144,698</u>	<u>\$ 1,772,538</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2015, were \$16,435,217 an increase of \$112,098 from the prior year.

The General Fund fund balance increased by \$941,664, primarily due to service revenues exceeding operating costs.

The Debt Service Fund fund balance increased by \$188,868, primarily due to the structure of the District's outstanding debt service, issuance of Series 2014 Refunding bonds, and issuance of Series 2015 Refunding bonds.

The Capital Projects Fund fund balance decreased by \$1,018,434. This decrease was primarily due to current year capital outlay from prior year bond proceeds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the current fiscal year primarily to increase the amount budgeted for capital outlay by \$506,975. Actual revenues were \$14,162 more than budgeted and actual expenditures were \$1,954,361 less than budgeted.

CAPITAL ASSETS

The District's capital assets as of July 31, 2015, amount to \$43,470,372 (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:

- Water Plant No. 1 Improvements – Construction and Engineering
- Fall Creek West Detention Repair and Erosion

Construction in progress at July 31, 2015 included:

- Fall Creek Detention Basin, Phase III - Engineering
- Lift Station No. 5 - Engineering
- Fall Creek Drainage Channel Modifications – Construction and Engineering

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2015**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2015	2014	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,769,173	\$ 1,769,173	\$
Construction in Progress	380,784	1,389,178	(1,008,394)
Capital Assets, Net of Accumulated Depreciation:			
Building and Park Improvements	3,100,642	3,201,693	(101,051)
Water System	7,540,122	5,629,493	1,910,629
Wastewater System	7,967,984	8,218,312	(250,328)
Drainage System	20,931,063	21,498,920	(567,857)
Impact Fees-Water	8,356	8,677	(321)
Impact Fees-Wastewater	1,772,248	1,833,651	(61,403)
Total Net Capital Assets	\$ 43,470,372	\$ 43,549,097	\$ (78,725)

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 \$50,845,000.

The changes in the debt position of the District during the fiscal year ended July 31, 2015, are summarized as follows:

Bond Debt Payable, August 1, 2014	\$ 52,150,000
Add: Bond Sales	8,615,000
Less: Bond Principal Paid/Refunded	9,920,000
Bond Debt Payable, July 31, 2015	\$ 50,845,000

The District's bonds carry an underlying rating of "A" by Standard and Poor's. The District's Series 2006 bonds carry a "AA" 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 Refunding, 2012 Refunding and 2015 Refunding bonds carry a "AA" rating by virtue of bond insurance issued by Assured Guaranty. The Series 2013 Refunding and Series 2014 bonds carry a "AA" rating by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2014 Refunding bonds carry a "AA" rating by virtue of bond insurance issued by Municipal Assurance Corporation. The ratings above are as of July 31, 2015.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2015**

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.

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2015**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 3,414,382	\$ 4,583,464
Investments	642,996	2,838,529
Receivables:		
Property Taxes	53,939	120,308
Penalty and Interest on Delinquent Taxes		50,685
Service Accounts (Net of Allowance for Doubtful Accounts of \$2,000)	87,813	
Accrued Interest	658	1,054
Other	28,001	
Due from Other Funds	281,973	
Prepaid Costs		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 4,509,762	\$ 7,594,040
DEFERRED OUTFLOW OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,509,762	\$ 7,594,040

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>
\$ 4,568,514	\$ 12,566,360	\$	\$ 12,566,360
1,211,320	4,692,845		4,692,845
	174,247		174,247
	50,685		50,685
	87,813		87,813
	1,712		1,712
	28,001		28,001
	281,973	(281,973)	
		133,256	133,256
		1,769,173	1,769,173
		380,784	380,784
		<u>41,320,415</u>	<u>41,320,415</u>
<u>\$ 5,779,834</u>	<u>\$ 17,883,636</u>	<u>\$ 43,321,655</u>	<u>\$ 61,205,291</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 626,626</u>	<u>\$ 626,626</u>
<u>\$ 5,779,834</u>	<u>\$ 17,883,636</u>	<u>43,948,281</u>	<u>\$ 61,831,917</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, 2015**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 628,658	\$ 170
Accrued Interest Payable		
Due to Developers		
Retainage Payable		
Due to Other Funds		8,196
Due to Taxpayers		7,988
Security Deposits	270,136	
Accrued Interest at Time of Sale		6,166
Long Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 898,794	\$ 22,520
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 53,939	\$ 120,308
Penalty and Interest on Delinquent Taxes		50,685
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 53,939	\$ 170,993
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		7,400,527
Assigned to 2016 Budget Deficit	66,780	
Unassigned	3,490,249	
TOTAL FUND BALANCES	\$ 3,557,029	\$ 7,400,527
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,509,762	\$ 7,594,040
NET POSITION		
Net Investment in Capital Assets		
Restricted for:		
Debt Service		
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
\$ 1,061	\$ 629,889	\$	\$ 629,889
		726,535	726,535
		128,971	128,971
27,335	27,335		27,335
273,777	281,973	(281,973)	
	7,988		7,988
	270,136		270,136
	6,166		6,166
		2,375,000	2,375,000
		48,742,661	48,742,661
<u>\$ 302,173</u>	<u>\$ 1,223,487</u>	<u>\$ 51,691,194</u>	<u>\$ 52,914,681</u>
\$	\$ 174,247	\$ (174,247)	\$
	50,685	(50,685)	
<u>\$ -0-</u>	<u>\$ 224,932</u>	<u>\$ (224,932)</u>	<u>\$ -0-</u>
\$ 5,477,661	\$ 5,477,661	\$ (5,477,661)	\$
	7,400,527	(7,400,527)	
	66,780	(66,780)	
	3,490,249	(3,490,249)	
<u>\$ 5,477,661</u>	<u>\$ 16,435,217</u>	<u>\$ (16,435,217)</u>	<u>\$ - 0 -</u>
<u>\$ 5,779,834</u>	<u>\$ 17,883,636</u>		
		\$ (1,538,717)	\$ (1,538,717)
		6,844,985	6,844,985
		3,610,968	3,610,968
		<u>\$ 8,917,236</u>	<u>\$ 8,917,236</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, 2015**

