

CLEAR LAKE CITY WATER AUTHORITY

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2011

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Board of Directors
Clear Lake City Water Authority
Harris County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Clear Lake City Water Authority (the "Authority"), as of and for the year ended September 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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 Authority'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2011, 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.

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Board of Directors
Clear Lake City Water Authority

The Management's Discussion and Analysis on pages 3 through 7 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

February 9, 2012

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**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Our discussion and analysis of Clear Lake City Water Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the Authority's financial statements, which begin on page 8.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net 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 Authority'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 Authority'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 8 through 11. The Statement of Net Assets is the Authority-wide statement of its financial position presenting information that includes all of the Authority'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 Authority as a whole is improving or deteriorating. Evaluation of the overall health of the Authority would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on pages 13 and 14 reports how the Authority's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has 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.

CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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 Authority'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 Authority 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 12 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 15 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 financial statements can be found on pages 16 through 39 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$59,272,041 as of September 30, 2011. This compares with assets exceeding liabilities by \$58,059,717 as of September 30, 2010.

A portion of the Authority'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 Authority uses these assets to provide water, wastewater, and drainage services.

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

CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Assets		
	2011	2010	Change Positive (Negative)
Current and Other Assets	\$ 29,125,322	\$ 22,851,091	\$ 6,274,231
Capital Assets (Net of Accumulated Depreciation)	109,518,289	101,090,180	8,428,109
Total Assets	\$ 138,643,611	\$ 123,941,271	\$ 14,702,340
Long -Term Liabilities	\$ 64,345,000	\$ 55,385,000	\$ (8,960,000)
Other Liabilities	15,026,570	10,496,554	(4,530,016)
Total Liabilities	\$ 79,371,570	\$ 65,881,554	\$ (13,490,016)
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 47,247,826	\$ 44,364,067	\$ 2,883,759
Restricted	9,289,015	7,024,067	2,264,948
Unrestricted	2,735,200	6,671,583	(3,936,383)
Total Net Assets	\$ 59,272,041	\$ 58,059,717	\$ 1,212,324

The following table provides a summary of the Authority's operations for the years ended September 30, 2011, and September 30, 2010. The Authority's net assets increased by \$1,212,324 accounting for a 2.1% growth in net assets. This compares with an increase of \$4,791,299 in the prior year. Comparative data is presented below from summary information in the Statement of Activities:

	Summary of Changes in the Statement of Activities		
	2011	2010	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 12,483,607	\$ 12,817,708	\$ (334,101)
Charges for Services	9,345,148	7,843,503	1,501,645
Other Revenues	304,903	239,915	64,988
Total Revenues	\$ 22,133,658	\$ 20,901,126	\$ 1,232,532
Expenses for Services	20,921,334	16,109,827	(4,811,507)
Change in Net Assets	\$ 1,212,324	\$ 4,791,299	\$ (3,578,975)
Net Assets, Beginning of Year	58,059,717	53,268,418	4,791,299
Net Assets, End of Year	\$ 59,272,041	\$ 58,059,717	\$ 1,212,324

CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUNDS

The Authority's combined fund balances as of September 30, 2011, were \$23,711,071, an increase of \$5,198,436 from the prior year.

The General Fund fund balance increased by \$167,712.

The Debt Service Fund fund balance increased by \$1,516,870, primarily due to the structure of the Authority's outstanding debt.

The Capital Projects Fund fund balance increased by \$3,513,854, primarily due to the sale of Series 2011 and Series 2011-A bonds, a portion of which was still on hand at fiscal year-end.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$1,400,091 more than budgeted revenues primarily due to higher than anticipated water service revenues resulting from low rainfall and actual expenditures were \$960,793 more than budgeted expenditures primarily due to higher costs for purchased water also due to low rainfall. See the budget to actual comparison on page 41.

CAPITAL ASSETS

The Authority's investment in capital assets as of September 30, 2011, amounts to \$109,518,289 (net of accumulated depreciation). Significant capital asset activity during the current fiscal year included: land costs - tracts A through J for drainage and detention ponds; water, sewer and drainage system rehabilitation; and the purchase of various vehicles and equipment.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2011	2010	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 6,614,715	\$ 345,757	\$ 6,268,958
Sanitary Sewer Laterals and Trunks	42,053,988	39,094,660	2,959,328
Construction in Progress	1,200,004	1,957,782	(757,778)
Capital Assets, Net of Accumulated Depreciation:			
Buildings	485,477	500,585	(15,108)
Water System	25,137,639	25,427,518	(289,879)
Sanitary Sewer System	8,524,062	8,867,300	(343,238)
Drainage System	25,206,206	24,542,389	663,817
Equipment	296,198	354,189	(57,991)
Total Net Capital Assets	\$ 109,518,289	\$ 101,090,180	\$ 8,428,109

CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

CAPITAL ASSETS (Continued)

The Authority manages its system of sanitary sewer laterals and trunks using a condition assessment methodology and accounts for these items using the modified approach. The system consists of sewer laterals and trunk lines. The system is rated on a numerical condition scale ranging from 1 (brand-new condition with 40 years of expected life) to 5 (a severe deficiency which needs immediate correction and the expected life is 0 years). It is the Authority's policy to keep 75 percent of the system at a level 3 or better. The most recent conditional assessment shows that the condition of the Authority's sanitary sewer lines is in accordance with the Authority's policy. Additional information on the Authority's capital assets can be found in Note 6 of this report.

