

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

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2012

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

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET	9-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	14-15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	16
NOTES TO BASIC FINANCIAL STATEMENTS	17-34
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	36
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to basic financial statements)	
SERVICES AND RATES	38-40
GENERAL FUND EXPENDITURES	41-42
INVESTMENTS	43
TAXES LEVIED AND RECEIVABLE	44-45
LONG-TERM DEBT SERVICE REQUIREMENTS	46-54
CHANGE IN LONG-TERM BOND DEBT	55-56
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	57-60
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	61-62

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

111 Congress Avenue
Suite 400
Austin, Texas 78701
(512) 610-2209
www.mgsbpllc.com

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

Independent Auditor's Report

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, 2012, which collectively comprise the District's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted as promulgated within the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 8 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 36 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.

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

November 6, 2012

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2012**

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, 2012. Please read it in conjunction with the District's financial statements, which begin on page 9.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The first of the government-wide statements is the Statement of Net Assets. This information is found in the Statement of Net Assets column on pages 9 through 12. The Statement of Net Assets is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on pages 14 and 15 reports how the District's net assets changed during the current fiscal year. All current year revenues and expenditures are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2012**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17 through 34 in this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund, see page 36.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$9,083,336 as of July 31, 2012.

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

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Assets		
	2012	2011	Change Positive (Negative)
Current and Other Assets	\$ 17,117,201	\$ 18,927,141	\$ (1,809,940)
Capital Assets (Net of Accumulated Depreciation)	43,522,431	42,333,865	1,188,566
Total Assets	\$ 60,639,632	\$ 61,261,006	\$ (621,374)
Due to Developer	\$ 1,008,285	\$ 549,669	\$ (458,616)
Long -Term Liabilities	47,110,000	48,860,000	1,750,000
Other Liabilities	3,438,011	3,898,114	460,103
Total Liabilities	\$ 51,556,296	\$ 53,307,783	\$ 1,751,487
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ (1,225,907)	\$ (2,155,908)	\$ 930,001
Restricted	6,040,995	6,202,820	(161,825)
Unrestricted	4,268,248	3,906,311	361,937
Total Net Assets	\$ 9,083,336	\$ 7,953,223	\$ 1,130,113

The following table provides a summary of the District's operations for the years ended July 31, 2012, and July 31, 2011. The District's net assets increased by \$1,130,113 during the current fiscal year, accounting for a 14.2% growth in net assets.

	Summary of Changes in the Statement of Activities		
	2012	2011	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 5,344,565	\$ 5,290,783	\$ 53,782
Charges for Services	1,844,014	2,015,293	(171,279)
Other Revenues	92,276	132,951	(40,675)
Total Revenues	\$ 7,280,855	\$ 7,439,027	\$ (158,172)
Expenses for Services	6,150,742	6,554,330	403,588
Change in Net Assets	\$ 1,130,113	\$ 884,697	\$ 245,416
Net Assets, Beginning of Year	7,953,223	7,068,526	884,697
Net Assets, End of Year	\$ 9,083,336	\$ 7,953,223	\$ 1,130,113

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2012**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2012, were \$12,561,240 a decrease of \$1,373,784 from the prior year.

The General Fund fund balance increased by \$478,597, primarily due to service revenues exceeding operating costs.

The Debt Service Fund fund balance decreased by \$156,441, primarily due to the structure of the District's outstanding debt service.

The Capital Projects Fund fund balance decreased by \$1,695,940. This decrease is due to planned capital outlay and park capital outlay expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$172,381 less than budgeted, actual expenditures were 1,433,518 less than budgeted, and transfer in were \$915,920 less than budgeted. See the budget to actual comparison on page 36.

CAPITAL ASSETS

The District's investment in capital assets as of July 31, 2012, amounts to \$43,522,431 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, as well as the water, wastewater and drainage systems.

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

- Fall Creek West Detention Repair
- Fall Creek Section 27

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2012**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2012	2011	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,769,173	\$ 1,769,173	\$
Construction in Progress	3,632,508	2,409,342	1,223,166
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	73,561	19,046	54,515
Water System	5,764,658	5,879,325	(114,667)
Wastewater System	8,292,841	8,436,531	(143,690)
Drainage System	22,207,681	21,981,556	226,125
Impact Fees-Water	9,321	9,644	(323)
Impact Fees-Wastewater	<u>1,772,688</u>	<u>1,829,248</u>	<u>(56,560)</u>
Total Net Capital Assets	<u>\$ 43,522,431</u>	<u>\$ 42,333,865</u>	<u>\$ 1,188,566</u>

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

LONG TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$48,860,000.

The changes in the debt position of the District during the fiscal year ended July 31, 2012, are summarized as follows:

Bond Debt Payable, August 1, 2011	\$ 50,640,000
Less: Bond Principal Paid	<u>1,780,000</u>
Bond Debt Payable, July 31, 2012	<u>\$ 48,860,000</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2012**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to 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 ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2012**

	General Fund	Debt Service Fund
ASSETS		
Cash, Note 5	\$ 571,984	\$ 2,928,004
Investments, Note 5	1,363,547	3,666,288
Receivables:		
Property Taxes	44,212	118,450
Penalty and Interest on Delinquent Taxes		40,372
Service Accounts (Net of Allowance for Uncollectible Accounts of \$2,000)	221,809	
Accrued Interest	794	1,301
Other	15,911	
Due from Other Funds, Note 2	300,757	
Unamortized Bond Issuance Costs		
Unamortized Bond Discount		
Land, Note 6		
Construction in Progress, Note 6		
Capital Assets (Net of Accumulated Depreciation), Note 6		
TOTAL ASSETS	\$ 2,519,014	\$ 6,754,415

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$ 1,948,055	\$ 5,448,043	\$	\$ 5,448,043
2,815,582	7,845,417		7,845,417
	162,662		162,662
	40,372		40,372
	221,809		221,809
	2,095		2,095
	15,911		15,911
	300,757	(300,757)	
		2,199,643	2,199,643
		1,181,249	1,181,249
		1,769,173	1,769,173
		3,632,508	3,632,508
		<u>38,120,750</u>	<u>38,120,750</u>
<u>\$ 4,763,637</u>	<u>\$ 14,037,066</u>	<u>\$ 46,602,566</u>	<u>\$ 60,639,632</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2012**