Total Fund Balances - Governmental Funds \$ 16,435,217

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. 133,256

Deferred charges on a refunding bond sale is a deferred outflow of resources in the governmental activities. 626,626

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 43,470,372

Deferred tax revenues and deferred penalty and interest revenues on delinquent taxes for the 2014 and prior tax levies became part of recognized revenue in the governmental activities of the District. 224,932

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	(726,535)	
Bonds Payable Within One Year	(2,375,000)	
Bonds Payable After One Year	<u>(48,742,661)</u>	<u>(51,973,167)</u>

Total Net Position - Governmental Activities \$ 8,917,236

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, 2015**

	General Fund	Debt Service Fund
	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 2,429,328	\$ 4,148,787
Water Service	1,144,222	
Wastewater Service	707,214	
Sales Tax Revenues	96,774	
Penalty and Interest	34,262	41,358
Tap Connection and Inspection Fees	59,346	
Investment Revenues	6,635	8,342
Miscellaneous Revenues	49,093	347
TOTAL REVENUES	<u>\$ 4,526,874</u>	<u>\$ 4,198,834</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 207,533	\$ 5,974
Contracted Services	710,372	85,362
Purchased Water Service	1,087,314	
Purchased Wastewater Service	421,225	
Utilities	112,197	
Repairs and Maintenance	681,824	
Depreciation		
Other	195,457	13,218
Capital Outlay	138,608	
Debt Service:		
Bond Principal		1,905,000
Bond Interest		1,936,329
Bond Issuance Costs		350,161
Payment to Refunded Bond Escrow Agent		67,000
TOTAL EXPENDITURES/EXPENSES	<u>\$ 3,554,530</u>	<u>\$ 4,363,044</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 972,344</u>	<u>\$ (164,210)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ (30,680)	\$
Refunding Bonds		8,615,000
Payment to Refunded Bond Escrow Agent		(8,378,996)
Bond Premium		117,074
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (30,680)</u>	<u>\$ 353,078</u>
NET CHANGE IN FUND BALANCES	\$ 941,664	\$ 188,868
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2014	<u>2,615,365</u>	<u>7,211,659</u>
FUND BALANCES/NET POSITION - JULY 31, 2015	<u>\$ 3,557,029</u>	<u>\$ 7,400,527</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 6,578,115	\$ 18,875	\$ 6,596,990
	1,144,222		1,144,222
	707,214		707,214
	96,774		96,774
	75,620	(4,708)	70,912
	59,346		59,346
8,197	23,174		23,174
	49,440		49,440
<u>\$ 8,197</u>	<u>\$ 8,733,905</u>	<u>\$ 14,167</u>	<u>\$ 8,748,072</u>
\$	\$ 213,507	\$	\$ 213,507
	795,734		795,734
	1,087,314		1,087,314
	421,225		421,225
	112,197		112,197
	681,824		681,824
		1,274,360	1,274,360
284	208,959		208,959
1,057,027	1,195,635	(1,195,635)	
	1,905,000	(1,905,000)	
	1,936,329	(106,076)	1,830,253
	350,161		350,161
	67,000	(67,000)	
<u>\$ 1,057,311</u>	<u>\$ 8,974,885</u>	<u>\$ (1,999,351)</u>	<u>\$ 6,975,534</u>
<u>\$ (1,049,114)</u>	<u>\$ (240,980)</u>	<u>\$ 2,013,518</u>	<u>\$ 1,772,538</u>
\$ 30,680	\$	\$	\$
	8,615,000	(8,615,000)	
	(8,378,996)	8,378,996	
	117,074	(117,074)	
<u>\$ 30,680</u>	<u>\$ 353,078</u>	<u>\$ (353,078)</u>	<u>\$ -0-</u>
\$ (1,018,434)	\$ 112,098	\$ (112,098)	\$
		1,772,538	1,772,538
<u>6,496,095</u>	<u>16,323,119</u>	<u>(9,178,421)</u>	<u>7,144,698</u>
<u>\$ 5,477,661</u>	<u>\$ 16,435,217</u>	<u>\$ (7,517,981)</u>	<u>\$ 8,917,236</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, 2015**

Net Change in Fund Balances - Governmental Funds	\$	112,098
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.		18,875
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.		(4,708)
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.		(1,274,360)
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.		1,195,635
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.		(117,074)
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.		1,905,000
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.		106,076
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(8,615,000)
Governmental funds report the payment to the refunded bond escrow agent as an expenditure and as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.		8,445,996
Change in Net Position - Governmental Activities	\$	<u>1,772,538</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, 2015**

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

Financial Statement Presentation

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

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

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.

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, 2015, the District’s Debt Service Fund owed the General Fund \$8,196 for maintenance tax collections, and the Capital Projects Fund owed the General Fund \$273,777 for construction and engineering fees. During the current fiscal year, the General Fund transferred \$30,680 to the Capital Projects Fund for engineering costs.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service 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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 \$66,780 of its General Fund fund balance to cover the projected 2016 budget deficit.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 3. BONDS PAYABLE

	<u>Series 2006</u>	<u>Series 2006-A</u>	<u>Series 2008</u>
Amount Outstanding – July 31, 2015	\$ 500,000	\$ 300,000	\$ 6,060,000
Interest Rates	4.00%	4.25%	4.00% - 5.50%
Maturity Date	September 1, 2015	September 1, 2015/2016	September 1, 2015/2033
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2014*	September 1, 2015*	September 1, 2017*
	<u>Series 2009</u>	<u>Series 2010</u>	<u>Refunding Series 2011</u>
Amount Outstanding – July 31, 2015	\$ 2,700,000	\$ 4,915,000	\$ 3,875,000
Interest Rates	4.20% - 5.30%	4.00% - 5.25%	2.00% - 4.00%
Maturity Date	September 1, 2015/2027	September 1, 2015/2033	September 1, 2015/2026
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2018*	September 1, 2018*	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 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. 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 3. BONDS PAYABLE (Continued)