LONG-TERM DEBT ACTIVITY

As of September 30, 2011, the Authority had total bond debt payable of \$70,135,000. The changes in the debt position of the Authority during the fiscal year ended September 30, 2011, are summarized as follows:

Bonds Payable, October 1, 2010	\$ 61,440,000
Add: Bonds Issued – Series 2011	7,620,000
Add: Bonds Issued - Series 2011A	7,130,000
Less: Bond Principal Paid	<u>6,055,000</u>
Bonds Payable, September 30, 2011	<u>\$ 70,135,000</u>

Standard & Poor's has assigned an underlying rating of "AA-" to the Authority. The Series 2003-A Refunding, 2003-B Refunding, 2006 Refunding and 2008 bonds carry an insured rating of "AA+" by virtue of bond insurance issued by Assured Guaranty. The Authority's remaining bonds either do not have an insured rating or have an insured rating below the Authority's underlying rating, therefore, the ratings for those bond issues defaults to the Authority's underlying rating of "AA-". The above ratings reflect all changes through September 30, 2011. Subsequent to year-end, the rating for Assured Guaranty was lowered to "AA-".

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Clear Lake City Water Authority, 900 Bay Area Blvd., Houston, TX 77058-2691.

CLEAR LAKE CITY WATER AUTHORITY
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2011

	General Fund	Debt Service Fund
ASSETS		
Cash, Note 5	\$ 390,314	\$ 264,757
Investments, Note 5	5,400,072	7,501,764
Receivables:		
Property Taxes	42,376	202,008
Penalty and Interest on Delinquent Taxes		70,600
Service Accounts (Net of Allowance for Uncollectible Accounts of \$-0-)	1,006,914	
Other	9,436	
Due from Other Funds, Note 2	716,723	
Inventory, Note 2	129,522	
Due from Other Governmental Units		
Unamortized Bond Issuance Costs		
Unamortized Bond Discount		
Land, Note 6		
Sanitary Sewer Laterals and Trunks, Note 6		
Construction in Progress, Note 6		
Capital Assets (Net of Accumulated Depreciation), Note 6		
TOTAL ASSETS	\$ 7,695,357	\$ 8,039,129

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>
\$ 2,665	\$ 657,736	\$	\$ 657,736
11,959,096	24,860,932		24,860,932
	244,384		244,384
	70,600		70,600
	1,006,914		1,006,914
	9,436		9,436
	716,723	(716,723)	
	129,522		129,522
		1,179,963	1,179,963
		965,835	965,835
		6,614,715	6,614,715
		42,053,988	42,053,988
		1,200,004	1,200,004
		<u>59,649,582</u>	<u>59,649,582</u>
<u>\$ 11,961,761</u>	<u>\$ 27,696,247</u>	<u>\$ 110,947,364</u>	<u>\$ 138,643,611</u>

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

CLEAR LAKE CITY WATER AUTHORITY
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2011

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 1,247,585	\$ 46,353
Accrued Interest Payable		
Due to Other Funds, Note 2		201,838
Security Deposits	729,207	
Deferred Property Tax Revenues	42,376	202,008
Deferred Penalty and Interest on Delinquent Taxes		70,600
Accrued Interest at Time of Sale		16,751
Unamortized Bond Premium		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year, Note 3		
Accrued Interest Payable on Premium Compound		
Interest Bonds, Note 3		
Bonds Payable, Due After One Year, Note 3		
TOTAL LIABILITIES	\$ 2,019,168	\$ 537,550
FUND BALANCES/NET ASSETS		
FUND BALANCES		
Nonspendable:		
Inventory, Note 2	\$ 129,522	\$
Restricted for Authorized Construction:		
Bond Proceeds		
Net Investment Revenues		
Restricted for Debt Service		7,501,579
Committed for Sick Leave Obligation, Note 9	655,940	
Committed for Unbudgeted Major Repairs of Facilities, Note 2	250,000	
Committed for Emergencies, Note 2	820,000	
Unassigned	3,820,727	
TOTAL FUND BALANCES	\$ 5,676,189	\$ 7,501,579
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,695,357	\$ 8,039,129
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
\$ 913,573	\$ 2,207,511	\$ 4,163,328	\$ 6,370,839
		294,099	294,099
514,885	716,723	(716,723)	
	729,207		729,207
	244,384	(244,384)	
	70,600	(70,600)	
	16,751	(16,751)	
		1,059,813	1,059,813
		5,790,000	5,790,000
		782,612	782,612
		64,345,000	64,345,000
<u>\$ 1,428,458</u>	<u>\$ 3,985,176</u>	<u>\$ 75,386,394</u>	<u>\$ 79,371,570</u>
\$	\$ 129,522	\$ (129,522)	\$
8,741,127	8,741,127	(8,741,127)	
1,792,176	1,792,176	(1,792,176)	
	7,501,579	(7,501,579)	
	655,940	(655,940)	
	250,000	(250,000)	
	820,000	(820,000)	
	3,820,727	(3,820,727)	
<u>\$ 10,533,303</u>	<u>\$ 23,711,071</u>	<u>\$ (23,711,071)</u>	<u>\$ - 0 -</u>
<u>\$ 11,961,761</u>	<u>\$ 27,696,247</u>		
		\$ 47,247,826	\$ 47,247,826
		7,496,839	7,496,839
		1,792,176	1,792,176
		2,735,200	2,735,200
		<u>\$ 59,272,041</u>	<u>\$ 59,272,041</u>

