

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

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2017

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2017

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 FUNDS STATEMENT OF 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

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

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, 2017, 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, 2017, 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 the 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, 2017

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, 2017. 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 Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and 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 in addition to the general operations of the District. 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, 2017**

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") and other supplementary information. 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 \$13,664,793 as of July 31, 2017.

A portion of the District's net position reflects its net investment in capital assets (e.g. land and land improvements, construction in progress, building and park improvements and 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, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2017	2016	Change Positive (Negative)
Current and Other Assets	\$ 22,362,080	\$ 22,019,002	\$ 343,078
Capital Assets (Net of Accumulated Depreciation)	43,183,052	43,264,617	(81,565)
Total Assets	<u>\$ 65,545,132</u>	<u>\$ 65,283,619</u>	<u>\$ 261,513</u>
Deferred Outflows of Resources	\$ 879,698	\$ 943,126	\$ (63,428)
Due to Developer	\$	\$ 128,971	\$ 128,971
Long -Term Liabilities	48,073,751	50,914,983	2,841,232
Other Liabilities	4,686,286	4,369,055	(317,231)
Total Liabilities	<u>\$ 52,760,037</u>	<u>\$ 55,413,009</u>	<u>\$ 2,652,972</u>
Net Position:			
Net Investment in Capital Assets	\$ (1,433,760)	\$ (338,349)	\$ (1,095,411)
Restricted	7,002,975	6,942,241	60,734
Unrestricted	8,095,578	4,209,844	3,885,734
Total Net Position	<u>\$ 13,664,793</u>	<u>\$ 10,813,736</u>	<u>\$ 2,851,057</u>

The following table provides a summary of the District's operations for the years ended July 31, 2017, and July 31, 2016. The District's net position increased by \$2,851,057 during the current fiscal year, accounting for a 26.4% increase in net position.

	Summary of Changes in the Statement of Activities		
	2017	2016	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 7,171,873	\$ 7,148,410	\$ 23,463
Charges for Services	2,600,233	2,517,902	82,331
Other Revenues	115,129	80,761	34,368
Total Revenues	<u>\$ 9,887,235</u>	<u>\$ 9,747,073</u>	<u>\$ 140,162</u>
Expenses for Services	7,036,178	7,850,573	814,395
Change in Net Position	\$ 2,851,057	\$ 1,896,500	\$ 954,557
Net Position, Beginning of Year	10,813,736	8,917,236	1,896,500
Net Position, End of Year	<u>\$ 13,664,793</u>	<u>\$ 10,813,736</u>	<u>\$ 2,851,057</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2017, were \$20,783,761, an increase of \$240,133 from the prior year.

The General Fund fund balance increased by \$3,864,149, due to service revenues exceeding operating costs and Capital Projects Fund transferring \$2,930,038 to the General Fund for construction-related costs

The Debt Service Fund fund balance decreased by \$14,490, primarily due to the structure of the District's outstanding debt service.

The Capital Projects Fund fund balance decreased by \$3,609,526. This decrease was mainly related to two items: 1) capital outlay incurred during the year and 2) approval from the Texas Commission on Environmental Quality to release surplus and escrowed funds from previous bond issuances to the General Fund for the water well and hydropneumatic tank project.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the current fiscal year primarily to increase the amount budgeted for water service revenue and decrease the amount budgeted for capital outlay. Actual revenues were \$249,360 less than budgeted and actual expenditures were \$351,761 more than budgeted. This was a result of less than budgeted revenue from water service and tap connection and inspection fees and more than budgeted capital outlay expenditures.

CAPITAL ASSETS

The District's capital assets as of July 31, 2017, amounted to \$43,183,052 (net of accumulated depreciation). These capital assets include land and improvements, 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:

- P133 Drainage Channel Modification Phase 2
- P133 Erosion Repairs
- Force Main Manhole
- Fall Creek Detention Pond, Phase III
- P166 Slope Repair
- Red Stone View Drive Drainage Improvements

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2017**

CAPITAL ASSETS (Continued)

Construction in progress at July 31, 2017 included:

- Reclaimed Water System
- Lift Station No. 5
- P133 Erosion Repairs – Phase 2
- Water Well No. 1
- Water Plant Water Well and Hydrotank

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,769,173	\$ 1,769,173	\$
Construction in Progress	811,944	223,890	588,054
Capital Assets, Net of Accumulated Depreciation:			
Building and Park Improvements	2,759,663	2,950,187	(190,524)
Water System	7,030,235	7,309,160	(278,925)
Wastewater System	7,501,685	7,716,970	(215,285)
Drainage System	21,653,365	21,576,525	76,840
Impact Fees-Water	7,712	8,034	(322)
Impact Fees-Wastewater	1,649,275	1,710,678	(61,403)
Total Net Capital Assets	\$ 43,183,052	\$ 43,264,617	\$ (81,565)

Additional information on the District's capital assets can be found in Note 7 of this report.

LONG TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$49,980,000.

The changes in the debt position of the District during the fiscal year ended July 31, 2017, are summarized as follows:

Bond Debt Payable, August 1, 2016	\$ 52,465,000
Less: Bond Principal Paid	2,485,000
Bond Debt Payable, July 31, 2017	\$ 49,980,000

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2017**

LONG TERM DEBT ACTIVITY (Continued)

The District's bonds carry an underlying rating of "A" by Standard and Poor's. The Series 2008, 2009, 2010, 2011 Refunding, 2012 Refunding, 2015 Refunding, and 2016 Refunding bonds carry a "AA" rating by virtue of bond insurance issued by Assured Guaranty. The Series 2013 Refunding and Series 2014 and Series 2016 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, 2017.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The adopted budget for fiscal year 2018 projects an increase of \$1,323,632 in General Fund fund balance. Compared to the fiscal year 2017 amended budget, revenues are expected to decrease by approximately \$111,000 and expenditures are expected to increase by approximately \$101,000. The fiscal year 2017 tax rate has been established at \$0.84 on each \$100 of taxable value. Approximately 42% of the property tax will be used to fund general operations with the remaining 58% of the property tax set aside for debt service.

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.