	Refunding Series 2012	Refunding Series 2013	Series 2014
Amount Outstanding – July 31, 2015	\$ 9,140,000	\$ 8,310,000	\$ 6,430,000
Interest Rates	2.00% - 4.00%	2.00% - 4.00%	2.00% - 4.25%
Maturity Date	September 1, 2015/2027	September 1, 2015/2028	September 1, 2015/2033
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2019*	September 1, 2019*	September 1, 2020*
		Refunding Series 2014	Refunding Series 2015
Amount Outstanding – July 31, 2015		\$ 3,370,000	\$ 5,245,000
Interest Rates		2.00% - 4.00%	2.00% - 4.00%
Maturity Date		September 1, 2015/2031	September 1, 2016/2033
Interest Payment Dates		September 1/ March 1	September 1/ March 1
Callable Dates		September 1, 2022*	September 1, 2022*

* 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 2014 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 3. BONDS PAYABLE (Continued)

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2015:

	August 1, 2014	Additions	Retirements	July 31, 2015
Bonds Payable	\$ 52,150,000	\$ 8,615,000	\$ 9,920,000	\$ 50,845,000
Unamortized Discounts	(727,060)		(248,462)	(478,598)
Unamortized Premiums	691,091	117,074	56,906	751,259
Bonds Payable, net	<u>\$ 52,114,031</u>	<u>\$ 8,732,074</u>	<u>\$ 9,728,444</u>	<u>\$ 51,117,661</u>
			Amount Due Within One Year	\$ 2,375,000
			Amount Due After One Year	48,742,661
			Bonds Payable, net	<u>\$ 51,117,661</u>

As of July 31, 2015, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal Due	Interest	Total
2016	\$ 2,375,000	\$ 1,754,681	\$ 4,129,681
2017	2,485,000	1,699,646	4,184,646
2018	2,515,000	1,628,331	4,143,331
2019	2,535,000	1,563,306	4,098,306
2020	2,575,000	1,496,227	4,071,227
2021-2025	13,880,000	6,191,462	20,071,462
2026-2030	14,835,000	3,393,448	18,228,448
2030-2034	9,645,000	716,499	10,361,499
	<u>\$ 50,845,000</u>	<u>\$ 18,443,600</u>	<u>\$ 69,288,600</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 \$29,520,000, authorized but unissued refunding bonds totaling \$130,275,712, and authorized but unissued park bonds totaling \$2,685,000.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 3. BONDS PAYABLE (Continued)

During the year ended July 31, 2015, the District levied an ad valorem debt service tax at the rate of \$0.56 per \$100 of assessed valuation, which resulted in a tax levy of \$4,121,948 on the adjusted taxable valuation of \$736,062,061 for the 2014 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.

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.
- C. In accordance with Series 2014 bond orders, a portion of the bond proceeds was deposited into the Debt Service Fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Bond Interest Reserve August 1, 2014	\$	196,256
Less: Series 2014 Interest		196,256
Bond Interest Reserve, July 31, 2015	\$	-0-

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

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 \$13,791,845 and the bank balance was \$13,794,939. Of the bank balance, \$2,327,751 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, 2015, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 3,414,382	\$ 490,485	\$ 3,904,867
DEBT SERVICE FUND	4,583,464	735,000	5,318,464
CAPITAL PROJECTS FUND	<u>4,568,514</u>	<u> </u>	<u>4,568,514</u>
TOTAL DEPOSITS	<u>\$ 12,566,360</u>	<u>\$ 1,225,485</u>	<u>\$ 13,791,845</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;

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

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, Inc. 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of July 31, 2015, 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	\$ 152,511	\$ 152,511	\$	\$	\$
Certificates of Deposit	490,485	490,485			
<u>DEBT SERVICE FUND</u>					
TexPool	2,103,529	2,103,529			
Certificates of Deposit	735,000	735,000			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	1,211,320	1,211,320			
TOTAL INVESTMENTS	<u>\$4,692,845</u>	<u>\$4,692,845</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, 2015, 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.

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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended July 31, 2015:

	August 1, 2014	Increases	Decreases	July 31, 2015
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,769,173	\$	\$	\$ 1,769,173
Construction in Progress	<u>1,389,178</u>	<u>1,195,635</u>	<u>2,204,029</u>	<u>380,784</u>
Total Capital Assets Not Being Depreciated	<u>\$ 3,158,351</u>	<u>\$ 1,195,635</u>	<u>\$ 2,204,029</u>	<u>\$ 2,149,957</u>
Capital Assets Subject to Depreciation				
Building and Park Improvements	\$ 3,479,302	\$ 81,783	\$	\$ 3,561,085
Water System	7,207,619	2,090,827		9,298,446
Wastewater System	10,358,481			10,358,481
Drainage System	26,761,221	31,419		26,792,640
Impact Fees-Water	12,538			12,538
Impact Fees-Wastewater	<u>2,238,782</u>			<u>2,238,782</u>
Total Capital Assets Subject to Depreciation	<u>\$ 50,057,943</u>	<u>\$ 2,204,029</u>	<u>\$ - 0 -</u>	<u>\$ 52,261,972</u>
Accumulated Depreciation				
Building and Park Improvements	\$ 277,609	\$ 182,834	\$	\$ 460,443
Water System	1,578,126	180,198		1,758,324
Wastewater System	2,140,169	250,328		2,390,497
Drainage System	5,262,301	599,276		5,861,577
Impact Fees-Water	3,861	321		4,182
Impact Fees-Wastewater	<u>405,131</u>	<u>61,403</u>		<u>466,534</u>
Total Accumulated Depreciation	<u>\$ 9,667,197</u>	<u>\$ 1,274,360</u>	<u>\$ - 0 -</u>	<u>\$ 10,941,557</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 40,390,746</u>	<u>\$ 929,669</u>	<u>\$ - 0 -</u>	<u>\$ 41,320,415</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 43,549,097</u>	<u>\$ 2,125,304</u>	<u>\$ 2,204,029</u>	<u>\$ 43,470,372</u>