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

**CLEAR LAKE CITY WATER AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

Total Fund Balances – Governmental Funds	\$ 23,711,071
Amounts reported for governmental activities in the Statements of Net Assets are different because:	
Land used in governmental activities is not a financial resource and, therefore, is not reported as an asset in governmental funds.	6,614,715
Construction in progress used in governmental activities is not a financial resource and, therefore, is not reported as an asset in governmental funds.	1,200,004
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	59,649,582
Sanitary sewer system laterals and trunks used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	42,053,988
Unamortized bond issuance costs and bond discounts are not current financial resources and, therefore, are not reported as assets in governmental funds.	2,145,798
Unamortized bond premiums are not current liabilities and, therefore, are not reported as liabilities in governmental funds.	(1,059,813)
Deferred tax revenues for the 2010 and prior tax levies became part of recognized revenue in the governmental activities of the Authority.	244,384
Deferred penalty and interest revenues for the 2010 and prior tax levies became part of recognized revenue in the governmental activities of the Authority.	70,600
Accrued interest is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(277,348)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Accounts Payable - Lawsuit Settlement	\$ (4,163,328)
Accrued Interest on Compound Interest Bonds	(782,612)
Bonds Payable Within One Year	(5,790,000)
Bonds Payable After One Year	<u>(64,345,000)</u>
	<u>(75,080,940)</u>
Total Net Assets – Governmental Activities	<u>\$ 59,272,041</u>

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

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CLEAR LAKE CITY WATER AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 2,196,954	\$ 10,252,299
Water Service	6,232,870	
Wastewater Service	2,916,287	
Penalty and Interest	88,762	83,538
Tap Connection and Inspection Fees	63,691	
Impact Fees		
Investment Revenues	6,113	12,234
Miscellaneous Revenues	178,410	10,887
TOTAL REVENUES	\$ 11,683,087	\$ 10,358,958
EXPENDITURES/EXPENSES		
Service Operations:		
Bulk Water Purchases	\$ 3,298,902	\$ 250,715
Payroll	3,672,231	
Utilities	1,419,908	
Repairs and Maintenance	600,437	6,888
Professional Fees	661,269	233,452
Contracted Services		29,744
Depreciation, Note 6		
Other	1,821,389	51,543
Lawsuit Settlement, Note 8		
Capital Outlay	41,239	220
Debt Service:		
Bond Anticipation Note Issuance Costs		
Bond Anticipation Note Interest		
Bond Issuance Costs		
Bond Principal		6,055,000
Bond Interest		2,214,526
TOTAL EXPENDITURES/EXPENSES	\$ 11,515,375	\$ 8,842,088
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 167,712	\$ 1,516,870
OTHER FINANCING SOURCES (USES)		
Bond Discounts	\$	\$
Long-Term Debt Issued, Note 15		
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 167,712	\$ 1,516,870
CHANGE IN NET ASSETS		
FUND BALANCES/NET ASSETS - OCTOBER 1, 2010	5,508,477	5,984,709
FUND BALANCES/NET ASSETS - SEPTEMBER 30, 2011	\$ 5,676,189	\$ 7,501,579

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 12,449,253	\$ 34,354	\$ 12,483,607
	6,232,870		6,232,870
	2,916,287		2,916,287
	172,300	(40,000)	132,300
	63,691		63,691
85,991	85,991		85,991
11,268	29,615		29,615
	189,297		189,297
<u>\$ 97,259</u>	<u>\$ 22,139,304</u>	<u>\$ (5,646)</u>	<u>\$ 22,133,658</u>
	\$ 3,298,902	\$	\$ 3,298,902
	3,922,946		3,922,946
	1,419,908		1,419,908
	607,325		607,325
	894,721		894,721
	29,744		29,744
		2,347,773	2,347,773
	1,872,932		1,872,932
		4,163,328	4,163,328
10,734,423	10,775,882	(10,775,882)	
	31,008		31,008
	62,387		62,387
	235,189	(235,189)	
	6,055,000	(6,055,000)	
	2,214,526	55,834	2,270,360
<u>\$ 11,063,007</u>	<u>\$ 31,420,470</u>	<u>\$ (10,499,136)</u>	<u>\$ 20,921,334</u>
<u>\$ (10,965,748)</u>	<u>\$ (9,281,166)</u>	<u>\$ 10,493,490</u>	<u>\$ 1,212,324</u>
\$ (270,398)	\$ (270,398)	\$ 270,398	\$
14,750,000	14,750,000	(14,750,000)	
<u>\$ 14,479,602</u>	<u>\$ 14,479,602</u>	<u>\$ (14,479,602)</u>	<u>\$ -0-</u>
\$ 3,513,854	\$ 5,198,436	\$ (5,198,436)	\$
		1,212,324	1,212,324
7,019,449	18,512,635	39,547,082	58,059,717
<u>\$ 10,533,303</u>	<u>\$ 23,711,071</u>	<u>\$ 35,560,970</u>	<u>\$ 59,272,041</u>