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 225,243	\$ 7,986
Accrued Interest Payable		
Due to Developers, Note 8		
Retainage Payable		
Due to Other Funds, Note 2		8,529
Due to Taxpayers		4,978
Security Deposits	225,166	
Deferred Revenues:		
Property Taxes	44,212	118,450
Penalty and Interest on Delinquent Taxes		40,372
Long Term Liabilities:		
Bonds Payable, Due Within One Year, Note 3		
Bonds Payable, Due After One Year, Note 3		
TOTAL LIABILITIES	<u>\$ 494,621</u>	<u>\$ 180,315</u>
FUND BALANCES/NET ASSETS		
FUND BALANCES		
Restricted for Authorized Construction:		
Bond Proceeds	\$	\$
Park Bond Proceeds		
Net Investment Revenues		
Restricted for Debt Service		6,574,100
Assigned to 2013 Budget Deficit, Note 2	1,208,695	
Unassigned	<u>815,698</u>	
TOTAL FUND BALANCES	<u>\$ 2,024,393</u>	<u>\$ 6,574,100</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,519,014</u>	<u>\$ 6,754,415</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Restricted for:		
Debt Service		
Capital Projects		
Unrestricted		
TOTAL NET ASSETS		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Assets
\$ 133,094	\$ 366,323	\$	\$ 366,323
		900,382	900,382
184,406	184,406	823,879	1,008,285
191,162	191,162		191,162
292,228	300,757	(300,757)	
	4,978		4,978
	225,166		225,166
	162,662	(162,662)	
	40,372	(40,372)	
		1,750,000	1,750,000
		47,110,000	47,110,000
<u>\$ 800,890</u>	<u>\$ 1,475,826</u>	<u>\$ 50,080,470</u>	<u>\$ 51,556,296</u>
\$ 2,889,120	\$ 2,889,120	\$ (2,889,120)	
865,172	865,172	(865,172)	
208,455	208,455	(208,455)	
	6,574,100	(6,574,100)	
	1,208,695	(1,208,695)	
	815,698	(815,698)	
<u>\$ 3,962,747</u>	<u>\$ 12,561,240</u>	<u>\$ (12,561,240)</u>	<u>\$ - 0 -</u>
<u>\$ 4,763,637</u>	<u>\$ 14,037,066</u>		
		\$ (1,225,907)	\$ (1,225,907)
		5,832,540	5,832,540
		208,455	208,455
		4,268,248	4,268,248
		<u>\$ 9,083,336</u>	<u>\$ 9,083,336</u>

The accompanying notes to basic 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 ASSETS
JULY 31, 2012**

Total Fund Balances - Governmental Funds \$ 12,561,240

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

Unamortized bond issuance costs and bond discounts in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 3,380,892

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 43,522,431

Deferred tax revenues and deferred penalty and interest revenues on delinquent taxes for the 2011 and prior tax levies became part of recognized revenue in the governmental activities of the District. 203,034

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (823,879)	
Accrued Interest Payable	(900,382)	
Bonds Payable Within One Year	(1,750,000)	
Bonds Payable After One Year	<u>(47,110,000)</u>	<u>(50,584,261)</u>

Total Net Assets - Governmental Activities \$ 9,083,336

The accompanying notes to basic 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 FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2012**

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 1,539,727	\$ 3,798,296
Water Service	1,044,497	
Wastewater Service	635,259	
Sales Tax Revenues, Note 13	48,097	
Penalty and Interest	26,722	50,176
Tap Connection and Inspection Fees	84,162	
Investment Revenues	5,658	15,771
Miscellaneous Revenues	<u>12,397</u>	<u>498</u>
TOTAL REVENUES	\$ 3,396,519	\$ 3,864,741
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 185,427	\$ 15,278
Contracted Services	624,542	74,857
Purchased Water Service, Note 11	954,694	
Purchased Wastewater Service, Note 12	331,066	
Utilities	73,638	
Repairs and Maintenance	378,359	
Depreciation, Note 6		
Other	125,858	8,129
Capital Outlay	244,338	
Debt Service:		
Bond Principal		1,780,000
Bond Interest		<u>2,142,918</u>
TOTAL EXPENDITURES/EXPENSES	\$ 2,917,922	\$ 4,021,182
NET CHANGE IN FUND BALANCES	\$ 478,597	\$ (156,441)
CHANGE IN NET ASSETS		
FUND BALANCES/NET ASSETS - AUGUST 1, 2011	<u>1,545,796</u>	<u>6,730,541</u>
FUND BALANCES/NET ASSETS - JULY 31, 2012	\$ 2,024,393	\$ 6,574,100

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 5,338,023	\$ 6,542	\$ 5,344,565
	1,044,497		1,044,497
	635,259		635,259
	48,097		48,097
	76,898	3,198	80,096
	84,162		84,162
9,855	31,284		31,284
	12,895		12,895
<u>\$ 9,855</u>	<u>\$ 7,271,115</u>	<u>\$ 9,740</u>	<u>\$ 7,280,855</u>
\$	\$ 200,705	\$	\$ 200,705
	699,399		699,399
	954,694		954,694
	331,066		331,066
	73,638		73,638
	378,359		378,359
		1,043,347	1,043,347
450	134,437		134,437
1,705,345	1,949,683	(1,949,683)	
	1,780,000	(1,780,000)	
	2,142,918	192,179	2,335,097
<u>\$ 1,705,795</u>	<u>\$ 8,644,899</u>	<u>\$ (2,494,157)</u>	<u>\$ 6,150,742</u>
\$ (1,695,940)	\$ (1,373,784)	\$ 1,373,784	\$
		1,130,113	1,130,113
5,658,687	13,935,024	(5,981,801)	7,953,223
<u>\$ 3,962,747</u>	<u>\$ 12,561,240</u>	<u>\$ (3,477,904)</u>	<u>\$ 9,083,336</u>

The accompanying notes to basic 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, 2012**

Net Change in Fund Balances - Governmental Funds \$ (1,373,784)

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

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. 6,542

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. 3,198

Governmental funds do not account for depreciation. However, in the Statement of Net Assets, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (1,043,347)

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Assets, capital assets are increased by new purchases and the Statement of Activities is not affected. 1,949,683

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Assets, bond principal payments are reported as decreases in long-term liabilities. 1,780,000

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Assets, interest is accrued on the long-term debt through fiscal year-end. (192,179)

Change in Net Assets - Governmental Activities \$ 1,130,113

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

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 basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

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

Financial Statement Presentation

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as an other financing source or use. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2012, the District's Debt Service Fund owed the General Fund \$8,529 for maintenance tax collections. In addition, the District's Capital Projects Fund owed the General Fund \$292,228 for capital outlay paid by the General Fund.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure 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:

	<u>Years</u>
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-40
All Other Equipment	3-20

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

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 Assets and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net assets.