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 \$0.33 per \$100 of assessed valuation, which resulted in a tax levy of \$2,429,005 on the taxable valuation of \$736,062,061 for the 2014 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

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 January 1, 2015, the minimum monthly quantity was 18,347,000 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 contract treated water customers that do not receive surface water only. Currently, the rate for the minimum monthly quantity is \$2.842 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 \$1,087,314 related to this contract.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

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 \$1.428 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 \$421,225 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, and 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.

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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

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 \$96,774 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, 2015**

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, 2015**

NOTE 15. ADVANCE REFUNDING BOND SALES

On September 18, 2014, the District closed on the sale of its \$3,370,000 Series 2014 Unlimited Tax Refunding Bonds with interest rates of 2.00% to 4.00% to refund \$2,400,000 of Series 2006 Bonds and \$900,000 of Series 2006A bonds. The net proceeds of \$3,338,742 (after payment of underwriting fees and other issuance costs) and \$7,000 of District funds were used to call the Series 2006 bonds and to purchase U.S. government securities that will be used to call the Series 2006A bonds. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2006A 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 by \$305,148 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 \$222,297.

REFUNDED BONDS

<u>Issue</u>	<u>Interest rate</u>	<u>Maturities</u>	<u>Callable Dates</u>	<u>Outstanding at July 31, 2015</u>
2006	4.65% - 4.75%	2029-2031	September 1, 2014	\$
2006A	4.25% - 4.40%	2018-2023	September 1, 2015	<u>900,000</u>
TOTAL				<u>\$ 900,000</u>

On April 14, 2015, the District closed on the sale of its \$5,245,000 Series 2015 Unlimited Tax Refunding Bonds with interest rates of 2.00% to 4.00% to refund \$2,540,000 of Series 2006A Bonds and \$2,175,000 of Series 2009 Bonds. The net proceeds of \$5,040,254 (after payment of underwriting fees and other issuance costs) and \$60,000 of District funds were used to purchase U.S. government securities that will be used to call the Series 2006A and 2009 bonds. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2006A and 2009 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 by \$466,629 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 \$330,181.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 15. ADVANCE REFUNDING BOND SALES (Continued)

REFUNDED BONDS

<u>Issue</u>	<u>Interest rate</u>	<u>Maturities</u>	<u>Callable Dates</u>	<u>Outstanding at July 31, 2015</u>
2006A	4.25% - 4.50%	2017-2032	September 1, 2015	\$ 2,540,000
2009	5.45% - 5.50%	2028-2033	September 1, 2018	<u>2,175,000</u>
TOTAL				<u>\$ 4,715,000</u>

NOTE 16. USE OF SURPLUS FUNDS

On September 11, 2014, the Commission approved a change in project scope and approval for the use of surplus Capital Projects Fund monies to reallocate \$374,271 in Series 2009 bond funds originally designated for City of Houston wastewater impact fees and to use \$252,729 in surplus funds to fund costs associated with the construction of Water Plant No. 1 improvements.

On August 3, 2015, subsequent to year end, the Commission approved a change in project scope and approval for the use of surplus Capital Projects Fund monies to reallocate \$460,000 in Series 2009 bond funds originally designated for City of Houston wastewater impact fees to fund costs associated with the construction of the proposed Fall Creek Subdivision Harris County Flood Control District Unit P-166-00-00 Channel Modifications Project.

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

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2015

**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, 2015**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 1,700,000	\$ 2,326,912	\$ 2,429,328	\$ 102,416
Water Service	1,200,000	1,200,000	1,144,222	(55,778)
Wastewater Service	750,000	750,000	707,214	(42,786)
Sales Tax Revenues	75,000	75,000	96,774	21,774
Penalty and Interest	39,000	39,000	34,262	(4,738)
Tap Connection and Inspection Fees	61,400	61,400	59,346	(2,054)
Investment Revenues	5,700	5,700	6,635	935
Miscellaneous Revenues	54,700	54,700	49,093	(5,607)
TOTAL REVENUES	<u>\$ 3,885,800</u>	<u>\$ 4,512,712</u>	<u>\$ 4,526,874</u>	<u>\$ 14,162</u>
EXPENDITURES				
Services Operations:				
Professional Fees	\$ 174,500	\$ 174,500	\$ 207,533	\$ (33,033)
Contracted Services	717,296	717,296	710,372	6,924
Purchased Water Service	1,200,000	1,200,000	1,087,314	112,686
Purchased Wastewater Service	450,000	450,000	421,225	28,775
Utilities	194,400	110,700	112,197	(1,497)
Repairs and Maintenance	624,000	624,000	681,824	(57,824)
Other	107,985	107,920	195,457	(87,537)
Capital Outlay	1,617,500	2,124,475	138,608	1,985,867
TOTAL EXPENDITURES	<u>\$ 5,085,681</u>	<u>\$ 5,508,891</u>	<u>\$ 3,554,530</u>	<u>\$ 1,954,361</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,199,881)</u>	<u>\$ (996,179)</u>	<u>\$ 972,344</u>	<u>\$ 1,968,523</u>
OTHER FINANCING SOURCES(USES)				
Transfer Out	\$ -0-	\$ -0-	\$ (30,680)	\$ (30,680)
NET CHANGE IN FUND BALANCE	\$ (1,199,881)	\$ (996,179)	\$ 941,664	\$ 1,937,843
FUND BALANCE - AUGUST 1, 2014	<u>2,615,365</u>	<u>2,615,365</u>	<u>2,615,365</u>	<u> </u>
FUND BALANCE - JULY 31, 2015	<u>\$ 1,415,484</u>	<u>\$ 1,619,186</u>	<u>\$ 3,557,029</u>	<u>\$ 1,937,843</u>

See accompanying independent auditor's report.