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

CLEAR LAKE CITY WATER AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net Change in Fund Balances - Governmental Funds	\$ 5,198,436
Amounts reported for governmental activities in the Statements of Activities are different because:	
Governmental funds report bond proceeds as other financing sources. In the Statement of Net Assets, proceeds from a bond sale are recorded as a liability.	(14,750,000)
In governmental activities bond discounts and the costs of issuing bonds are amortized over the repayment period of the bonds.	505,587
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.	6,055,000
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.	10,775,882
Governmental funds report interest expenditures on bonds as expenditures in the year paid. However, in the Statement of Net Assets, interest is accrued on bonds through the fiscal year end.	(55,834)
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.	(2,347,773)
Governmental funds do not record long-term liabilities. However, in the Statement of Net Assets, long-term payables are recorded and the expense is recorded in the Statement of Activities.	(4,163,328)
Governmental funds report tax revenues when collected. However, in the Statement of Activities, tax revenue is recorded in the accounting period in which the taxes were levied.	34,354
Governmental funds report penalty and interest revenues on delinquent taxes when collected. However, in the Statement of Activities, revenue is recorded when the penalties are assessed.	<u>(40,000)</u>
Change in Net Assets - Governmental Activities	<u>\$ 1,212,324</u>

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1. CREATION OF AUTHORITY

The Clear Lake City Water Authority (the "Authority") was created May 6, 1963, by Statute 8280-280, 58th Legislature of the State of Texas.

Pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code, among other powers, the Authority is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service and storm sewer drainage. Although the Authority 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 Authority and to provide irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the Authority, to date it has chosen not to exercise any of these powers. The Authority comprises approximately 16,000 acres in Harris County, Texas, located in the area of NASA's Johnson Space Center and owns approximately two acres in Houston County, Texas. The Authority is under the oversight of the Texas Commission on Environmental Quality (the "Commission").

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. In addition, the accounting records of the Authority are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The Governmental Accounting Standards Board 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 Authority was created as an independent municipality. The Authority 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 Authority's basic financial statements.

Financial Statement Presentation

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

GASB Codification Section 2200.110 established 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. GASB Codification Section 2200.117 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 Authority’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 Authority as a whole. The Authority’s Statement of Net Assets and Statement of Activities are combined with the governmental fund financial statements. The Authority 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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

As discussed above, the Authority'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 Authority has three major governmental funds.

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 Authority 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 Authority 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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the Authority 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 Authority does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as another 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 September 30, 2011, the Debt Service Fund owed the General Fund \$201,838 for operating expenses, the General Fund owed the Capital Projects Fund \$85,991 for impact fees and the Capital Projects fund owed the General Fund \$600,876 for engineering and bond issuance costs.

Capital Assets

The accounting treatment of capital assets depends on whether the assets are reported in the government-wide or fund financial statements. Capital assets are not reported as assets in governmental funds but are reported as assets in the government-wide statement of net assets. The Authority manages its system of sanitary sewer laterals and trunks using a condition assessment methodology and accounts for this system using the modified approach. The remaining capital assets are recorded at historical cost and depreciated over their estimated useful lives unless they are inexhaustible, such as land. Depreciation is not recorded on items classified as construction in progress. Depreciation expense is reported in the government-wide Statement of Activities. In implementing GASB Statement No. 34, the Authority estimated historical cost of infrastructure assets beginning with the creation of the Authority. The Authority uses a capitalization threshold of \$5,000. Assets are depreciated on the straight-line method. Depreciation is calculated using the following estimated useful lines:

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is recorded on the average cost basis. Average cost is calculated on the average cost of each specific item during the fiscal year. The Authority's inventory balance as of September 30, 2011, was \$129,522.

Budgeting

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

Pensions

For employees of the Authority, a pension plan has been established and is managed by an independent plan administrator (see Note 7). The Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only. Directors do not participate in the pension plan.

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:

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

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.

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The Board has written policies committing the General Fund fund balance as follows - \$250,000 for unbudgeted major repairs of facilities and \$820,000 for emergencies.

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 and does not have any assigned fund balances.

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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 3. BONDS PAYABLE

	Series 1997	Harris County Water Control and Improvement District No. 75 Series 1998-B
Amounts Outstanding - September 30, 2011	\$ 460,000	\$ 1,150,000
Interest Rates	4.50%	5.30% - 5.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2022	March 1, 2012/2016
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2007*	March 1, 2007*

* Or any interest date thereafter, at a price of par plus accrued interest to the date fixed for redemption. From proceeds of the Series 2003-A Refunding, Series 2006 Refunding and Series 2009 Refunding Bonds certain Series 1997 bonds were refunded.

	Series 2001	Refunding Series 2003-A	Refunding Series 2003-B
Amounts Outstanding – September 30, 2011	\$ 380,000	\$ 2,375,000	\$ 2,210,000
Interest Rates	5.06%	3.35% - 4.00%	3.35% - 3.70%
Maturity Dates – Serially Beginning/Ending	March 1, 2012	March 1, 2012/2014 and 2018	March 1, 2012/2015
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2012**	March 1, 2011***	March 1, 2011***

** Or any interest or principal payment date thereafter, as a whole or from time to time in part, in inverse order of maturity in integral multiples of \$5,000 upon payment of a redemption price equal to the principal amount thereof together with interest, from the most recent interest payment date to the redemption date.