THIS PAGE INTENTIONALLY LEFT BLANK

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2017**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 5,004,248	\$ 4,671,243
Investments	3,812,808	2,855,967
Receivables:		
Property Taxes	65,527	131,737
Penalty and Interest on Delinquent Taxes		76,817
Service Accounts (Net of Allowance for Doubtful Accounts of \$2,000)	209,506	
Accrued Interest	896	1,317
Other	35,203	
Due from Other Funds	18,268	
Prepaid Costs		
Capital Assets (Net of Accumulated Depreciation):		
Land and Land Improvements		
Construction in Progress		
Building and Park Improvements		
Water, Wastewater and Drainage Systems		
Impact Fees - Water and Wastewater		
TOTAL ASSETS	\$ 9,146,456	\$ 7,737,081
DEFERRED OUTFLOW OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,146,456	\$ 7,737,081

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>
\$ 4,619,152	\$ 14,294,643	\$	\$ 14,294,643
766,623	7,435,398		7,435,398
	197,264		197,264
	76,817		76,817
	209,506		209,506
	2,213		2,213
	35,203		35,203
	18,268	(18,268)	
		111,036	111,036
		1,769,173	1,769,173
		811,944	811,944
		2,759,663	2,759,663
		36,185,285	36,185,285
		1,656,987	1,656,987
<u>\$ 5,385,775</u>	<u>\$ 22,269,312</u>	<u>\$ 43,275,820</u>	<u>\$ 65,545,132</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 879,698</u>	<u>\$ 879,698</u>
<u>\$ 5,385,775</u>	<u>\$ 22,269,312</u>	<u>44,155,518</u>	<u>\$ 66,424,830</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, 2017**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 731,257	\$ 383
Accrued Interest Payable		
Retainage Payable	41,770	
Due to Other Funds		18,268
Due to Taxpayers		7,371
Security Deposits	277,851	
Long Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 1,050,878	\$ 26,022
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 65,527	\$ 131,737
Penalty and Interest on Delinquent Taxes		76,817
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 65,527	\$ 208,554
FUND BALANCES		
Committed for Construction	\$ 2,330,894	\$
Restricted for:		
Authorized Construction		
Debt Service		7,502,505
Unassigned	5,699,157	
TOTAL FUND BALANCES	\$ 8,030,051	\$ 7,502,505
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,146,456	\$ 7,737,081
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
\$ 121,620	\$ 853,260	\$	\$ 853,260
		708,084	708,084
12,950	54,720		54,720
	18,268	(18,268)	
	7,371		7,371
	277,851		277,851
		2,785,000	2,785,000
		48,073,751	48,073,751
<u>\$ 134,570</u>	<u>\$ 1,211,470</u>	<u>\$ 51,548,567</u>	<u>\$ 52,760,037</u>
\$	\$ 197,264	\$ (197,264)	\$
	76,817	(76,817)	
<u>\$ -0-</u>	<u>\$ 274,081</u>	<u>\$ (274,081)</u>	<u>\$ -0-</u>
\$	\$ 2,330,894	\$ (2,330,894)	\$
5,251,205	5,251,205	(5,251,205)	
	7,502,505	(7,502,505)	
	5,699,157	(5,699,157)	
<u>\$ 5,251,205</u>	<u>\$ 20,783,761</u>	<u>\$ (20,783,761)</u>	<u>\$ - 0 -</u>
<u>\$ 5,385,775</u>	<u>\$ 22,269,312</u>		
		\$ (1,433,760)	\$ (1,433,760)
		7,002,975	7,002,975
		8,095,578	8,095,578
		<u>\$ 13,664,793</u>	<u>\$ 13,664,793</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, 2017**

Total Fund Balances - Governmental Funds \$ 20,783,761

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

Prepaid bond insurance is amortized over the term of the bonds. 111,036

Deferred charges on a refunding bond sale is a deferred outflow of resources in the governmental activities. 879,698

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 43,183,052

Deferred inflows of resources related to property taxes and penalty and interest on delinquent taxes for the 2016 and prior tax levies become part of recognized revenue in the governmental activities of the District. 274,081

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:

Accrued Interest Payable	\$ (708,084)	
Bonds Payable Within One Year	(2,785,000)	
Bonds Payable After One Year	<u>(48,073,751)</u>	<u>(51,566,835)</u>

Total Net Position - Governmental Activities \$ 13,664,793

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

THIS PAGE INTENTIONALLY LEFT BLANK

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2017**

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 2,888,041	\$ 4,231,315
Water Service	1,515,588	
Wastewater Service	812,879	
Sales Tax Revenues	95,551	
Penalty and Interest	30,099	39,210
Tap Connection and Inspection Fees	81,433	
Investment Revenues	24,126	22,029
Miscellaneous Revenues	51,023	221
TOTAL REVENUES	<u>\$ 5,498,740</u>	<u>\$ 4,292,775</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 215,392	\$ 4,575
Contracted Services	877,226	90,346
Purchased Water Service	1,361,419	
Purchased Wastewater Service	500,122	
Utilities	108,065	
Repairs and Maintenance	589,087	
Depreciation		
Other	147,593	11,683
Capital Outlay	765,725	
Debt Service:		
Bond Principal		2,485,000
Bond Interest		1,715,661
TOTAL EXPENDITURES/EXPENSES	<u>\$ 4,564,629</u>	<u>\$ 4,307,265</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	<u>\$ 934,111</u>	<u>\$ (14,490)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	<u>2,930,038</u>	
NET CHANGE IN FUND BALANCES	<u>\$ 3,864,149</u>	<u>\$ (14,490)</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2016	<u>4,165,902</u>	<u>7,516,995</u>
FUND BALANCES/NET POSITION - JULY 31, 2017	<u>\$ 8,030,051</u>	<u>\$ 7,502,505</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 7,119,356	\$ 52,517	\$ 7,171,873
	1,515,588		1,515,588
	812,879		812,879
	95,551		95,551
	69,309	25,473	94,782
	81,433		81,433
17,730	63,885		63,885
	51,244		51,244
<u>\$ 17,730</u>	<u>\$ 9,809,245</u>	<u>\$ 77,990</u>	<u>\$ 9,887,235</u>
\$	\$ 219,967	\$	\$ 219,967
	967,572		967,572
	1,361,419		1,361,419
	500,122		500,122
	108,065		108,065
	589,087		589,087
		1,415,249	1,415,249
288	159,564		159,564
696,930	1,462,655	(1,462,655)	
	2,485,000	(2,485,000)	
	1,715,661	(528)	1,715,133
<u>\$ 697,218</u>	<u>\$ 9,569,112</u>	<u>\$ (2,532,934)</u>	<u>\$ 7,036,178</u>
\$ (679,488)	\$ 240,133	\$ 2,610,924	\$ 2,851,057
<u>(2,930,038)</u>			
\$ (3,609,526)	\$ 240,133	\$ (240,133)	\$ 2,851,057
		2,851,057	2,851,057
<u>8,860,731</u>	<u>20,543,628</u>	<u>(9,729,892)</u>	<u>10,813,736</u>
<u>\$ 5,251,205</u>	<u>\$ 20,783,761</u>	<u>\$ (7,118,968)</u>	<u>\$ 13,664,793</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, 2017**