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

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

JULY 31, 2015

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2015**

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	<u> X </u>	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 May 15, 2015.

	Minimum Charge	Minimum Usage	Flat Rate	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 26.66	8,000	N	\$ 2.37	8,001 to 14,999
				\$ 3.48	15,000 to 20,000
				\$ 3.85	20,001 to 25,000
				\$ 4.23	25,001 and up
WASTEWATER:	\$ 20.66	10,000	N	\$ 1.48	10,001 to 15,000
				\$ 1.77	15,001 to 20,000
				\$ 2.05	20,001 to 25,000
				\$ 2.34	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: \$31.40 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, 2015**

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, 2015**

PROFESSIONAL FEES:	
Auditing	\$ 17,750
Engineering	54,776
Legal	<u>135,007</u>
TOTAL PROFESSIONAL FEES	<u>\$ 207,533</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 1,087,314
Purchased Wastewater Service	<u>421,225</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,508,539</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 18,905
Operations and Billing	114,571
Management Services	<u>62,927</u>
TOTAL CONTRACTED SERVICES	<u>\$ 196,403</u>
UTILITIES:	
Electricity	\$ 98,590
Telephone	<u>13,607</u>
TOTAL UTILITIES	<u>\$ 112,197</u>
REPAIRS AND MAINTENANCE	<u>\$ 681,824</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 13,650
Dues	4,245
Insurance	14,842
Payroll Taxes	2,204
Travel and Meetings	5,897
Other	<u>15,484</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 56,322</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, 2015**

CAPITAL OUTLAY:	
Capitalized Assets	\$ <u>138,608</u>
TAP CONNECTIONS	\$ <u>16,585</u>
SOLID WASTE DISPOSAL	\$ <u>307,413</u>
SECURITY	\$ <u>206,556</u>
OTHER EXPENDITURES:	
Chemicals	\$ 333
Laboratory Fees	3,000
Permit Fees	3,270
Inspection Fees	22,973
Regulatory Assessment	9,435
Other	<u>83,539</u>
TOTAL OTHER EXPENDITURES	\$ <u>122,550</u>
TOTAL EXPENDITURES	\$ <u>3,554,530</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
INVESTMENTS
JULY 31, 2015**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Certificate of Deposit	XXXX9418	0.20%	08/03/15	\$ 245,485	\$ 242
Certificate of Deposit	XXXX1460	0.35%	09/10/15	245,000	416
TexPool	XXXX0001	Varies	Daily	152,511	
TOTAL GENERAL FUND				<u>\$ 642,996</u>	<u>\$ 658</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX1659	0.30%	08/26/15	\$ 245,000	\$ 316
Certificate of Deposit	XXXX8591	0.35%	08/26/15	245,000	369
Certificate of Deposit	XXXX1543	0.35%	08/26/15	245,000	369
TexPool	XXXX0002	Varies	Daily	2,103,529	
TOTAL DEBT SERVICE FUND				<u>\$ 2,838,529</u>	<u>\$ 1,054</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0005	Varies	Daily	\$ 1,211,320	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 4,692,845</u>	<u>\$ 1,712</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, 2015**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - AUGUST 1, 2014	\$	41,387		\$ 113,985
Adjustments to Beginning Balance		12,875	\$ 54,262	33,162
				\$ 147,147
Original 2014 Tax Levy	\$	2,252,662		\$ 3,822,700
Adjustment to 2014 Tax Levy		176,343	2,429,005	299,248
				4,121,948
TOTAL TO BE ACCOUNTED FOR			\$ 2,483,267	\$ 4,269,095
TAX COLLECTIONS:				
Prior Years	\$	27,598		\$ 73,124
Current Year		2,401,730	2,429,328	4,075,663
				4,148,787
TAXES RECEIVABLE - JULY 31, 2015			\$ 53,939	\$ 120,308
TAXES RECEIVABLE BY YEAR:				
2014			\$ 27,275	\$ 46,285
2013			2,323	6,412
2012			3,082	7,877
2011			3,422	8,433
2010			3,101	8,040
2009			3,398	9,060
2008			4,458	11,890
2007 and prior			6,880	22,311
TOTAL			\$ 53,939	\$ 120,308

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, 2015**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
PROPERTY VALUATIONS:				
Land	\$ 168,264,141	\$ 149,247,505	\$ 141,925,221	\$ 135,509,505
Improvements	596,818,063	492,293,390	439,292,344	431,083,028
Personal Property	14,747,899	13,904,842	11,489,504	12,108,881
Exemptions	<u>(43,768,042)</u>	<u>(35,121,962)</u>	<u>(28,404,811)</u>	<u>(25,825,151)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 736,062,061</u>	<u>\$ 620,323,775</u>	<u>\$ 564,302,258</u>	<u>\$ 552,876,263</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.56	\$ 0.69	\$ 0.69	\$ 0.69
Maintenance	<u>0.33</u>	<u>0.25</u>	<u>0.27</u>	<u>0.28</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.89</u>	<u>\$ 0.94</u>	<u>\$ 0.96</u>	<u>\$ 0.97</u>
ADJUSTED TAX LEVY*	<u>\$ 6,550,953</u>	<u>\$ 5,831,044</u>	<u>\$ 5,417,302</u>	<u>\$ 5,362,900</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.88 %</u>	<u>99.85 %</u>	<u>99.80 %</u>	<u>99.78 %</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, 2015**