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

Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, requires the classification of fund balances in governmental funds 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District has assigned \$1,208,695 of its General Fund fund balance to cover the projected 2013 budget deficit.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

Subsequent Events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through November 6, 2012, which is the date these statements were available to be issued.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 3. BONDS PAYABLE

	<u>Series 2004</u>	<u>Series 2004-A</u>
Amount Outstanding – July 31, 2012	\$ 3,455,000	\$ 8,200,000
Interest Rates	4.625% - 4.875%	4.00% - 5.00%
Maturity Date	September 1, 2012/2027	September 1, 2012/2027
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2013*	September 1, 2013*

	<u>Series 2006</u>	<u>Series 2006-A</u>	<u>Series 2008</u>
Amount Outstanding – July 31, 2012	\$ 11,330,000	\$ 4,190,000	\$ 6,510,000
Interest Rates	4.00% - 4.75%	4.00% - 4.50%	4.00% - 5.50%
Maturity Date	September 1, 2012/2031	September 1, 2012/2032	September 1, 2012/2033
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2014*	September 1, 2015*	September 1, 2017*

* 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 2003 term bonds maturing on September 1, 2020, 2023, and 2026, are subject to a mandatory redemption by random selection beginning September 1, 2018, 2021, and 2024, respectively. Series 2004 term bonds maturing on September 1, 2027, are subject to a mandatory redemption by random selection beginning September 1, 2023. Series 2004-A term bonds maturing on September 1, 2027, are subject to mandatory redemption by random selection beginning September 1, 2025. Series 2006-A term bonds maturing on September 1, 2029, and September 1, 2032, are subject to mandatory redemption by random selection beginning September 1, 2027, and September 1, 2030, respectively. Series 2008 term bonds maturing on September 1, 2029, September 1, 2031, and September 1, 2033, are subject to mandatory redemption by random selection beginning September 1, 2028, September 1, 2030, and September 1, 2032, respectively.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 3. BONDS PAYABLE (Continued)

	<u>Series 2009</u>	<u>Series 2010</u>	<u>Refunding Series 2011</u>
Amount Outstanding – July 31, 2012	\$ 5,300,000	\$ 5,215,000	\$ 4,660,000
Interest Rates	4.20% - 5.50%	4.00% - 5.25%	2.00% - 4.00%
Maturity Date	September 1, 2012/2033	September 1, 2012/2033	September 1, 2012/2026
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2018*	September 1, 2018*	September 1, 2019*

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2009 term bonds maturing September 1, 2025, September 1, 2027, September 1, 2029, September 1, 2031, and September 1, 2033, are subject to mandatory redemption by random selection beginning September 1, 2024, September 1, 2026, September 1, 2028, September 1, 2030, and September 1, 2032, respectively. Series 2010 term bonds maturing September 1, 2029, September 1, 2031, and September 1, 2033, are subject to mandatory redemption by random selection beginning September 1, 2028, September 1, 2030, and September 1, 2032, respectively.

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2012:

Bond Debt Payable - August 1, 2011	\$ 50,640,000
Less: Bond Principal Retirement -	
Series 2003	\$ 185,000
Series 2004	135,000
Series 2004A	320,000
Series 2006	500,000
Series 2006A	150,000
Series 2008	150,000
Series 2009	125,000
Series 2010	100,000
Refunding Series 2011	115,000
	<u>1,780,000</u>
Bond Debt Payable - July 31, 2012	<u>\$ 48,860,000</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 3. BONDS PAYABLE (Continued)

Bond Debt Payable -	
Due Within One Year	\$ 1,750,000
Due After One Year	<u>47,110,000</u>
Bond Debt Payable - July 31, 2012	<u>\$ 48,860,000</u>
Original Bonds Voted	<u>\$ 88,000,000</u>
Original Bonds Approved	<u>\$ 52,050,000</u>
Original Bonds Issued	<u>\$ 52,050,000</u>
Refunding Bonds Voted (One and one-half times original bonds voted)	<u>\$ 132,000,000</u>
Refunding Bonds Sold (\$4,775,000 bonds sold less \$4,435,000 bonds refunded)	<u>\$ 340,000</u>
Park Bonds Authorized	<u>\$ 8,000,000</u>
Park Bonds Issued	<u>\$ 5,315,000</u>

As of July 31, 2012, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2013	\$ 1,750,000	\$ 2,125,466	\$ 3,875,466
2014	1,815,000	2,053,109	3,868,109
2015	1,840,000	1,978,856	3,818,856
2016	1,875,000	1,903,344	3,778,344
2017	1,955,000	1,825,012	3,780,012
2018-2022	10,640,000	7,841,937	18,481,937
2023-2027	12,850,000	5,289,718	18,139,718
2028-2032	12,685,000	2,258,377	14,943,377
2033-2034	<u>3,450,000</u>	<u>151,500</u>	<u>3,601,500</u>
	<u>\$ 48,860,000</u>	<u>\$ 25,427,319</u>	<u>\$ 74,287,319</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.

During the year ended July 31, 2012, the District levied an ad valorem debt service tax at the rate of \$0.69 per \$100 of assessed valuation, which resulted in a tax levy of \$3,814,846 on the adjusted taxable valuation of \$552,876,263 for the 2011 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 3. BONDS PAYABLE (Continued)

on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

Levy Date	- October 1 or as soon thereafter as practicable.
Lien Date	- January 1.
Due Date	- Not later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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 \$6,673,043 and the bank balance was \$6,670,031. Of the bank balance, \$2,360,705 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at July 31, 2012, as listed below:

	Cash	Certificates of Deposit	Total
	<u> </u>	<u> </u>	<u> </u>
GENERAL FUND	\$ 571,984	\$ 490,000	\$ 1,061,984
DEBT SERVICE FUND	2,928,004	735,000	3,663,004
CAPITAL PROJECTS FUND	<u>1,948,055</u>	<u> </u>	<u>1,948,055</u>
TOTAL DEPOSITS	<u>\$ 5,448,043</u>	<u>\$ 1,225,000</u>	<u>\$ 6,673,043</u>

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

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

As of July 31, 2012, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
Certificates of Deposit	\$ 490,000	\$ 490,000	\$	\$	\$
TexPool	873,547	873,547			
<u>DEBT SERVICE FUND</u>					
Certificates of Deposit	735,000	735,000			
TexPool	2,931,288	2,931,288			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	2,815,582	2,815,582			
TOTAL INVESTMENTS	\$7,845,417	\$7,845,417	\$ - 0 -	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2012, the District's investment in TexPool was rated AAAM by Standard and Poor's.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended July 31, 2012:

	August 1, 2011	Increases	Decreases	July 31, 2012
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,769,173	\$	\$	\$ 1,769,173
Construction in Progress	<u>2,409,342</u>	<u>2,231,913</u>	<u>1,008,747</u>	<u>3,632,508</u>
Total Capital Assets Not Being Depreciated	<u>\$ 4,178,515</u>	<u>\$ 2,231,913</u>	<u>\$ 1,008,747</u>	<u>\$ 5,401,681</u>
Capital Assets at Historical Cost Subject to Depreciation				
Building and Improvements	\$ 19,703	\$ 56,695	\$	\$ 76,398
Water System	6,929,958	61,304		6,991,262
Wastewater System	9,843,641	93,289		9,936,930
Drainage System	25,482,935	797,459		26,280,394
Impact Fees-Water	12,538			12,538
Impact Fees-Wastewater	<u>2,058,890</u>			<u>2,058,890</u>
Total Capital Assets at Historical Cost Subject to Depreciation	<u>\$ 44,347,665</u>	<u>\$ 1,008,747</u>	<u>\$ - 0 -</u>	<u>\$ 45,356,412</u>
Less Accumulated Depreciation				
Building and Improvements	\$ 657	\$ 2,180	\$	\$ 2,837
Water System	1,050,633	175,971		1,226,604
Wastewater System	1,407,110	236,979		1,644,089
Drainage System	3,501,379	571,334		4,072,713
Impact Fees-Water	2,894	323		3,217
Impact Fees-Wastewater	<u>229,642</u>	<u>56,560</u>		<u>286,202</u>
Total Accumulated Depreciation	<u>\$ 6,192,315</u>	<u>\$ 1,043,347</u>	<u>\$ - 0 -</u>	<u>\$ 7,235,662</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 38,155,350</u>	<u>\$ (34,600)</u>	<u>\$ - 0 -</u>	<u>\$ 38,120,750</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 42,333,865</u>	<u>\$ 2,197,313</u>	<u>\$ 1,008,747</u>	<u>\$ 43,522,431</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 7. MAINTENANCE TAX

On May 5, 2001, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. During the current fiscal year, the District levied an ad valorem maintenance tax at the rate of \$0.28 per \$100 of assessed valuation, which resulted in a tax levy of \$1,548,054 on the taxable valuation of \$552,876,263 for the 2011 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

NOTE 8. DUE TO DEVELOPERS

The District has executed developer financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, wastewater, and drainage facilities until such time as the District can sell bonds. As reflected in the Statement of Net Assets, \$823,879 has been recorded as a liability for facilities financed by Developers which the District now operates and maintains. Reimbursements to the Developers will come from future bond sales.

NOTE 9. ESCROW REQUIREMENT

The Commission required \$596,412 of proceeds from the 2009 bond issue to be escrowed pending the approval of plans and specifications on water, wastewater and drainage facilities to serve Fall Creek, Section 21. On July 11, 2012, the Commission approved the release of \$596,412 from escrow. As of July 31, 2012, no monies remain in escrow from the Series 2009 bonds.

NOTE 10. 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 11. WATER SUPPLY CONTRACT WITH THE CITY OF HOUSTON

The District entered into a Water Supply Contract with the City (“Supply Contract”) on May 17, 2001. Pursuant to the Supply Contract, the District agrees to construct all facilities necessary to enable it to receive water from the City’s distribution system. The District’s connection to the City’s system will be metered. The District will be billed monthly once delivery of the water has commenced. The District’s initial minimum quantity was 300,000 gallons per month. Effective October 1, 2010, the minimum monthly quantity was 15,745,000 gallons per month. The District must pay for the minimum monthly quantity whether or not the water is used. The District is entitled to revise its minimum monthly quantity no more than three times during the initial year of the contract term, twice during the second year, and once each year thereafter by providing written notice thereof to the Utility Official of the Department of Public Works and Engineering of the City. After the fourth year any revision resulting in an increase in excess of 10% of the current minimum monthly quantity will not be effective until approved in writing by the Utility Official. The charge for water shall be calculated in accordance with the rates for contract treated water customers that do not receive surface water only. Currently, the rate for the minimum monthly quantity is \$2.596 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 \$954,694 related to this contract.

NOTE 12. WASTE DISPOSAL CONTRACT WITH THE CITY OF HOUSTON

The District entered into a Waste Disposal Contract with the City (“Waste Contract”) on July 9, 2001. Pursuant to the Waste Contract, the District agrees to construct all facilities necessary to enable it to convey its waste to the City’s facilities. The District will be billed monthly on the amount of wastewater delivered to the City. The amount of wastewater delivered to the City will be calculated by taking the total of all water the District delivers to its customers as measured by the customer meters, less the amount of water measured by any irrigation meters. The rate currently charged for wholesale sewer service is \$1.305 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 \$331,066 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 12. WASTE DISPOSAL CONTRACT WITH THE CITY OF HOUSTON
(Continued)

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. 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 13. STRATEGIC PARTNERSHIP AGREEMENT

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

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

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

The City shall impose a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

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 \$48,097 related to this agreement.

NOTE 14. 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 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012**

NOTE 15. 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.

NOTE 16. ESCROW AGREEMENT WITH DEVELOPER

On July 6, 2010 the District entered an escrow agreement whereby \$10,000 of the purchase price of the water, wastewater and drainage facilities to serve Fall Creek Commercial Center Phases I and II will be held in an escrow account and used to cover maintenance costs of the facility which may occur within one year of the agreement. Escrow release must be approved by the District engineer. Unused funds after one year will go to the Developer. On September 6, 2011, the \$10,000 escrowed funds were released to the Developer.

NOTE 17. SUBSEQUENT EVENT – BOND SALE

On October 18, 2012, the District closed on the sale of its \$9,305,000 Series 2012 Unlimited Tax Refunding Bonds with interest rates of 2.00% to 4.00% to refund \$2,670,000 of Series 2004 Bonds and \$6,350,000 of Series 2004-A Bonds.

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

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2012

**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, 2012**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,516,500	\$ 1,539,727	\$ 23,227
Water Service	1,200,000	1,044,497	(155,503)
Wastewater Service	700,000	635,259	(64,741)
Sales Tax Revenue	42,000	48,097	6,097
Penalty and Interest	36,000	26,722	(9,278)
Tap Connection and Inspection Fees	50,400	84,162	33,762
Investment Revenues	6,000	5,658	(342)
Miscellaneous Revenues	18,000	12,397	(5,603)
TOTAL REVENUES	\$ 3,568,900	\$ 3,396,519	\$ (172,381)
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 154,000	\$ 185,427	\$ (31,427)
Contracted Services	633,000	624,542	8,458
Purchased Water Service	1,200,000	954,694	245,306
Purchased Wastewater Service	432,000	331,066	100,934
Utilities	68,400	73,638	(5,238)
Repairs and Maintenance	334,000	378,359	(44,359)
Other	250,040	125,858	124,182
Capital Outlay	1,280,000	244,338	1,035,662
TOTAL EXPENDITURES	\$ 4,351,440	\$ 2,917,922	\$ 1,433,518
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (782,540)	\$ 478,597	\$ 1,261,137
OTHER FINANCING SOURCES(USES)			
Transfers In	\$ 915,920	\$ -0-	\$ (915,920)
NET CHANGE IN FUND BALANCE	\$ 133,380	\$ 478,597	\$ 345,217
FUND BALANCE - AUGUST 1, 2011	1,545,796	1,545,796	
FUND BALANCE - JULY 31, 2012	\$ 1,679,176	\$ 2,024,393	\$ 345,217

See accompanying independent auditor's report.