*** Or any date thereafter, as a whole or from time to time in part, in integral multiples of \$5,000 upon payment of a redemption price equal to the principal amount and any interest accrued from the most recent interest payment date to the redemption date, at the option of the Authority.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 3. BONDS PAYABLE (Continued)

	Series 2005	Series 2006	Series 2008
Amounts Outstanding - September 30, 2011	\$ 8,775,000	\$ 4,410,000	\$ 7,335,000
Interest Rates	3.625% - 3.80%	3.75% - 4.00%	3.00% - 3.70%
Maturity Dates – Serially Beginning/Ending	March 1, 2012/2018	March 1, 2012/2022	March 1, 2012/2022
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2013*	March 1, 2014*	March 1, 2016*

Refunding Series 2006			
	Current Interest Bonds	Premium Compound Interest Bonds	Series 2009
Amounts Outstanding – September 30, 2011	\$ 4,160,000	\$ 20,000	\$ 4,940,000
Interest Rates	4.00%	4.07%	3.00%-3.50%
Maturity Dates – Serially Beginning/Ending	March 1, 2012/2013 and 2015/2021	March 1, 2014	March 1, 2012/2022
Interest Payment Dates	March 1/ September 1		March 1/ September 1
Callable Dates	March 1, 2014**	Non-Callable***	March 1, 2017*

* Or any date thereafter, as a whole or from time to time in part, callable in integral multiples of \$5,000, upon payment of a redemption price equal to the principal amount and any interest accrued from the most recent interest payment date to the redemption date at the option of the Authority.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 3. BONDS PAYABLE (Continued)

	Refunding Series 2009		
	Current Interest Bonds	Premium Compound Interest Bonds	Refunding Series 2010
Amounts Outstanding – September 30, 2011	\$ 10,485,000	\$ 5,000	\$ 8,680,000
Interest Rates	2.50%-4.00%	2.60%	2.00%-4.25%
Maturity Dates – Serially Beginning/Ending	March 1, 2012/2021 and September 1, 2021	March 1, 2012	March 1, 2012/2021
Interest Payment Dates	March 1/ September 1		March 1/ September 1
Callable Dates	March 1, 2019*	Non-Callable**	March 1, 2018*
		Series 2011	Series 2011A
Amounts Outstanding – September 30, 2011		\$ 7,620,000	\$ 7,130,000
Interest Rates		2.50% - 4.75%	2.50%-4.75%
Maturity Dates – Serially Beginning/Ending		March 1, 2012/2035	March 1, 2012/2035
Interest Payment Dates		March 1/ September 1	March 1/ September 1
Callable Dates		March 1, 2019***	March 1, 2019***

* Subject to redemption as a whole, or from time to time in part, in integral multiples of \$5,000, upon payment of a redemption price equal to the principal amount thereof together with interest, if any, accrued thereon, from the most recent interest payment date to the redemption date.

** The Series 2009 Premium Compound Interest Bonds are non-callable. The par value of these bonds is \$5,000 and the maturity value is \$470,000. Interest on these bonds will be paid at maturity. At September 30, 2011, the accreted value of these bonds is approximately \$464,024. Accrued interest of \$459,024 has been recorded as a liability in the Statement of Net Assets.

***Or any date thereafter, as a whole or from time to time in part, at a price equal to the par value thereof, plus accrued interest to the date fixed for redemption. Series 2011 term bonds due March 1, 2035, are subject to mandatory redemption beginning on March 1, 2034. Series 2011A term bonds due March 1, 2035, are subject to mandatory redemption beginning March 1, 2034.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 3. BONDS PAYABLE (Continued)

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2011:

Bond Debt Payable - October 1, 2010		\$ 61,440,000
Add: Bonds Sold:		
Series 2011	\$ 7,620,000	
Series 2011A	<u>7,130,000</u>	14,750,000
Less: Bond Principal Paid:		
Series 1997	\$ 240,000	
Refunding Series 1998-B	190,000	
Series 1999	355,000	
Series 2000	215,000	
Series 2001	365,000	
Refunding Series 2002	520,000	
Refunding Series 2003-A	540,000	
Refunding Series 2003-B	1,170,000	
Series 2005	260,000	
Series 2006	295,000	
Refunding Series 2006	55,000	
Series 2008	490,000	
Refunding Series 2009	895,000	
Series 2009	330,000	
Refunding Series 2010	<u>135,000</u>	<u>6,055,000</u>
Bond Debt Payable - September 30, 2011		<u>\$ 70,135,000</u>
Bond Debt Payable -		
Due Within One Year		\$ 5,790,000
Due After One Year		<u>64,345,000</u>
Bond Debt Payable - September 30, 2011		<u>\$ 70,135,000</u>
Original Bonds Voted		<u>\$ 219,395,400</u>
Original Bonds Approved		<u>\$ 172,910,000</u>
Original Bonds Issued		<u>\$ 172,910,000</u>
Remaining Voted Bonds to be Issued (see pages 74 and 75)		<u>\$ 46,485,400</u>
Refunding Bonds Voted		<u>\$ 116,323,100</u>
Voted Refunding Bonds Issued		<u>\$ 27,150,000</u>

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 3. BONDS PAYABLE (Continued)

As of September 30, 2011, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 5,790,000	\$ 2,954,983	\$ 8,744,983
2013	6,340,000	2,282,793	8,622,793
2014	6,225,000	2,444,488	8,669,488
2015	6,855,000	1,861,293	8,716,293
2016	7,175,000	1,601,920	8,776,920
2017-2021	24,720,000	4,693,579	29,413,579
2022-2026	5,370,000	2,080,940	7,450,940
2027-2031	3,830,000	1,333,887	5,163,887
2032-2035	3,830,000	373,401	4,203,401
	<u>\$ 70,135,000</u>	<u>\$ 19,627,284</u>	<u>\$ 89,762,284</u>

The bonds of the Authority are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the Authority, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the Authority's waterworks and sanitary sewer system. The 1998-B bonds of Harris County Water Control and Improvement District No. 75 are payable from proceeds of an ad valorem tax levied upon all property subject to taxation within the respective district's geographic area.