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
2016	\$ 500,000	\$ 10,000	\$ 510,000
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	\$ 500,000	\$ 10,000	\$ 510,000

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

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
2016	\$ 150,000	\$ 9,562	\$ 159,562
2017	150,000	3,188	153,188
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 300,000</u>	<u>\$ 12,750</u>	<u>\$ 312,750</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

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
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
	\$ 6,060,000	\$ 3,250,579	\$ 9,310,579

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

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
2016	\$ 150,000	\$ 129,506	\$ 279,506
2017	175,000	121,287	296,287
2018	175,000	112,538	287,538
2019	175,000	103,787	278,787
2020	200,000	95,213	295,213
2021	200,000	86,612	286,612
2022	200,000	77,613	277,613
2023	225,000	67,612	292,612
2024	225,000	56,588	281,588
2025	225,000	45,169	270,169
2026	250,000	32,937	282,937
2027	250,000	19,875	269,875
2028	250,000	6,625	256,625
2029			
2030			
2031			
2032			
2033			
2034			
	\$ 2,700,000	\$ 955,362	\$ 3,655,362

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

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
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
	\$ 4,915,000	\$ 2,676,056	\$ 7,591,056

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

SERIES - 2011 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
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>\$ 3,875,000</u>	<u>\$ 907,204</u>	<u>\$ 4,782,204</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

SERIES - 2012 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
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>\$ 9,140,000</u>	<u>\$ 2,470,975</u>	<u>\$ 11,610,975</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

SERIES - 2013 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2016	\$ 625,000	\$ 255,695	\$ 880,695
2017	1,145,000	233,129	1,378,129
2018	545,000	211,362	756,362
2019	535,000	200,563	735,563
2020	525,000	187,337	712,337
2021	520,000	171,662	691,662
2022	515,000	156,138	671,138
2023	510,000	140,125	650,125
2024	505,000	123,000	628,000
2025	495,000	104,882	599,882
2026	495,000	85,700	580,700
2027	490,000	66,000	556,000
2028	620,000	43,800	663,800
2029	785,000	15,700	800,700
2030			
2031			
2032			
2033			
2034			
	<u>\$ 8,310,000</u>	<u>\$ 1,995,093</u>	<u>\$ 10,305,093</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

S E R I E S - 2 0 1 4

<u>Due During Fiscal Years Ending July 31</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1/ September 1</u>	<u>Total</u>
2016	\$ 350,000	\$ 192,756	\$ 542,756
2017	350,000	185,756	535,756
2018	350,000	178,756	528,756
2019	350,000	171,756	521,756
2020	350,000	164,757	514,757
2021	350,000	157,319	507,319
2022	350,000	149,006	499,006
2023	350,000	139,381	489,381
2024	350,000	128,881	478,881
2025	350,000	118,164	468,164
2026	330,000	107,331	437,331
2027	325,000	96,484	421,484
2028	325,000	85,312	410,312
2029	325,000	73,125	398,125
2030	325,000	60,125	385,125
2031	325,000	47,125	372,125
2032	325,000	34,125	359,125
2033	325,000	20,719	345,719
2034	325,000	6,906	331,906
	<u>\$ 6,430,000</u>	<u>\$ 2,117,784</u>	<u>\$ 8,547,784</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

SERIES - 2014 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2016	\$ 15,000	\$ 119,450	\$ 134,450
2017	15,000	119,150	134,150
2018	15,000	118,850	133,850
2019	165,000	117,050	282,050
2020	160,000	113,800	273,800
2021	160,000	110,600	270,600
2022	155,000	106,675	261,675
2023	155,000	102,025	257,025
2024	150,000	97,450	247,450
2025		95,200	95,200
2026		95,200	95,200
2027		95,200	95,200
2028		95,200	95,200
2029		95,200	95,200
2030	800,000	79,200	879,200
2031	795,000	47,300	842,300
2032	785,000	15,700	800,700
2033			
2034			
	<u>\$ 3,370,000</u>	<u>\$ 1,623,250</u>	<u>\$ 4,993,250</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

SERIES - 2015 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2016	\$	\$ 150,349	\$ 150,349
2017	40,000	170,344	210,344
2018	185,000	168,094	353,094
2019	35,000	165,894	200,894
2020	35,000	165,194	200,194
2021	40,000	164,244	204,244
2022	40,000	163,044	203,044
2023	40,000	161,844	201,844
2024	40,000	160,644	200,644
2025	190,000	157,194	347,194
2026	190,000	150,544	340,544
2027	195,000	142,844	337,844
2028	285,000	133,244	418,244
2029	690,000	116,762	806,762
2030	675,000	95,434	770,434
2031	665,000	74,080	739,080
2032	680,000	52,225	732,225
2033	865,000	26,578	891,578
2034	355,000	5,991	360,991
	<u>\$ 5,245,000</u>	<u>\$ 2,424,547</u>	<u>\$ 7,669,547</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, 2015**