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

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

JULY 31, 2012

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

**SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2012**

1. SERVICES PROVIDED BY THE DISTRICT:

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved April 3, 2012.

	<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:	\$ 27.33	10,000	N	\$ 2.25	10,001 to 15,000
				\$ 2.85	15,001 to 20,000
				\$ 3.19	20,001 to 25,000
				\$ 3.55	25,001 and up
WASTEWATER:	\$ 20.66	10,000	N	\$ 1.48	10,001 to 15,000
				\$ 1.77	15,001 to 20,000
				\$ 2.05	20,001 to 25,000
				\$ 2.34	25,001 and up
SURCHARGE:	\$ -0-				

District employs winter averaging for wastewater usage?

 X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$27.33 Wastewater: \$20.66 Surcharge: \$0.00

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2012**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¼"	1,288	1,275	x 1.0	1,275
1"	590	589	x 2.5	1,472
1½"	18	18	x 5.0	90
2"	54	54	x 8.0	432
3"	1	1	x 15.0	15
4"	1	1	x 25.0	25
6"			x 50.0	
8"	3	3	x 80.0	240
10"			x 115.0	
Total Water Connections	<u>1,955</u>	<u>1,941</u>		<u>3,549</u>
Total Wastewater Connections	<u>1,795</u>	<u>1,782</u>	x 1.0	<u>1,782</u>

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

Gallons pumped into system: _____ * Water Accountability Ratio: _____ *
(Gallons billed and sold/Gallons pumped and purchased)

Gallons billed to customers: _____ *

* The District purchases its water from the City of Houston, Texas. Due to the current year change in the operating company of the District, this information is unavailable.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2012**

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, 2012**

PROFESSIONAL FEES:	
Auditing	\$ 17,500
Engineering	67,401
Legal	<u>100,526</u>
TOTAL PROFESSIONAL FEES	\$ 185,427
 PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 954,694
Purchased Wastewater Service	<u>331,066</u>
TOTAL PURCHASED SERVICES FOR RESALE	\$ 1,285,760
 CONTRACTED SERVICES:	
Bookkeeping	\$ 15,235
Management Services	29,508
Operations and Billing	<u>103,858</u>
TOTAL CONTRACTED SERVICES	\$ 148,601
 UTILITIES:	
Electricity	\$ 64,412
Telephone	<u>9,226</u>
TOTAL UTILITIES	\$ 73,638
 REPAIRS AND MAINTENANCE	 \$ 378,359
 ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 14,100
Election Costs	3,873
Insurance	11,616
Office Supplies and Postage	605
Payroll Taxes	3,986
Travel and Meetings	3,422
Other	<u>18,797</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ 56,399

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2012**

CAPITAL OUTLAY:	
Capitalized Assets	<u>\$ 244,338</u>
TAP CONNECTIONS	<u>\$ 36,065</u>
SOLID WASTE DISPOSAL	<u>\$ 309,134</u>
SECURITY	<u>\$ 166,807</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 3,670
Permit Fees	3,560
Inspection Fees	18,353
Regulatory Assessment	<u>7,811</u>
TOTAL OTHER EXPENDITURES	<u>\$ 33,394</u>
TOTAL EXPENDITURES	<u>\$ 2,917,922</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
INVESTMENTS
JULY 31, 2012**

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Certificate of Deposit	1002129418	0.400%	08/08/12	\$ 245,000	\$ 467
Certificate of Deposit	3116001460	0.350%	09/14/12	245,000	327
TexPool	7907300001	Varies	Daily	873,547	
TOTAL GENERAL FUND				<u>\$ 1,363,547</u>	<u>\$ 794</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	511659	0.30%	08/28/12	\$ 245,000	\$ 312
Certificate of Deposit	6108591	0.50%	08/28/12	245,000	521
Certificate of Deposit	3300041543	0.45%	08/28/12	245,000	468
TexPool	7907300002	Varies	Daily	2,931,288	
TOTAL DEBT SERVICE FUND				<u>\$ 3,666,288</u>	<u>\$ 1,301</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	7907300004	Varies	Daily	\$ 666,461	
TexPool	7907300005	Varies	Daily	2,149,121	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 2,815,582</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 7,845,417</u>	<u>\$ 2,095</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, 2012**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2011	\$	40,616	\$	115,504
Adjustments to Beginning				
Balance		(4,731)		(13,605)
		\$	\$	101,899
Original 2011 Tax Levy	\$	1,513,826	\$	3,730,500
Adjustment to 2011 Tax Levy		34,228	1,548,054	84,346
TOTAL TO BE				
ACCOUNTED FOR		\$	\$	3,916,745
		1,583,939		3,916,745
TAX COLLECTIONS:				
Prior Years	\$	9,775	\$	28,057
Current Year		1,529,952	1,539,727	3,770,238
				3,798,295
TAXES RECEIVABLE -				
JULY 31, 2012		\$	44,212	\$
				118,450
TAXES RECEIVABLE BY				
YEAR:				
2011		\$	18,102	\$
2010			8,575	22,232
2009			4,709	12,556
2008			5,014	13,371
2007			5,139	15,227
2006			1,429	6,532
2005			881	3,924
2001			363	
TOTAL		\$	44,212	\$
				118,450

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, 2012**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
PROPERTY VALUATIONS:				
Land	\$ 135,509,505	\$ 131,903,097	\$ 132,506,343	\$ 126,215,602
Improvements	431,083,028	428,206,528	435,144,707	424,251,033
Personal Property	12,108,881	11,265,763	8,603,468	7,892,507
Exemptions	<u>(25,825,151)</u>	<u>(25,975,826)</u>	<u>(24,198,257)</u>	<u>(17,853,844)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 552,876,263</u>	<u>\$ 545,399,562</u>	<u>\$ 552,056,261</u>	<u>\$ 540,505,298</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.69	\$ 0.70	\$ 0.72	\$ 0.72
Maintenance	<u>0.28</u>	<u>0.27</u>	<u>0.27</u>	<u>0.27</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.97</u>	<u>\$ 0.97</u>	<u>\$ 0.99</u>	<u>\$ 0.99</u>
ADJUSTED TAX LEVY*	<u>\$ 5,362,900</u>	<u>\$ 5,290,376</u>	<u>\$ 5,465,357</u>	<u>\$ 5,351,002</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.83 %</u>	<u>99.42 %</u>	<u>99.68 %</u>	<u>99.66 %</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, 2012**