Net Change in Fund Balances - Governmental Funds	\$	240,133
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
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.		52,517
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.		25,473
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.		(1,415,249)
Governmental funds report capital outlays 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.		1,462,655
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.		(18,291)
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.		2,485,000
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.		18,819
		<hr style="width: 100%;"/>
Change in Net Position - Governmental Activities	\$	<u>2,851,057</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, 2017**

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”).

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, 2017**

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 all long-term debt and other 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, 2017**

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 financial resources used for general operations that are not required to be accounted for in another fund, including customer service revenues, costs and general expenditures. It is a budgeted fund, and any unassigned fund balance is considered available for current operations.

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, 2017, the District’s Debt Service Fund owed the General Fund \$18,268 for maintenance tax collections. During the current fiscal year, the Capital Projects Fund transferred \$2,930,038 to the General Fund for construction-related costs (see further discussion in Note 15).

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2017**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service Accounts Receivable

The District provides for uncollectible accounts receivable through the allowance method of accounting. Under this method a provision for uncollectible accounts is charged to bad debt expense, and the allowance account is increased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the account. At July 31, 2017, the District had an allowance for doubtful accounts of \$2,000.

Capital Assets

Capital assets, which include land and improvements, construction in process, 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 acquisition 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2017**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service determined that directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

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

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. See Note 15 for explanation of funds committed by the District.

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 does not have any assigned funds.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2017**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. BONDS PAYABLE

	<u>Series 2008</u>	<u>Series 2009</u>
Amount Outstanding – July 31, 2017	\$ 1,825,000	\$ 950,000
Interest Rates	4.00% - 5.50%	4.20% - 5.00%
Maturity Date	September 1, 2017/2033	September 1, 2017/2021
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2017*	September 1, 2018*

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2017**

NOTE 3. BONDS PAYABLE (Continued)

	Series 2010	Series 2011 Refunding	Series 2012 Refunding
Amount Outstanding – July 31, 2017	\$ 4,700,000	\$ 3,325,000	\$ 9,010,000
Interest Rates	4.00% - 5.25%	2.25% - 4.00%	2.00% - 4.00%
Maturity Date	September 1, 2017/2033	September 1, 2017/2026	September 1, 2017/2027
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2018**	September 1, 2019**	September 1, 2019**
	Series 2013 Refunding	Series 2014	Series 2014 Refunding
Amount Outstanding – July 31, 2017	\$ 6,540,000	\$ 5,730,000	\$ 3,340,000
Interest Rates	2.00% - 4.00%	2.00% - 4.25%	2.00% - 4.00%
Maturity Date	September 1, 2017/2028	September 1, 2017/2033	September 1, 2017/2031
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2019**	September 1, 2020**	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 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. 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, 2017**

NOTE 3. BONDS PAYABLE (Continued)

	Series 2015 Refunding	Series 2016	Series 2016 Refunding
Amount Outstanding – July 31, 2017	\$ 5,205,000	\$ 4,000,000	\$ 5,355,000
Interest Rates	2.00% - 4.00%	2.00% - 3.00%	2.00% - 4.00%
Maturity Date	September 1, 2017/2033	September 1, 2017/2033	September 1, 2017/2031
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2022***	September 1, 2023***	September 1, 2024***

*** 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 2016 term bonds maturing September 1, 2029, September 1, 2031, and September 1, 2033, are subject to mandatory redemption by random selection beginning September 1, 2028, September 1, 2030, and September 1, 2032, respectively.

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2017:

	August 1, 2016	Additions	Retirements	July 31, 2017
Bonds Payable	\$ 52,465,000	\$	\$ (2,485,000)	\$ 49,980,000
Unamortized Discounts	(284,287)		37,384	\$ (246,903)
Unamortized Premiums	1,219,270		(93,616)	\$ 1,125,654
Bonds Payable, net	<u>\$ 53,399,983</u>	<u>\$ -0-</u>	<u>\$ (2,541,232)</u>	<u>\$ 50,858,751</u>
			Amount Due Within One Year	\$ 2,785,000
			Amount Due After One Year	<u>48,073,751</u>
			Bonds Payable, net	<u>\$ 50,858,751</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2017**

NOTE 3. BONDS PAYABLE (Continued)

As of July 31, 2017, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal Due</u>	<u>Interest</u>	<u>Total</u>
2018	2,785,000	1,663,975	4,448,975
2019	2,805,000	1,593,551	4,398,551
2020	2,845,000	1,521,071	4,366,071
2021	2,900,000	1,440,385	4,340,385
2022	2,975,000	1,353,101	4,328,101
2023-2027	15,880,000	5,258,689	21,138,689
2028-2032	15,320,000	2,313,570	17,633,570
2033-2034	4,470,000	171,194	4,641,194
	<u>\$ 49,980,000</u>	<u>\$ 15,315,536</u>	<u>\$ 65,295,536</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 \$25,520,000, authorized but unissued refunding bonds totaling \$129,787,304, and authorized but unissued park bonds totaling \$2,685,000.

During the year ended July 31, 2017, the District levied an ad valorem debt service tax at the rate of \$0.50 per \$100 of assessed valuation, which resulted in a tax levy of \$4,331,938 on the adjusted taxable valuation of \$866,387,665 for the 2016 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 8 for the maintenance tax levy.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2017**

NOTE 3. BONDS PAYABLE (Continued)

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

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.