**ANNUAL REQUIREMENTS
FOR ALL SERIES**

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2016	\$ 2,375,000	\$ 1,754,681	\$ 4,129,681
2017	2,485,000	1,699,646	4,184,646
2018	2,515,000	1,628,331	4,143,331
2019	2,535,000	1,563,306	4,098,306
2020	2,575,000	1,496,227	4,071,227
2021	2,630,000	1,420,940	4,050,940
2022	2,705,000	1,337,057	4,042,057
2023	2,785,000	1,245,562	4,030,562
2024	2,850,000	1,147,375	3,997,375
2025	2,910,000	1,040,528	3,950,528
2026	3,000,000	923,274	3,923,274
2027	3,080,000	800,179	3,880,179
2028	3,155,000	672,698	3,827,698
2029	2,800,000	553,225	3,353,225
2030	2,800,000	444,072	3,244,072
2031	2,785,000	334,067	3,119,067
2032	2,790,000	223,238	3,013,238
2033	2,290,000	121,547	2,411,547
2034	1,780,000	37,647	1,817,647
	<u>\$ 50,845,000</u>	<u>\$ 18,443,600</u>	<u>\$ 69,288,600</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, 2015**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2014
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2004	\$ 4,250,000	\$ 155,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2004A	9,910,000	370,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2006	13,830,000	3,400,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2006A	4,790,000	3,890,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2008	8,160,000	6,210,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2009	5,550,000	5,025,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Park Bonds - Series 2010	5,315,000	5,015,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2011	4,775,000	4,140,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2012	9,305,000	9,205,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2013	8,310,000	8,310,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2014	6,430,000	6,430,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2014	3,370,000	
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2015	<u>5,245,000</u>	
TOTAL	<u>\$ 89,240,000</u>	<u>\$ 52,150,000</u>

See accompanying independent auditor's report.

Current Year Transactions

Bonds Sold	Retirements		Bonds Outstanding July 31, 2015	Paying Agent
	Principal	Interest		
\$	\$ 155,000	\$ 3,584	\$ -0-	Wells Fargo Bank N.A. Houston, TX
	370,000	7,400	-0-	Wells Fargo Bank N.A. Houston, TX
	2,900,000	86,400	500,000	Wells Fargo Bank N.A. Houston, TX
	3,590,000	149,175	300,000	Wells Fargo Bank N.A. Houston, TX
	150,000	272,381	6,060,000	Wells Fargo Bank N.A. Houston, TX
	2,325,000	256,525	2,700,000	Wells Fargo Bank N.A. Houston, TX
	100,000	216,162	4,915,000	Wells Fargo Bank N.A. Houston, TX
	265,000	129,019	3,875,000	Wells Fargo Bank N.A. Fort Worth, TX
	65,000	289,700	9,140,000	Wells Fargo Bank N.A. Houston, TX
		261,945	8,310,000	Wells Fargo Bank N.A. Minneapolis, MN
		209,886	6,430,000	Wells Fargo Bank N.A. Minneapolis, MN
3,370,000		54,152	3,370,000	Wells Fargo Bank N.A. Minneapolis, MN
<u>5,245,000</u>			<u>5,245,000</u>	Bank of New York Mellon Trust Dallas, TX
<u>\$ 8,615,000</u>	<u>\$ 9,920,000</u>	<u>\$ 1,936,329</u>	<u>\$ 50,845,000</u>	

See accompanying independent auditor's report.

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2015**

Bond Authority:	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>	<u>Park Bonds</u>
Amount Authorized by Voters	\$ 88,000,000	\$ 132,000,000	\$ 8,000,000
Amount Issued	<u>58,480,000</u>	<u>1,724,288</u>	<u>5,315,000</u>
Remaining to be Issued	<u>\$ 29,520,000</u>	<u>\$ 130,275,712</u>	<u>\$ 2,685,000</u>
 Debt Service Fund cash and investments balances as of July 31, 2015:			 <u>\$ 7,421,993</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			 <u>\$ 3,646,768</u>

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

* 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.