S E R I E S - 2 0 0 4

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2013	\$ 140,000	\$ 160,819	\$ 300,819
2014	150,000	154,112	304,112
2015	155,000	147,059	302,059
2016	165,000	139,660	304,660
2017	175,000	131,797	306,797
2018	185,000	123,472	308,472
2019	195,000	114,684	309,684
2020	205,000	105,435	310,435
2021	215,000	95,641	310,641
2022	225,000	85,301	310,301
2023	240,000	74,254	314,254
2024	250,000	62,400	312,400
2025	265,000	49,847	314,847
2026	280,000	36,562	316,562
2027	295,000	22,547	317,547
2028	315,000	7,678	322,678
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 3,455,000</u>	<u>\$ 1,511,268</u>	<u>\$ 4,966,268</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2012**

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

<u>Due During Fiscal Years Ending July 31</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1/ March 1</u>	<u>Total</u>
2013	\$ 330,000	\$ 369,885	\$ 699,885
2014	350,000	356,285	706,285
2015	370,000	341,885	711,885
2016	390,000	326,490	716,490
2017	410,000	309,885	719,885
2018	430,000	292,030	722,030
2019	460,000	272,665	732,665
2020	480,000	251,745	731,745
2021	510,000	229,215	739,215
2022	540,000	205,065	745,065
2023	570,000	179,250	749,250
2024	600,000	151,455	751,455
2025	630,000	121,778	751,778
2026	670,000	89,750	759,750
2027	710,000	55,250	765,250
2028	750,000	18,750	768,750
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 8,200,000</u>	<u>\$ 3,571,383</u>	<u>\$ 11,771,383</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2012**

S E R I E S - 2 0 0 6

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2013	\$ 500,000	\$ 487,187	\$ 987,187
2014	500,000	467,187	967,187
2015	500,000	447,188	947,188
2016	500,000	427,187	927,187
2017	500,000	407,188	907,188
2018	500,000	386,875	886,875
2019	500,000	365,937	865,937
2020	500,000	344,688	844,688
2021	500,000	323,437	823,437
2022	500,000	301,938	801,938
2023	500,000	280,125	780,125
2024	500,000	257,937	757,937
2025	500,000	235,438	735,438
2026	500,000	212,937	712,937
2027	500,000	190,313	690,313
2028	630,000	164,369	794,369
2029	800,000	131,300	931,300
2030	800,000	94,200	894,200
2031	800,000	56,800	856,800
2032	800,000	19,000	819,000
2033			
2034			
	<u>\$ 11,330,000</u>	<u>\$ 5,601,231</u>	<u>\$ 16,931,231</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2012**

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

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2013	\$ 150,000	\$ 181,200	\$ 331,200
2014	150,000	175,013	325,013
2015	150,000	168,637	318,637
2016	150,000	162,263	312,263
2017	150,000	155,887	305,887
2018	150,000	149,513	299,513
2019	150,000	143,137	293,137
2020	150,000	136,763	286,763
2021	150,000	130,350	280,350
2022	150,000	123,862	273,862
2023	150,000	117,300	267,300
2024	150,000	110,700	260,700
2025	150,000	104,100	254,100
2026	150,000	97,425	247,425
2027	150,000	90,675	240,675
2028	240,000	81,900	321,900
2029	300,000	69,750	369,750
2030	300,000	56,250	356,250
2031	300,000	42,750	342,750
2032	300,000	29,250	329,250
2033	500,000	11,250	511,250
2034			
	<u>\$ 4,190,000</u>	<u>\$ 2,337,975</u>	<u>\$ 6,527,975</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2012**

S E R I E S - 2 0 0 8

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2013	\$ 150,000	\$ 288,881	\$ 438,881
2014	150,000	280,631	430,631
2015	150,000	272,381	422,381
2016	150,000	264,131	414,131
2017	150,000	255,881	405,881
2018	150,000	247,631	397,631
2019	150,000	240,506	390,506
2020	150,000	234,506	384,506
2021	175,000	228,006	403,006
2022	200,000	220,506	420,506
2023	210,000	212,175	422,175
2024	250,000	202,687	452,687
2025	250,000	192,219	442,219
2026	275,000	181,062	456,062
2027	275,000	169,376	444,376
2028	475,000	153,142	628,142
2029	500,000	131,813	631,813
2030	500,000	109,938	609,938
2031	500,000	87,750	587,750
2032	500,000	65,250	565,250
2033	600,000	40,500	640,500
2034	600,000	13,500	613,500
	<u>\$ 6,510,000</u>	<u>\$ 4,092,472</u>	<u>\$ 10,602,472</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2012**

S E R I E S - 2 0 0 9

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2013	\$ 125,000	\$ 271,813	\$ 396,813
2014	150,000	264,400	414,400
2015	150,000	256,525	406,525
2016	150,000	248,781	398,781
2017	175,000	240,563	415,563
2018	175,000	231,813	406,813
2019	175,000	223,062	398,062
2020	200,000	214,488	414,488
2021	200,000	205,887	405,887
2022	200,000	196,887	396,887
2023	225,000	186,887	411,887
2024	225,000	175,862	400,862
2025	225,000	164,444	389,444
2026	250,000	152,213	402,213
2027	250,000	139,150	389,150
2028	250,000	125,900	375,900
2029	350,000	109,737	459,737
2030	350,000	90,663	440,663
2031	350,000	71,500	421,500
2032	375,000	51,562	426,562
2033	375,000	30,938	405,938
2034	375,000	10,312	385,312
	<u>\$ 5,300,000</u>	<u>\$ 3,663,387</u>	<u>\$ 8,963,387</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2012**

S E R I E S - 2 0 1 0

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2013	\$ 100,000	\$ 226,162	\$ 326,162
2014	100,000	221,163	321,163
2015	100,000	216,162	316,162
2016	100,000	211,163	311,163
2017	115,000	205,643	320,643
2018	125,000	199,344	324,344
2019	125,000	192,781	317,781
2020	125,000	187,000	312,000
2021	125,000	182,000	307,000
2022	150,000	176,500	326,500
2023	150,000	170,500	320,500
2024	150,000	164,500	314,500
2025	175,000	158,000	333,000
2026	175,000	151,000	326,000
2027	200,000	143,500	343,500
2028	200,000	135,375	335,375
2029	500,000	120,625	620,625
2030	500,000	99,375	599,375
2031	500,000	77,812	577,812
2032	500,000	55,938	555,938
2033	500,000	33,750	533,750
2034	500,000	11,250	511,250
	<u>\$ 5,215,000</u>	<u>\$ 3,339,543</u>	<u>\$ 8,554,543</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2012**