The bond orders state the District will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five year anniversary of each issue.

NOTE 5. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended July 31, 2017:

	August 1, 2016	Additions	Retirements	July 31, 2017
Deferred Charges on Refundings	\$ 943,126	\$ -0-	\$ (63,428)	\$ 879,698

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2017**

NOTE 6. 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 \$15,766,643 and the bank balance was \$15,906,435. Of the bank balance, \$2,313,990 was covered by federal depository insurance and the remaining 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, 2017, as listed below:

	Cash	Certificates of Deposit	Total
	<u> </u>	<u> </u>	<u> </u>
GENERAL FUND	\$ 5,004,248	\$ 737,000	\$ 5,741,248
DEBT SERVICE FUND	4,671,243	735,000	5,406,243
CAPITAL PROJECTS FUND	<u>4,619,152</u>	<u> </u>	<u>4,619,152</u>
TOTAL DEPOSITS	<u>\$ 14,294,643</u>	<u>\$ 1,472,000</u>	<u>\$ 15,766,643</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2017**

NOTE 6. DEPOSITS AND INVESTMENTS

Investments (Continued)

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 the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2017**

NOTE 6. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of July 31, 2017, 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	\$3,075,808	\$3,075,808	\$	\$	\$
Certificates of Deposit	737,000	737,000			
<u>DEBT SERVICE FUND</u>					
TexPool	2,120,967	2,120,967			
Certificates of Deposit	735,000	735,000			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	766,623	766,623			
TOTAL INVESTMENTS	<u>\$7,435,398</u>	<u>\$7,435,398</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, 2017, the District's investment in TexPool was rated AAAM by Standard and Poor's. The District manages credit risk by investing in certificates of deposit with balances that are below FDIC insurance coverage.

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. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

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, 2017**

NOTE 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended July 31, 2017:

	August 1, 2016	Increases	Decreases	July 31, 2017
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,769,173	\$	\$	\$ 1,769,173
Construction in Progress	<u>223,890</u>	<u>1,161,491</u>	<u>573,437</u>	<u>811,944</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,993,063</u>	<u>\$ 1,161,491</u>	<u>\$ 573,437</u>	<u>\$ 2,581,117</u>
Capital Assets Subject to Depreciation				
Building and Park Improvements	\$ 3,600,652	\$	\$	\$ 3,600,652
Water System	9,346,111			9,346,111
Wastewater System	10,358,481	35,279		10,393,760
Drainage System	28,042,789	710,351		28,753,140
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>\$ 53,599,353</u>	<u>\$ 745,630</u>	<u>\$ - 0 -</u>	<u>\$ 54,344,983</u>
Accumulated Depreciation				
Building and Park Improvements	\$ 650,465	\$ 190,524	\$	\$ 840,989
Water System	2,036,951	278,925		2,315,876
Wastewater System	2,641,511	250,564		2,892,075
Drainage System	6,466,264	633,511		7,099,775
Impact Fees-Water	4,504	322		4,826
Impact Fees-Wastewater	<u>528,104</u>	<u>61,403</u>		<u>589,507</u>
Total Accumulated Depreciation	<u>\$ 12,327,799</u>	<u>\$ 1,415,249</u>	<u>\$ - 0 -</u>	<u>\$ 13,743,048</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 41,271,554</u>	<u>\$ (669,619)</u>	<u>\$ - 0 -</u>	<u>\$ 40,601,935</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 43,264,617</u>	<u>\$ 491,872</u>	<u>\$ 573,437</u>	<u>\$ 43,183,052</u>

NOTE 8. 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 \$0.34 per \$100 of assessed valuation, which resulted in a tax levy of \$2,945,718 on the taxable valuation of \$866,387,665 for the 2016 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, 2017**

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 of Houston (the “City”) (the “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. At July 31, 2017, the rate for the minimum monthly quantity was \$2.98 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 \$1,352,319 related to this contract.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2017**

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 charged as of July 31, 2017 for wholesale sewer service is \$1.497 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 \$500,122 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. 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, 2017**

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 \$95,551 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, 2017**

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, 2017**

NOTE 15. USE OF SURPLUS FUNDS AND ESCROW REQUIREMENT

On December 17, 2013, the District was directed by an order of the Commission to escrow a total of \$2,150,983 in Series 2014 bond proceeds for the non-potable water distribution system project. During fiscal year 2017, the District determined portions of the non-potable water distribution system project were no longer needed and should be released in order to fund the new water well and hydroneumatic tank project. On June 5, 2017, the Commission approved release of these funds from escrow. At July 31, 2017, the amount of Series 2014 bond proceeds required in escrow is \$603,787.

On December 3, 2015, the District was directed by an order of the Commission to escrow \$500,000 in Series 2016 bond proceeds for lift station no. 5. As of July 31, 2017, this amount remains in escrow.

On June 5, 2017, the Commission approved a change in project scope and approved the use of surplus Capital Projects Fund monies to release \$1,547,196 from escrow that was originally designated for non-potable water distribution system, reallocate \$1,222,706 of Series 2014 bond proceeds that was originally designated for reclaimed water distribution system and release \$130,098 of surplus funds related to Series 2014 bond proceeds to fund costs associated with the construction and engineering of the proposed water well and hydropneumatic tank project. As of July 31, 2017, \$2,330,894 of these funds were unspent and are reported as a committed fund balance in the General Fund.