During the year ended September 30, 2011, the Authority levied an ad valorem debt service tax and maintenance tax as follows:

	2010 Appraised Valuation	Debt Service Tax Rates Per \$100 Of Valuation	Debt Service Tax Levy
Clear Lake City Water Authority	\$ 4,384,525,242	\$0.23	\$ 10,084,414
Harris County Water Control and Improvement District No. 75	\$ 51,980,989	\$0.50	<u>259,905</u>
Total Debt Service Tax Levy			<u>\$ 10,344,319</u>

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 3. BONDS PAYABLE (Continued)

	Maintenance Tax Rates Per \$100 of <u>Valuation</u>	<u>Maintenance Tax Levy</u>
Clear Lake City Water Authority	\$0.05	\$ 2,192,258
Harris County Water Control and Improvement District No. 75	\$0.05	<u>25,991</u>
Total Maintenance Tax Levy		<u>\$ 2,218,249</u>

The Bond Orders require that the Authority levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

On August 14, 1982, the voters of the Authority approved the levy and collection of a maintenance tax not to exceed \$0.05 per \$100 of assessed valuation of taxable property within the Authority. For Harris County Water Control and Improvement District No. 75, at the date consolidation was voted, a maintenance tax not to exceed \$0.05 per \$100 of assessed valuation of taxable property within the respective geographical area of the original district was voted on and approved. A maintenance tax is to be used by the General Fund to pay expenditures of operating and maintaining the Authority's waterworks, sanitary sewer, and drainage system.

The Authority's tax calendar is as follows:

Levy Date	-	October 1, as soon thereafter as practicable.
Lien Date	-	January 1.
Due Date	-	Upon receipt but 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 Authority is required to provide to the state information depository continuing disclosure of annual financial information and operating data with respect to the Authority. The information is of the general type included in the annual financial report and must be filed within six months after the end of each fiscal year of the Authority.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS
(Continued)

- B. The bond orders state that so long as any of the bonds or coupons remain outstanding, the Authority covenants that it will at all times keep insured such parts of the system as are customarily insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risks, accidents or casualties against which and to the extent insurance is customarily carried by such municipal corporations and political subdivisions; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefore, the Authority shall not be required to carry such insurance. The Authority has property coverage of \$48,623,992, boiler and machinery coverage of \$48,265,300, general liability coverage with a maximum limit of \$1,000,000, errors and omissions coverage with a maximum limit of \$5,000,000 and automobile liability coverage with a maximum limit of \$2,000,000.
- C. The Authority has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. 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 Authority'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 Authority of securities eligible under the laws of Texas to secure the funds of the Authority, 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 Authority's deposits was \$657,736 and the bank balance was \$1,032,972. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was collateralized with securities held in a third-party depository in the Authority's name.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at September 30, 2011, as listed below:

GENERAL FUND	\$	390,314
DEBT SERVICE FUND		264,757
CAPITAL PROJECTS FUND		<u>2,665</u>
TOTAL DEPOSITS	\$	<u>657,736</u>

Investments

Under Texas law, the Authority 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 Authority funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the Authority'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 Authority'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 Authority funds without express written authority from the Board of Directors.

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of September 30, 2011, the Authority had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 5,400,072	\$ 5,400,072	\$	\$	\$
<u>DEBT SERVICE FUND</u>					
TexPool	7,501,764	7,501,764			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	11,959,096	11,959,096			
TOTAL INVESTMENTS	\$24,860,932	\$24,860,932	\$ - 0 -	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2011, the Authority's investment in TexPool was rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority considers the investments 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 Authority, 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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011:

	October 1, 2010	Increases	Decreases	September 30, 2011
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 345,757	\$ 6,268,958	\$	\$ 6,614,715
Sanitary Sewer Laterals and Trunks	39,094,660	2,959,328		42,053,988
Construction in Progress	1,957,782	10,775,882	11,533,660	1,200,004
Total Capital Assets Not Being Depreciated	\$ 41,398,199	\$ 20,004,168	\$ 11,533,660	\$ 49,868,707
Capital Assets at Historical Cost Subject to Depreciation				
Buildings	\$ 523,166	\$	\$	\$ 523,166
Water System	46,307,981	747,816		47,055,797
Sanitary Sewer System	16,299,442	382		16,299,824
Drainage System	45,655,060	1,515,716		47,170,776
Equipment	1,087,426	41,460		1,128,886
Total Capital Assets at Historical Cost Subject to Depreciation	\$ 109,873,075	\$ 2,305,374	\$ - 0 -	\$ 112,178,449
Less Accumulated Depreciation				
Buildings	\$ 22,581	\$ 15,108	\$	\$ 37,689
Water System	20,880,463	1,037,695		21,918,158
Sanitary Sewer System	7,432,142	343,620		7,775,762
Drainage System	21,112,671	851,899		21,964,570
Equipment	733,237	99,451		832,688
Total Accumulated Depreciation	\$ 50,181,094	\$ 2,347,773	\$ - 0 -	\$ 52,528,867
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 59,691,981	\$ (42,399)	\$	\$ 59,649,582
Total Capital Assets, Net of Accumulated Depreciation	\$ 101,090,180	\$ 19,961,769	\$ 11,533,660	\$ 109,518,289

The sanitary sewer laterals and trunk lines are accounted for using the modified approach. The following is a summary of the condition levels of the individual subdivision sanitary sewer laterals and trunks as of September 30, 2011:

Condition	Sewer Laterals and Trunks in Linear Feet
1.00-1.99 New Condition	524,938
2.00-2.99 Minor Deficiencies	382,484
3.00-3.99 Serious Deficiency	138,858
4.00-4.99 Very Serious Deficiency	
5.00 Severe Deficiency	
TOTAL	<u>1,046,280</u>

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 6. CAPITAL ASSETS (Continued)

Comparison of Estimated to Actual Maintenance/Preservation Costs

	Estimated		Actual
2011	\$ 3,676,055		\$ 3,660,171
2010	\$ 2,095,851		\$ 1,938,345
2009	\$ 5,246,648		\$ 4,923,644
2008	\$ 2,128,667		\$ 2,362,165
2007	\$ 2,667,818		\$ 2,244,100

The condition of the Authority's sanitary sewer lateral and trunk system is determined using a condition assessment methodology. The Authority uses a numerical condition scale ranging from 1.00 (new) to 5.00 (severe deficiency with no useful life remaining). It is the Authority's policy to keep 75% of the system in level 3.00 or better condition. The condition assessments as of September 30, 2011, September 30, 2010, and September 30, 2009, were 2.22, 2.01 and 2.16, respectively.

NOTE 7. PENSION PLAN

On October 1, 1991, the Authority established a defined contribution plan (the "Plan") for its eligible full-time employees. The Plan is a qualified pension plan under Section 401(a) of the Internal Revenue Code and is administered by International City Management Association ("ICMA"). Eligibility requirements include full-time employment status and completion of one year of service. The Plan requires the Authority to contribute, on behalf of each employee, 7.0% of the employee's earnings, as defined in the Plan agreement. During the current fiscal year, the Authority recorded \$156,778 as its contribution to the Plan.

NOTE 8. PENDING LITIGATION

In 2011, final, non-appealable judgments were entered in three separate lawsuits the Authority was defending, which lawsuits grew out of the Authority's September 2004 bond election; they were: (1) No. 2006-63998, *Friendswood Development Company, Ltd. vs. Clear Lake Water Authority*; in the 281st Judicial District Court of Harris County, Texas; (2) No. 2005-17524; *Kirby Lake Development, Ltd., Miter Development Company, LLC, and Taylor Lake, Ltd. vs. Clear Lake Water Authority*, in the 113th Judicial District Court of Harris County, Texas; and (3) Cause No. 2007-10488, *MCR Corporation v. Clear Lake City Water Authority*, in the 333rd Judicial District Court of Harris County, Texas.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 8. PENDING LITIGATION (Continued)

Although the contracts in each of these three cases differed somewhat, the underlying facts were essentially the same: During the 1990s, various developers, including the plaintiffs in each of these cases, entered into written contracts in which the Authority conditionally agreed to purchase water, sewer, and drainage facilities installed by the developers on their properties. The Authority's obligation to purchase the facilities, however, was expressly subject to voter approval of bond funds to pay the purchase price. The parties in each of these contracts expressly stipulated that "[t]he Authority shall have no obligation . . . to obtain approval from the voters."

In the *Friendswood* case, on February 12, 2007, the trial judge granted a final summary judgment for the developer, Friendswood Development Company, in the amount of \$1,120,235.99, plus prejudgment interest on the principal amount running at 6% per annum from September 11, 2004, and postjudgment interest on both the principal and prejudgment interest, compounded annually at 8.25%, running from the date of judgment. On December 9, 2008, the Houston 14th Court of Appeals reversed and rendered judgment for the Authority that the plaintiff take nothing. On August 27, 2010, the Supreme Court of Texas reversed the judgment of the 14th Court of Appeals and held that the Authority breached the contract by failing to include Friendswood's claims as part of the bond-approval proposition to the voters in September 2004. The Supreme Court remanded the case to the 14th Court of Appeals to decide other issues that the Court of Appeals had not addressed in its December 9, 2008, Opinion. On June 2, 2011, the 14th Court of Appeals remanded the case to the trial court, holding that Friendswood had failed to prove all of the damages awarded in the judgment. The Authority sought discretionary review from the Texas Supreme Court. On December 16, 2011, the Texas Supreme Court denied the Authority's petition for review. The *Friendswood* appeal has been remanded to the trial court to require plaintiff to prove up the developer interest portion of the award, but the Authority's defenses have already been resolved against it and the amount of the earlier award is unlikely to change. The parties negotiated a final settlement on January 31, 2012, such that the Authority will pay \$1,720,000, which includes interest from September 11, 2004, through April 2, 2012, which is the date the Authority anticipates paying the settlement.

In the *Kirby Lake* case, on September 5, 2006, the trial judge granted a final summary judgment for the developers, Kirby Lake Development, Ltd. (\$713,141.00), Taylor Lake Ltd. (\$514,783.00), and Miter Development Co. (\$80,032.00), plus prejudgment interest on the principal amounts running at 6% per annum from September 11, 2004, and postjudgment interest on both the principal and prejudgment interest, compounded annually at 8.25%, running from the date of judgment. On August 7, 2008, the Houston 14th Court of Appeals reversed and rendered judgment for the Authority that the plaintiffs take nothing. This case was consolidated with the *Friendswood* case for argument before the Texas Supreme Court. On August 27, 2010, the Supreme Court of Texas reversed the judgment of the 14th Court of Appeals and held that the

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 8. PENDING LITIGATION (Continued)

Authority breached the contract by failing to include the developers' claims as part of the bond-approval proposition to the voters in September 2004. The Supreme Court remanded the case to the 14th Court of Appeals to decide other issues that the Court of Appeals had not addressed in its December 9, 2008, opinion. On June 2, 2011, the 14th Court of Appeals affirmed the summary judgment for the developers. The Authority sought discretionary review from the Texas Supreme Court. On December 16, 2011, the Texas Supreme Court denied the Authority's petition for review. The Authority is now subject to paying the final judgment in the *Kirby Lake* case, which totals approximately \$2,271,275 including interest from September 11, 2004, through April 2, 2012, which is the date the Authority anticipates paying the judgment.