REFUNDING SERIES - 2011

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2013	\$ 255,000	\$ 139,519	\$ 394,519
2014	265,000	134,318	399,318
2015	265,000	129,019	394,019
2016	270,000	123,669	393,669
2017	280,000	118,168	398,168
2018	290,000	112,106	402,106
2019	290,000	105,219	395,219
2020	305,000	97,020	402,020
2021	315,000	87,522	402,522
2022	320,000	77,400	397,400
2023	335,000	65,500	400,500
2024	345,000	51,900	396,900
2025	360,000	37,800	397,800
2026	375,000	23,100	398,100
2027	390,000	7,800	397,800
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 4,660,000</u>	<u>\$ 1,310,060</u>	<u>\$ 5,970,060</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, 2012**

**ANNUAL REQUIREMENTS
FOR ALL SERIES**

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2013	\$ 1,750,000	\$ 2,125,466	\$ 3,875,466
2014	1,815,000	2,053,109	3,868,109
2015	1,840,000	1,978,856	3,818,856
2016	1,875,000	1,903,344	3,778,344
2017	1,955,000	1,825,012	3,780,012
2018	2,005,000	1,742,784	3,747,784
2019	2,045,000	1,657,991	3,702,991
2020	2,115,000	1,571,645	3,686,645
2021	2,190,000	1,482,058	3,672,058
2022	2,285,000	1,387,459	3,672,459
2023	2,380,000	1,285,991	3,665,991
2024	2,470,000	1,177,441	3,647,441
2025	2,555,000	1,063,626	3,618,626
2026	2,675,000	944,049	3,619,049
2027	2,770,000	818,611	3,588,611
2028	2,860,000	687,114	3,547,114
2029	2,450,000	563,225	3,013,225
2030	2,450,000	450,426	2,900,426
2031	2,450,000	336,612	2,786,612
2032	2,475,000	221,000	2,696,000
2033	1,975,000	116,438	2,091,438
2034	1,475,000	35,062	1,510,062
	<u>\$ 48,860,000</u>	<u>\$ 25,427,319</u>	<u>\$ 74,287,319</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, 2012**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2011
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2003	\$ 5,560,000	\$ 185,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2004	4,250,000	3,590,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2004A	9,910,000	8,520,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2006	13,830,000	11,830,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2006A	4,790,000	4,340,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2008	8,160,000	6,660,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2009	5,550,000	5,425,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Park Bonds - Series 2010	5,315,000	5,315,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2011	<u>4,775,000</u>	<u>4,775,000</u>
TOTAL	<u>\$ 62,140,000</u>	<u>\$ 50,640,000</u>

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>52,050,000</u>	<u>340,000</u>	<u>5,315,000</u>
Remaining to be Issued	<u>\$ 35,950,000</u>	<u>\$ 131,660,000</u>	<u>\$ 2,685,000</u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2012</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 185,000	\$ 4,255	\$	Wells Fargo Bank N.A. Houston, TX
	135,000	167,178	3,455,000	Wells Fargo Bank N.A. Houston, TX
	320,000	382,885	8,200,000	Wells Fargo Bank N.A. Houston, TX
	500,000	507,188	11,330,000	Wells Fargo Bank N.A. Houston, TX
	150,000	187,200	4,190,000	Wells Fargo Bank N.A. Houston, TX
	150,000	297,131	6,510,000	Wells Fargo Bank N.A. Houston, TX
	125,000	278,844	5,300,000	Wells Fargo Bank N.A. Houston, TX
	100,000	231,163	5,215,000	Wells Fargo Bank N.A. Houston, TX
	<u>115,000</u>	<u>87,074</u>	<u>4,660,000</u>	Wells Fargo Bank N.A. Fort Worth, TX
<u>\$ - 0 -</u>	<u>\$ 1,780,000</u>	<u>\$ 2,142,918</u>	<u>\$ 48,860,000</u>	

Debt Service Fund cash and investments balances as of
July 31, 2012:

\$ 6,594,292

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

\$ 3,376,696

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

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**

	Amount		
	2012	2011	2010
REVENUES			
Property Taxes	\$ 1,539,727	\$ 1,467,915	\$ 1,482,221
Water Service	1,044,497	1,129,561	784,974
Wastewater Service	635,259	700,740	570,619
Sales Tax Revenue	48,097	55,683	42,929
Penalty and Interest	26,722	44,848	40,947
Tap Connection and Inspection Fees	84,162	93,809	55,217
Investment Revenues	5,658	6,952	11,304
Grant Revenues			
Miscellaneous Revenues	12,397	16,202	23,372
TOTAL REVENUES	\$ 3,396,519	\$ 3,515,710	\$ 3,011,583
EXPENDITURES			
Professional Fees	\$ 185,427	\$ 177,173	\$ 164,100
Contracted Services	624,542	617,299	537,433
Purchased Water Service	954,694	1,084,653	854,921
Purchased Wastewater Service	331,066	392,758	374,621
Utilities	73,638	64,275	45,693
Repairs and Maintenance	378,359	362,418	280,693
Other	125,858	111,151	120,006
Capital Outlay	244,338	613,996	1,207,955
TOTAL EXPENDITURES	\$ 2,917,922	\$ 3,423,723	\$ 3,585,422
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 478,597	\$ 91,987	\$ (573,839)
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ 380,890	\$ (33,607)
NET CHANGE IN FUND BALANCE	\$ 478,597	\$ 472,877	\$ (607,446)
BEGINNING FUND BALANCE	1,545,796	1,072,919	1,680,365
ENDING FUND BALANCE	\$ 2,024,393	\$ 1,545,796	\$ 1,072,919