THIS PAGE INTENTIONALLY LEFT BLANK

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

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2017

**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, 2017**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 2,900,000	\$ 2,900,000	\$ 2,888,041	\$ (11,959)
Water Service	1,368,000	1,668,000	1,515,588	(152,412)
Wastewater Service	780,000	780,000	812,879	32,879
Sales Tax Revenues	90,000	90,000	95,551	5,551
Penalty and Interest	30,000	30,000	30,099	99
Tap Connection and Inspection Fees	219,800	219,800	81,433	(138,367)
Investment Revenues	7,500	7,500	24,126	16,626
Miscellaneous Revenues	52,800	52,800	51,023	(1,777)
TOTAL REVENUES	<u>\$ 5,448,100</u>	<u>\$ 5,748,100</u>	<u>\$ 5,498,740</u>	<u>\$ (249,360)</u>
EXPENDITURES				
Services Operations:				
Professional Fees	\$ 196,300	\$ 196,300	\$ 215,392	\$ (19,092)
Contracted Services	879,730	884,580	877,226	7,354
Purchased Water Service	1,320,000	1,320,000	1,361,419	(41,419)
Purchased Wastewater Service	480,000	480,000	500,122	(20,122)
Utilities	112,200	112,200	108,065	4,135
Repairs and Maintenance	612,000	612,000	589,087	22,913
Other	170,038	170,038	147,593	22,445
Capital Outlay	808,750	437,750	765,725	(327,975)
TOTAL EXPENDITURES	<u>\$ 4,579,018</u>	<u>\$ 4,212,868</u>	<u>\$ 4,564,629</u>	<u>\$ (351,761)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 869,082</u>	<u>\$ 1,535,232</u>	<u>\$ 934,111</u>	<u>\$ (601,121)</u>
OTHER FINANCING SOURCES				
Transfers In	\$ -0-	\$ -0-	\$ 2,930,038	\$ 2,930,038
NET CHANGE IN FUND BALANCE	\$ 869,082	\$ 1,535,232	\$ 3,864,149	\$ 2,328,917
FUND BALANCE - AUGUST 1, 2016	<u>4,165,902</u>	<u>4,165,902</u>	<u>4,165,902</u>	<u>_____</u>
FUND BALANCE - JULY 31, 2017	<u>\$ 5,034,984</u>	<u>\$ 5,701,134</u>	<u>\$ 8,030,051</u>	<u>\$ 2,328,917</u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

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

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

JULY 31, 2017

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2017**

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 2, 2017.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 27.96	8,000	N	\$ 2.50	8,001 to 14,999
				\$ 3.66	15,000 to 20,000
				\$ 4.05	20,001 to 25,000
				\$ 4.44	25,001 and up
WASTEWATER:	\$ 21.67	10,000	N	\$ 1.19	10,001 to 15,000
				\$ 1.87	15,001 to 20,000
				\$ 2.16	20,001 to 25,000
				\$ 2.47	25,001 and up
SURCHARGE:	\$ -0-				

District employs winter averaging for wastewater usage?

_____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$32.96 Wastewater: \$21.67 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, 2017**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	<u> </u>	<u> </u>	x 1.0	<u> </u>
≤ ³ / ₄ "	<u>1,446</u>	<u>1,440</u>	x 1.0	<u>1,440</u>
1"	<u>715</u>	<u>711</u>	x 2.5	<u>1,778</u>
1½"	<u>19</u>	<u>18</u>	x 5.0	<u>90</u>
2"	<u>68</u>	<u>68</u>	x 8.0	<u>544</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"	<u>1</u>	<u>1</u>	x 25.0	<u>25</u>
6"	<u> </u>	<u> </u>	x 50.0	<u> </u>
8"	<u>5</u>	<u>5</u>	x 80.0	<u>400</u>
10"	<u> </u>	<u> </u>	x 115.0	<u> </u>
Total Water Connections	<u><u>2,255</u></u>	<u><u>2,244</u></u>		<u><u>4,292</u></u>
Total Wastewater Connections	<u><u>2,083</u></u>	<u><u>2,073</u></u>	x 1.0	<u><u>2,073</u></u>

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

Gallons purchased: 407,657,000 * Water Accountability Ratio: 94.6 %
(Gallons billed and sold/Gallons pumped and purchased)

Gallons billed to customers: 385,515,000

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

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2017**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely 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

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2017**

PROFESSIONAL FEES:	
Auditing	\$ 18,550
Engineering	58,748
Legal	<u>138,094</u>
TOTAL PROFESSIONAL FEES	<u>\$ 215,392</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 1,361,419
Purchased Wastewater Service	<u>500,122</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,861,541</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 18,976
Operations and Billing	112,696
Management Services	<u>69,235</u>
TOTAL CONTRACTED SERVICES	<u>\$ 200,907</u>
UTILITIES:	
Electricity	\$ 92,250
Telephone	<u>15,815</u>
TOTAL UTILITIES	<u>\$ 108,065</u>
REPAIRS AND MAINTENANCE	<u>\$ 589,087</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 15,300
Dues	3,865
Insurance	20,662
Payroll Taxes	2,921
Travel and Meetings	5,648
Other	<u>31,595</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 79,991</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, 2017**

CAPITAL OUTLAY-	
Capitalized Assets	\$ <u>765,725</u>
TAP CONNECTIONS	\$ <u>19,916</u>
SOLID WASTE DISPOSAL	\$ <u>324,472</u>
SECURITY	\$ <u>351,847</u>
OTHER EXPENDITURES:	
Chemicals	\$ 220
Laboratory Fees	4,042
Permit Fees	10,143
Inspection Fees	21,173
Regulatory Assessment	10,897
Other	<u>1,211</u>
TOTAL OTHER EXPENDITURES	\$ <u>47,686</u>
TOTAL EXPENDITURES	\$ <u><u>4,564,629</u></u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
INVESTMENTS
JULY 31, 2017**