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

	Amounts		
	2015	2014	2013
REVENUES			
Property Taxes	\$ 2,429,328	\$ 1,545,958	\$ 1,522,757
Water Service	1,144,222	1,178,292	1,113,787
Wastewater Service	707,214	744,752	723,472
Sales Tax Revenue	96,774	84,058	77,302
Penalty and Interest	34,262	38,963	38,672
Tap Connection and Inspection Fees	59,346	187,012	188,203
Investment Revenues	6,635	6,424	5,778
Miscellaneous Revenues	49,093	60,505	39,772
TOTAL REVENUES	<u>\$ 4,526,874</u>	<u>\$ 3,845,964</u>	<u>\$ 3,709,743</u>
EXPENDITURES			
Professional Fees	\$ 207,533	\$ 211,773	\$ 212,697
Contracted Services	710,372	694,218	632,141
Purchased Water Service	1,087,314	1,199,236	1,177,876
Purchased Wastewater Service	421,225	439,686	413,389
Utilities	112,197	104,608	98,080
Repairs and Maintenance	681,824	616,476	601,837
Other	195,457	192,650	257,644
Capital Outlay	138,608	108,458	37,212
TOTAL EXPENDITURES	<u>\$ 3,554,530</u>	<u>\$ 3,567,105</u>	<u>\$ 3,430,876</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 972,344</u>	<u>\$ 278,859</u>	<u>\$ 278,867</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	<u>\$ (30,680)</u>	<u>\$ 33,246</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 941,664	\$ 312,105	\$ 278,867
BEGINNING FUND BALANCE	<u>2,615,365</u>	<u>2,303,260</u>	<u>2,024,393</u>
ENDING FUND BALANCE	<u>\$ 3,557,029</u>	<u>\$ 2,615,365</u>	<u>\$ 2,303,260</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2012	2011	2015	2014	2013	2012	2011
\$ 1,539,727	\$ 1,467,915	53.7 %	40.1 %	41.0 %	45.2 %	41.7 %
1,044,497	1,129,561	25.3	30.6	30.0	30.8	32.1
635,259	700,740	15.6	19.4	19.5	18.7	19.9
48,097	55,683	2.1	2.2	2.1	1.4	1.6
26,722	44,848	0.8	1.0	1.0	0.8	1.3
84,162	93,809	1.3	4.9	5.1	2.5	2.7
5,658	6,952	0.1	0.2	0.2	0.2	0.2
12,397	16,202	1.1	1.6	1.1	0.4	0.5
<u>\$ 3,396,519</u>	<u>\$ 3,515,710</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 185,427	\$ 177,173	4.5 %	5.5 %	5.7 %	5.5 %	5.0 %
624,542	617,299	15.7	18.2	17.0	18.4	17.6
954,694	1,084,653	24.0	31.2	31.8	28.1	30.8
331,066	392,758	9.3	11.4	11.1	9.7	11.2
73,638	64,275	2.5	2.7	2.6	2.2	1.8
378,359	362,418	15.1	16.0	16.2	11.1	10.3
125,858	111,151	4.3	5.0	6.9	3.7	3.2
244,338	613,996	3.1	2.8	1.0	7.2	17.5
<u>\$ 2,917,922</u>	<u>\$ 3,423,723</u>	<u>78.5 %</u>	<u>92.8 %</u>	<u>92.3 %</u>	<u>85.9 %</u>	<u>97.4 %</u>
<u>\$ 478,597</u>	<u>\$ 91,987</u>	<u>21.5 %</u>	<u>7.2 %</u>	<u>7.7 %</u>	<u>14.1 %</u>	<u>2.6 %</u>
<u>\$ - 0 -</u>	<u>\$ 380,890</u>					
\$ 478,597	\$ 472,877					
<u>1,545,796</u>	<u>1,072,919</u>					
<u>\$ 2,024,393</u>	<u>\$ 1,545,796</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		
	2015	2014	2013
REVENUES			
Property Taxes	\$ 4,148,787	\$ 4,265,985	\$ 3,890,950
Penalty and Interest	41,358	33,787	51,621
Interest on Investments	8,342	8,490	12,636
Miscellaneous Revenues	347	5,415	100
TOTAL REVENUES	\$ 4,198,834	\$ 4,313,677	\$ 3,955,307
EXPENDITURES			
Tax Collection Expenditures	\$ 97,954	\$ 88,120	\$ 108,991
Debt Service Principal	1,905,000	1,915,000	1,750,000
Debt Service Interest and Fees	1,942,929	1,796,313	2,022,461
Bond Issuance Costs	350,161	300,681	333,461
Payment to Refunded Bond Escrow Agent	67,000	148,000	
TOTAL EXPENDITURES	\$ 4,363,044	\$ 4,248,114	\$ 4,214,913
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (164,210)	\$ 65,563	\$ (259,606)
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$ 8,615,000	\$ 8,506,256	\$ 9,305,000
Payment to Refunding Bond Escrow Agent	(8,378,996)	(8,236,766)	(9,436,084)
Bond Discount			(70,959)
Bond Premium	117,074	228,198	535,957
TOTAL OTHER FINANCING SOURCES (USES)	\$ 353,078	\$ 497,688	\$ 333,914
NET CHANGE IN FUND BALANCE	\$ 188,868	\$ 563,251	\$ 74,308
BEGINNING FUND BALANCE	7,211,659	6,648,408	6,574,100
ENDING FUND BALANCE	\$ 7,400,527	\$ 7,211,659	\$ 6,648,408
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,218	2,201	2,120
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,047	2,029	1,952

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2012	2011	2015	2014	2013	2012	2011
\$ 3,798,296	\$ 3,806,814	98.8 %	98.9 %	98.4 %	98.3 %	98.4 %
50,176	37,631	1.0	0.8	1.3	1.3	1.0
15,771	24,488	0.2	0.2	0.3	0.4	0.6
498	210		0.1			
<u>\$ 3,864,741</u>	<u>\$ 3,869,143</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 94,214	\$ 93,454	2.3 %	2.0 %	2.8 %	2.4 %	2.4 %
1,780,000	2,130,000	45.4	44.5	44.2	46.1	55.1
2,146,968	2,362,952	46.3	41.6	51.1	55.6	61.1
	170,657	8.3	7.0	8.4		4.4
		1.6	3.4			
<u>\$ 4,021,182</u>	<u>\$ 4,757,063</u>	<u>103.9 %</u>	<u>98.5 %</u>	<u>106.5 %</u>	<u>104.1 %</u>	<u>123.0 %</u>
<u>\$ (156,441)</u>	<u>\$ (887,920)</u>	<u>(3.9) %</u>	<u>1.5 %</u>	<u>(6.5) %</u>	<u>(4.1) %</u>	<u>(23.0) %</u>
\$	\$ 4,775,000					
	(4,551,473)					
	(48,236)					
<u>\$ - 0 -</u>	<u>\$ 175,291</u>					
\$ (156,441)	\$ (712,629)					
<u>6,730,541</u>	<u>7,443,170</u>					
<u>\$ 6,574,100</u>	<u>\$ 6,730,541</u>					
<u>1,941</u>	<u>1,861</u>					
<u>1,782</u>	<u>1,700</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2015**

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) 850-9000

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended July 31, 2015	Expense reimbursements for the year ended July 31, 2015	Title
Linda Ihns	05/14 - 05/18 (Elected)	\$ 2,850	\$ 736	President
Amber Hurd	05/14 - 05/18 (Elected)	\$ 2,400	\$ 961	Vice President
Lonnie Jackson	05/14 – 05/18 (Elected)	\$ 3,600	\$ 2,515	Secretary/ Treasurer
Brett Sileo	05/12 05/16 (Elected)	\$ 2,100	\$ 222	Assistant Secretary
Ben Bates	05/12 05/16 (Elected)	\$ 3,300	\$ 1,553	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): July 30, 2014.

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, 2015**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2015</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	01/20/10	\$ 247,136	General Counsel/ Delinquent Tax Attorney/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	07/09/02	\$ 19,250	Auditor
Cindy Schmidt	12/21/00	\$ 18,905	Bookkeeper/ Investment Officer
Brown & Gay Engineers, Inc.	11/14/00	\$ 207,927	Engineer
First Southwest Company	03/19/01	\$ 93,695	Financial Advisor
Si Environmental, LLC	05/01/12	\$ 461,116	Operator
Bob Leared	07/17/01	\$ 31,646	Tax Assessor/ Collector

See accompanying independent auditor's report.