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2009	2008	2012	2011	2010	2009	2008
\$ 1,489,114	\$ 1,126,286	45.2 %	41.7 %	49.2 %	45.7 %	41.9 %
850,369	664,095	30.8	32.1	26.1	26.1	24.6
622,202	518,563	18.7	19.9	18.9	19.1	19.2
41,129	8,755	1.4	1.6	1.4	1.3	0.3
49,528	37,909	0.8	1.3	1.4	1.5	1.4
97,248	214,218	2.5	2.7	1.8	3.0	7.9
50,507	98,416	0.2	0.2	0.4	1.6	3.7
29,475					0.9	
25,327	26,539	0.4	0.5	0.8	0.8	1.0
<u>\$ 3,254,899</u>	<u>\$ 2,694,781</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 140,042	\$ 102,246	5.5 %	5.0 %	5.5 %	4.2 %	3.8 %
446,282	279,455	18.4	17.6	17.8	13.7	10.4
857,719	634,340	28.1	30.8	28.5	26.3	23.5
406,376	339,050	9.7	11.2	12.4	12.5	12.6
65,248	54,924	2.2	1.8	1.5	2.0	2.0
282,275	231,236	11.1	10.3	9.3	8.7	8.6
597,828	256,948	3.7	3.2	4.0	18.4	9.5
<u>1,206,479</u>	<u>338,764</u>	<u>7.2</u>	<u>17.5</u>	<u>40.1</u>	<u>37.2</u>	<u>12.6</u>
<u>\$ 4,002,249</u>	<u>\$ 2,236,963</u>	<u>85.9 %</u>	<u>97.4 %</u>	<u>119.1 %</u>	<u>123.0 %</u>	<u>83.0 %</u>
<u>\$ (747,350)</u>	<u>\$ 457,818</u>	<u>14.1 %</u>	<u>2.6 %</u>	<u>(19.1) %</u>	<u>(23.0) %</u>	<u>17.0 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (747,350)	\$ 457,818					
<u>2,427,715</u>	<u>1,969,897</u>					
<u>\$ 1,680,365</u>	<u>\$ 2,427,715</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**

	Amount		
	2012	2011	2010
REVENUES			
Property Taxes	\$ 3,798,296	\$ 3,806,814	\$ 3,957,297
Penalty and Interest	50,176	37,631	61,799
Interest on Investments	15,771	24,488	44,164
Miscellaneous Revenues	498	210	8,256
TOTAL REVENUES	<u>\$ 3,864,741</u>	<u>\$ 3,869,143</u>	<u>\$ 4,071,516</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 94,214	\$ 93,454	\$ 95,149
Debt Service Principal	1,780,000	2,130,000	1,980,000
Debt Service Interest and Fees	2,146,968	2,362,952	2,222,166
TOTAL EXPENDITURES	<u>\$ 4,021,182</u>	<u>\$ 4,586,406</u>	<u>\$ 4,297,315</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (156,441)</u>	<u>\$ (717,263)</u>	<u>\$ (225,799)</u>
OTHER FINANCING SOURCES (USES)			
Discount on Bond Issue	\$	\$ (48,236)	\$
Payment to Refunding Bond Escrow Agent		(4,551,473)	
Issuance Costs on Refunding Bonds		(170,657)	
Long-Term Debt Issued	\$ - 0 -	\$ 4,775,000	\$ - 0 -
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ 4,634</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (156,441)	\$ (712,629)	\$ (225,799)
BEGINNING FUND BALANCE	<u>6,730,541</u>	<u>7,443,170</u>	<u>7,668,969</u>
ENDING FUND BALANCE	<u>\$ 6,574,100</u>	<u>\$ 6,730,541</u>	<u>\$ 7,443,170</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,941</u>	<u>1,861</u>	<u>1,784</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,782</u>	<u>1,700</u>	<u>1,630</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2009	2008	2012	2011	2010	2009	2008
\$ 4,003,227	\$ 3,366,221	98.3 %	98.4 %	97.2 %	93.8 %	91.4 %
118,887	88,668	1.3	1.0	1.5	2.8	2.4
143,856	226,595	0.4	0.6	1.1	3.4	6.2
386	659			0.2		
<u>\$ 4,266,356</u>	<u>\$ 3,682,143</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 116,693	\$ 78,637	2.4 %	2.4 %	2.3 %	2.7 %	2.1 %
1,205,000	1,025,000	46.1	55.1	48.6	28.2	27.8
2,047,226	1,684,831	55.6	61.1	54.6	48.0	45.8
<u>\$ 3,368,919</u>	<u>\$ 2,788,468</u>	<u>104.1 %</u>	<u>118.6 %</u>	<u>105.5 %</u>	<u>78.9 %</u>	<u>75.7 %</u>
<u>\$ 897,437</u>	<u>\$ 893,675</u>	<u>(4.1) %</u>	<u>(18.6) %</u>	<u>(5.5) %</u>	<u>21.1 %</u>	<u>24.3 %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ 193,753</u>					
<u>\$ - 0 -</u>	<u>\$ 193,753</u>					
\$ 897,437	\$ 1,087,428					
6,771,532	5,684,104					
<u>\$ 7,668,969</u>	<u>\$ 6,771,532</u>					
1,725	1,629					
<u>1,574</u>	<u>1,478</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2012**

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

District Telephone Number - (713) 651-0111

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended July 31, 2012	Expense reimbursements for the year ended July 31, 2012	Title
Linda Ihns	05/10 - 05/14 (Elected)	\$ 2,400	\$ 733	President
Amber Hurd	05/10 - 05/14 (Elected)	\$ 2,250	\$ 167	Vice President
Lonnie Jackson	05/10 - 05/14 (Elected)	\$ 3,000	\$ 1,489	Secretary/ Treasurer
Brett Sileo	05/12 05/16 (Elected)	\$ 450	\$ 27	Assistant Secretary
Ben Bates	05/12 05/16 (Elected)	\$ -0-	\$ -0-	Assistant Secretary

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

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

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

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2012**

Consultants:	Date Hired	Fees for the year ended July 31, 2012	Title
Sanford Kuhl Hagan Kugle Parker Kahn LLP 1980 Post Oak Blvd., Suite 1380 Houston, TX 77056	01/20/10	\$ 115,803	Attorney/ Delinquent Tax Attorney/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	07/09/02	\$ 17,500	Auditor
Cindy Schmidt P.O. Box 80 Tomball, TX 77377	12/21/00	\$ 15,235	Bookkeeper/ Investment Officer
Harris County Appraisal District 13013 Northwest Freeway Houston, TX 77040-6304	Legislative Action	\$ 43,746	Central Appraisal District
Brown & Gay Engineers, Inc. 11490 Westheimer, Suite 700 Houston, TX 77077-6841	11/14/00	\$ 226,457	Engineer
First Southwest Company 700 Milam St., Suite 500 Houston, TX 77002	03/19/01	\$ -0-	Financial Advisor
Si Environmental, LLC 6420 Reading Road Rosenberg, TX 77471	05/01/12	\$ 66,283	Operator
SouthWest Water Company 12535 Reed Road Sugar Land, TX 77478	05/10/01 to 04/30/12	\$ 281,217	Prior Operator
Bob Leared 11111 Katy Freeway, Suite 725 Houston, TX 77079	07/17/01	\$ 29,964	Tax Assessor/ Collector

See accompanying independent auditor's report.