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	0.60%	01/31/18	\$ 247,000	\$
Certificate of Deposit	XXXX1460	0.35%	09/08/17	245,000	842
Certificate of Deposit	XXXX2572	1.15%	01/24/18	245,000	54
TexPool	XXXX0001	Varies	Daily	3,075,808	
TOTAL GENERAL FUND				<u>\$ 3,812,808</u>	<u>\$ 896</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX1659	0.30%	08/24/17	\$ 245,000	\$ 316
Certificate of Deposit	XXXX8591	0.40%	08/24/17	245,000	421
Certificate of Deposit	XXXX1543	0.55%	08/24/17	245,000	580
TexPool	XXXX0002	Varies	Daily	2,120,967	
TOTAL DEBT SERVICE FUND				<u>\$ 2,855,967</u>	<u>\$ 1,317</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0005	Varies	Daily	\$ 766,623	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 7,435,398</u>	<u>\$ 2,213</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, 2017**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2016	\$	43,942	\$	100,805
Adjustments to Beginning				
Balance		<u>(7,096)</u>	\$	<u>89,735</u>
Original 2016 Tax Levy	\$	2,813,274	\$	4,137,168
Adjustment to 2016 Tax Levy		<u>132,444</u>	<u>2,945,718</u>	<u>4,331,938</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	2,982,564	\$
				4,421,673
TAX COLLECTIONS:				
Prior Years	\$	322	\$	650
Current Year		<u>2,916,715</u>	<u>2,917,037</u>	<u>4,289,936</u>
TAXES RECEIVABLE -				
JULY 31, 2017		<u>\$</u>	<u>65,527</u>	<u>\$</u>
				<u>131,737</u>
TAXES RECEIVABLE BY				
YEAR:				
2016	\$	29,003	\$	42,652
2015		6,425		9,827
2014		4,100		6,957
2013		2,109		5,820
2012		2,888		7,381
2011		3,169		7,809
2010		3,097		8,029
2009 and prior		<u>14,736</u>		<u>43,262</u>
TOTAL	\$	<u>65,527</u>	\$	<u>131,737</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, 2017**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
PROPERTY VALUATIONS:				
Land	\$ 162,225,161	\$ 157,601,492	\$ 168,264,141	\$ 149,247,505
Improvements	716,374,647	687,872,999	596,818,063	492,293,390
Personal Property	17,331,387	20,426,659	14,747,899	13,904,842
Exemptions	<u>(29,543,530)</u>	<u>(30,441,701)</u>	<u>(43,768,042)</u>	<u>(35,121,962)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 866,387,665</u>	<u>\$ 835,459,449</u>	<u>\$ 736,062,061</u>	<u>\$ 620,323,775</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.50	\$ 0.52	\$ 0.56	\$ 0.69
Maintenance	<u>0.34</u>	<u>0.34</u>	<u>0.33</u>	<u>0.25</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.84</u>	<u>\$ 0.86</u>	<u>\$ 0.89</u>	<u>\$ 0.94</u>
ADJUSTED TAX LEVY*	<u>\$ 7,277,656</u>	<u>\$ 7,184,951</u>	<u>\$ 6,550,953</u>	<u>\$ 5,831,044</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.02 %</u>	<u>99.77 %</u>	<u>99.83 %</u>	<u>99.86 %</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, 2017**

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
2018	\$ 150,000	\$ 77,125	\$ 227,125
2019	150,000	70,000	220,000
2020	150,000	64,000	214,000
2021	175,000	57,500	232,500
2022		54,000	54,000
2023		54,000	54,000
2024		54,000	54,000
2025		54,000	54,000
2026		54,000	54,000
2027		54,000	54,000
2028		54,000	54,000
2029		54,000	54,000
2030		54,000	54,000
2031		54,000	54,000
2032		54,000	54,000
2033	600,000	40,500	640,500
2034	600,000	13,500	613,500
	<u>\$ 1,825,000</u>	<u>\$ 916,625</u>	<u>\$ 2,741,625</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2017**

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
2018	\$ 175,000	\$ 39,525	\$ 214,525
2019	175,000	30,775	205,775
2020	200,000	22,200	222,200
2021	200,000	13,600	213,600
2022	200,000	4,600	204,600
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 950,000</u>	<u>\$ 110,700</u>	<u>\$ 1,060,700</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2017**

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
2018	\$ 125,000	\$ 199,344	\$ 324,344
2019	125,000	192,781	317,781
2020	125,000	187,000	312,000
2021	125,000	182,000	307,000
2022	150,000	176,500	326,500
2023	150,000	170,500	320,500
2024	150,000	164,500	314,500
2025	175,000	158,000	333,000
2026	175,000	151,000	326,000
2027	200,000	143,500	343,500
2028	200,000	135,375	335,375
2029	500,000	120,625	620,625
2030	500,000	99,375	599,375
2031	500,000	77,812	577,812
2032	500,000	55,938	555,938
2033	500,000	33,750	533,750
2034	500,000	11,250	511,250
	<u>\$ 4,700,000</u>	<u>\$ 2,259,250</u>	<u>\$ 6,959,250</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2017**

SERIES - 2011 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
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>\$ 3,325,000</u>	<u>\$ 665,367</u>	<u>\$ 3,990,367</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2017**

SERIES - 2012 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
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>\$ 9,010,000</u>	<u>\$ 1,895,475</u>	<u>\$ 10,905,475</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2017**

SERIES - 2013 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
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>\$ 6,540,000</u>	<u>\$ 1,506,269</u>	<u>\$ 8,046,269</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2017**

S E R I E S - 2 0 1 4			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
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
	\$ 5,730,000	\$ 1,739,272	\$ 7,469,272

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2017**

SERIES - 2014 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
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>\$ 3,340,000</u>	<u>\$ 1,384,650</u>	<u>\$ 4,724,650</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2017**

S E R I E S - 2 0 1 5 R E F U N D I N G

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
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>\$ 5,205,000</u>	<u>\$ 2,103,854</u>	<u>\$ 7,308,854</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2017**

S E R I E S - 2 0 1 6			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$ 250,000	\$ 87,688	\$ 337,688
2019	250,000	82,688	332,688
2020	250,000	77,688	327,688
2021	250,000	72,688	322,688
2022	250,000	67,688	317,688
2023	250,000	62,688	312,688
2024	250,000	57,688	307,688
2025	250,000	52,688	302,688
2026	250,000	47,688	297,688
2027	250,000	42,531	292,531
2028	250,000	37,063	287,063
2029	250,000	31,125	281,125
2030	200,000	25,500	225,500
2031	200,000	20,250	220,250
2032	200,000	14,750	214,750
2033	200,000	9,000	209,000
2034	200,000	3,000	203,000
	\$ 4,000,000	\$ 792,411	\$ 4,792,411

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2017**

SERIES - 2016 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$ 20,000	\$ 191,475	\$ 211,475
2019	20,000	191,075	211,075
2020	20,000	190,675	210,675
2021	20,000	190,275	210,275
2022	220,000	187,875	407,875
2023	450,000	180,050	630,050
2024	480,000	167,225	647,225
2025	475,000	151,713	626,713
2026	520,000	134,300	654,300
2027	515,000	114,900	629,900
2028	710,000	90,400	800,400
2029	480,000	66,600	546,600
2030	480,000	47,400	527,400
2031	475,000	28,300	503,300
2032	470,000	9,400	479,400
2033			
2034			
	<u>\$ 5,355,000</u>	<u>\$ 1,941,663</u>	<u>\$ 7,296,663</u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2017**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2018	\$ 2,785,000	\$ 1,663,975	\$ 4,448,975
2019	2,805,000	1,593,551	4,398,551
2020	2,845,000	1,521,071	4,366,071
2021	2,900,000	1,440,385	4,340,385
2022	2,975,000	1,353,101	4,328,101
2023	3,050,000	1,262,513	4,312,513
2024	3,105,000	1,167,013	4,272,013
2025	3,160,000	1,061,541	4,221,541
2026	3,245,000	945,263	4,190,263
2027	3,320,000	822,359	4,142,359
2028	3,390,000	694,394	4,084,394
2029	3,030,000	573,137	3,603,137
2030	2,980,000	461,034	3,441,034
2031	2,960,000	348,867	3,308,867
2032	2,960,000	236,138	3,196,138
2033	2,490,000	130,547	2,620,547
2034	1,980,000	40,647	2,020,647
	<u>\$ 49,980,000</u>	<u>\$ 15,315,536</u>	<u>\$ 65,295,536</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, 2017**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2016
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2006A	\$ 4,790,000	\$ 150,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2008	8,160,000	1,975,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2009	5,550,000	1,125,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Park Bonds - Series 2010	5,315,000	4,815,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2011	4,775,000	3,605,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2012	9,305,000	9,075,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2013	8,310,000	7,685,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2014	6,430,000	6,080,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2014	3,370,000	3,355,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2015	5,245,000	5,245,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2016	4,000,000	4,000,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2016	<u>5,355,000</u>	<u>5,355,000</u>
TOTAL	<u><u>\$ 70,605,000</u></u>	<u><u>\$ 52,465,000</u></u>

See accompanying independent auditor's report.

Current Year Transactions					
Bonds Sold	Retirements		Bonds Outstanding July 31, 2017	Paying Agent	
	Principal	Interest			
\$ -	\$ 150,000	\$ 3,188	\$ -	Wells Fargo Bank N.A. Houston, TX	
	150,000	85,375	1,825,000	Wells Fargo Bank N.A. Houston, TX	
	175,000	48,275	950,000	Wells Fargo Bank N.A. Houston, TX	
	115,000	205,643	4,700,000	Wells Fargo Bank N.A. Houston, TX	
	280,000	118,168	3,325,000	Wells Fargo Bank N.A. Fort Worth, TX	
	65,000	287,100	9,010,000	Wells Fargo Bank N.A. Houston, TX	
	1,145,000	233,129	6,540,000	Wells Fargo Bank N.A. Minneapolis, MN	
	350,000	185,756	5,730,000	Wells Fargo Bank N.A. Minneapolis, MN	
	15,000	119,150	3,340,000	Wells Fargo Bank N.A. Minneapolis, MN	
	40,000	170,344	5,205,000	Bank of New York Mellon Trust Dallas, TX	
		89,687	4,000,000	Bank of New York Mellon Trust Dallas, TX	
		169,846	5,355,000	Bank of New York Mellon Trust Dallas, TX	
<u>\$ - 0 -</u>	<u>\$ 2,485,000</u>	<u>\$ 1,715,661</u>	<u>\$ 49,980,000</u>		

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2017**

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>62,480,000</u>	<u>2,212,696</u>	<u>5,315,000</u>
Remaining to be Issued	<u>\$ 25,520,000</u>	<u>\$ 129,787,304</u>	<u>\$ 2,685,000</u>
 Debt Service Fund cash and investments balances as of July 31, 2017:			<u>\$ 7,527,210</u>
 Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 3,840,914</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		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 2,888,041	\$ 2,837,069	\$ 2,429,328
Water Service	1,515,588	1,409,681	1,144,222
Wastewater Service	812,879	799,002	707,214
Sales Tax Revenue	95,551	97,856	96,774
Penalty and Interest	30,099	28,710	34,262
Tap Connection and Inspection Fees	81,433	132,397	59,346
Investment Revenues	24,126	10,375	6,635
Miscellaneous Revenues	51,023	47,686	49,093
TOTAL REVENUES	\$ 5,498,740	\$ 5,362,776	\$ 4,526,874
EXPENDITURES			
Professional Fees	\$ 215,392	\$ 224,100	\$ 207,533
Contracted Services	877,226	885,880	710,372
Purchased Water Service	1,361,419	1,455,669	1,087,314
Purchased Wastewater Service	500,122	532,295	421,225
Utilities	108,065	110,721	112,197
Repairs and Maintenance	589,087	582,163	681,824
Other	147,593	149,749	195,457
Capital Outlay	765,725	812,265	138,608
TOTAL EXPENDITURES	\$ 4,564,629	\$ 4,752,842	\$ 3,554,530
EXCESS OF REVENUES OVER EXPENDITURES	\$ 934,111	\$ 609,934	\$ 972,344
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ 2,930,038	\$ (1,061)	\$ (30,680)
NET CHANGE IN FUND BALANCE	\$ 3,864,149	\$ 608,873	\$ 941,664
BEGINNING FUND BALANCE	4,165,902	3,557,029	2,615,365
ENDING FUND BALANCE	\$ 8,030,051	\$ 4,165,902	\$ 3,557,029

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2014	2013	2017	2016	2015	2014	2013
\$ 1,545,958	\$ 1,522,757	52.6 %	52.9 %	53.7 %	40.1 %	41.0 %
1,178,292	1,113,787	27.6	26.3	25.3	30.6	30.0
744,752	723,472	14.8	14.9	15.6	19.4	19.5
84,058	77,302	1.7	1.8	2.1	2.2	2.1
38,963	38,672	0.5	0.5	0.8	1.0	1.0
187,012	188,203	1.5	2.5	1.3	4.9	5.1
6,424	5,778	0.4	0.2	0.1	0.2	0.2
60,505	39,772	0.9	0.9	1.1	1.6	1.1
<u>\$ 3,845,964</u>	<u>\$ 3,709,743</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 211,773	\$ 212,697	3.8 %	4.2 %	4.5 %	5.5 %	5.7 %
694,218	632,141	15.9	16.5	15.7	18.2	17.0
1,199,236	1,177,876	24.8	27.1	24.0	31.2	31.8
439,686	413,389	9.1	9.9	9.3	11.4	11.1
104,608	98,080	2.0	2.1	2.5	2.7	2.6
616,476	601,837	10.7	10.9	15.1	16.0	16.2
192,650	257,644	2.7	2.8	4.3	5.0	6.9
108,458	37,212	13.9	15.1	3.1	2.8	1.0
<u>\$ 3,567,105</u>	<u>\$ 3,430,876</u>	<u>82.9 %</u>	<u>88.6 %</u>	<u>78.5 %</u>	<u>92.8 %</u>	<u>92.3 %</u>
<u>\$ 278,859</u>	<u>\$ 278,867</u>	<u>17.1 %</u>	<u>11.4 %</u>	<u>21.5 %</u>	<u>7.2 %</u>	<u>7.7 %</u>
<u>\$ 33,246</u>	<u>\$ - 0 -</u>					
\$ 312,105	\$ 278,867					
<u>2,303,260</u>	<u>2,024,393</u>					
<u>\$ 2,615,365</u>	<u>\$ 2,303,260</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		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 4,231,315	\$ 4,340,841	\$ 4,148,787
Penalty and Interest	39,210	49,597	41,358
Interest on Investments	22,029	11,660	8,342
Miscellaneous Revenues	221	306	347
TOTAL REVENUES	<u>\$ 4,292,775</u>	<u>\$ 4,402,404</u>	<u>\$ 4,198,834</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 99,504	\$ 105,612	\$ 97,954
Debt Service Principal	2,485,000	2,375,000	1,905,000
Debt Service Interest and Fees	1,722,761	1,761,782	1,942,929
Bond Issuance Costs		213,766	350,161
Payment to Refunded Bond Escrow Agent			67,000
TOTAL EXPENDITURES	<u>\$ 4,307,265</u>	<u>\$ 4,456,160</u>	<u>\$ 4,363,044</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (14,490)</u>	<u>\$ (53,756)</u>	<u>\$ (164,210)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of Refunding Bonds	\$	\$ 5,355,000	\$ 8,615,000
Payment to Refunding Bond Escrow Agent		(5,721,561)	(8,378,996)
Bond Discount			
Bond Premium		536,785	117,074
TOTAL OTHER FINANCING SOURCES, NET	<u>\$ - 0 -</u>	<u>\$ 170,224</u>	<u>\$ 353,078</u>
NET CHANGE IN FUND BALANCE	\$ (14,490)	\$ 116,468	\$ 188,868
BEGINNING FUND BALANCE	<u>7,516,995</u>	<u>7,400,527</u>	<u>7,211,659</u>
ENDING FUND BALANCE	<u>\$ 7,502,505</u>	<u>\$ 7,516,995</u>	<u>\$ 7,400,527</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,244</u>	<u>2,232</u>	<u>2,218</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>2,073</u>	<u>2,060</u>	<u>2,047</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2014	2013	2017	2016	2015	2014	2013
\$ 4,265,985	\$ 3,890,950	98.6 %	98.6 %	98.8 %	98.9 %	98.4 %
33,787	51,621	0.9	1.1	1.0	0.8	1.3
8,490	12,636	0.5	0.3	0.2	0.2	0.3
5,415	100				0.1	
<u>\$ 4,313,677</u>	<u>\$ 3,955,307</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 88,120	\$ 108,991	2.3 %	2.4 %	2.3 %	2.0 %	2.8 %
1,915,000	1,750,000	57.9	53.9	45.4	44.5	44.2
1,796,313	2,022,461	40.1	40.0	46.3	41.6	51.1
300,681	333,461		4.9	8.3	7.0	8.4
148,000				1.6	3.4	
<u>\$ 4,248,114</u>	<u>\$ 4,214,913</u>	<u>100.3 %</u>	<u>101.2 %</u>	<u>103.9 %</u>	<u>98.5 %</u>	<u>106.5 %</u>
<u>\$ 65,563</u>	<u>\$ (259,606)</u>	<u>(0.3) %</u>	<u>(1.2) %</u>	<u>(3.9) %</u>	<u>1.5 %</u>	<u>(6.5) %</u>
\$ 8,506,256	\$ 9,305,000					
(8,236,766)	(9,436,084)					
	(70,959)					
228,198	535,957					
<u>\$ 497,688</u>	<u>\$ 333,914</u>					
\$ 563,251	\$ 74,308					
6,648,408	6,574,100					
<u>\$ 7,211,659</u>	<u>\$ 6,648,408</u>					
2,201	2,120					
<u>2,029</u>	<u>1,952</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2017**

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 <u>Appointed</u>)	Fees of office for the year ended <u>July 31, 2017</u>	Expense reimbursements for the year ended <u>July 31, 2017</u>	<u>Title</u>
Amber Hurd	05/14 - 05/18 (Elected)	\$ 2,550	\$ 923	President
Lonnie Jackson	05/14 - 05/18 (Elected)	\$ 3,900	\$ 1,853	Vice President
Brett Sileo	05/16 - 05/20 (Elected)	\$ 2,550	\$ 183	Secretary
Ben Bates	05/16 - 05/20 (Elected)	\$ 2,850	\$ 1,859	Assistant Secretary
Linda Ihns	05/14 - 05/18 (Elected)	\$ 3,450	\$ 831	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): June 8, 2016.

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, 2017**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2017</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	01/20/10	\$ 138,094	General Counsel/ Delinquent Tax Attorney/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	07/09/02	\$ 18,550	Auditor
L & S District Services, LLC	12/21/00	\$ 18,976	Bookkeeper/ Investment Officer
Brown & Gay Engineers, Inc.	11/14/00	\$ 396,391	Engineer
FirstSouthwest, a Division of Hilltop Securities Inc.	03/19/01	\$ -	Financial Advisor
Si Environmental, LLC	05/01/12	\$ 396,888	Operator
Bob Leared	07/17/01	\$ 28,848	Tax Assessor/ Collector

See accompanying independent auditor's report.