In the *MCR* case, the developer, MCR Development Company, sought contract damages in the amount of approximately \$715,000, plus interest. In November 2008, the trial court denied the Authority's plea to the jurisdiction, a ruling which the Authority appealed. On March 11, 2010, the Houston 1st Court of Appeals affirmed the denial of the plea. By agreement of the parties, this case was fully and finally settled on October 13, 2011, with the Authority's payment of \$172,052.50 in exchange for a full and final release.

NOTE 9. SICK LEAVE

The Authority has a sick leave policy whereby sick leave accrues at the rate of one day per month for each employee. Retiring employees and those terminated without cause may be paid for their unused sick leave upon termination of employment. The Authority has designated an investment account to cover the potential cost of this benefit to its employees; therefore, no liability has been recorded in the financial statements. Sick leave is recorded as an expenditure only when paid. As of the balance sheet date, \$655,940 of the General Fund fund balance has been committed for this future obligation.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 10. EXCLUSION CONTRACT AND SERVICE AGREEMENT

On May 12, 1999, the Authority executed two contracts, an Exclusion Contract and a Service Agreement, both with Harris County Water Control & Improvement District No. 156 ("District No. 156"). The contract was later amended on October 16, 2000, and December 9, 2010. On March 10, 1999, the Texas Commission on Environmental Quality ("the Commission") entered an order creating District No. 156. On May 1, 1999, District No. 156 held elections confirming creation of District No. 156 and authorizing the Exclusion Contract. The Exclusion Contract provides for the exclusion of 142,368 acres of land from the Authority and for the payment of a pro rata share of the Authority's debt service on the excluded land. The term of the Exclusion Contract is 40 years.

On or before March 1 each year, District No. 156 is to pay the Authority from its tax proceeds based upon the following schedule unless altered by later refundings as provided for in the Exclusion Contract. The agreement calls for District No. 156 to account for monies derived from taxes and investment earnings in an account titled the Exclusion Contract Fund. The Authority assigned to District No. 156 all rights and duties with respect to the Bay Oaks Sales and Lease of Facilities Agreement and the Pine Brook Sales and Lease of Facilities Agreement that provide for development of utilities within District No. 156. The Authority further agreed to provide water and sanitary sewer utility service to District No. 156 at a cost not to exceed one and a half times the cost charged to customers in the Authority.

<u>Year</u>	<u>Allocable Debt</u>
2012	\$ 3,184
2013	3,212
2014	2,838
2015	2,649
2016	2,320
2017	1,867
2018	1,880
2019	608
2020	296
2021	301
2022	<u>308</u>
TOTAL	<u>\$ 19,463</u>

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 10. EXCLUSION CONTRACT AND SERVICE AGREEMENT (Continued)

The Service Agreement has a term of 40 years. District No. 156 will provide for the construction of facilities that will connect to the Authority's facilities and the facilities will be fully integrated into the utility system of the Authority. Service personnel of the Authority will provide services to District No. 156 customers on the same basis as Authority customers. The Authority will bill and collect tap and other fees in accordance with District No. 156's rate order and the Authority will charge District No. 156 for those services at the cost of providing the services. The Authority will provide service to District No. 156 customers on the same basis as Authority customers under the terms of the Authority's rate order. For the higher amount of \$500 or \$10 per connection billed, the Authority's service personnel will provide services to the customers of District No. 156 as spelled out in the contract. In addition, District No. 156 will pay for water and sanitary sewer service on a per-connection basis of 150% of the fees charged by the Authority based upon its rate order.

NOTE 11. COST SHARING WATER PROJECT CONTRACT

On February 24, 1987, the Authority executed a Cost Sharing Water Project Contract with the City of Houston, Texas, and the City of Nassau Bay, Texas. The agreement provided for the equitable sharing of capacity in Houston's Southeast Water Purification Plant (the "Plant"). The Agreement was amended September 2, 1988, to allow purchase of additional capacity to serve the Johnson Space Center. On February 16, 1998, the agreement was further amended with the Second Amendment to Cost Sharing Water Project Contract ("Second Amendment Agreement").

This agreement provided for the Authority to purchase additional capacity in the Plant from the City of Galveston and the termination of the Second Amendment Agreement should the parties to the agreement fail to secure additional capacity in the Plant from the City of Galveston. The Authority's and City of Nassau Bay's capacity in the Plant were then as follows:

- Demand Allocation Factor - 8.7 million gallons per day (mgpd) of a total capacity of 80 mgpd. (available to the Authority and Johnson Space Center only)
- Pumping Allocation Factor - 15 mgpd of a total capacity of 225 mgpd.

On April 28, 1998 the Authority executed a Water Capacity Purchase and Sale Agreement with the Gulf Coast Water Authority and the City of Galveston, Texas. In accordance with the terms of the agreement the City of Galveston's 16 mgpd of demand allocation per day capacity in the Plant was allocated to various parties, including the Authority, with the Authority's share being five mgpd. With this allocation the Authority's total capacity was 13.7 mgpd of demand allocation or 17.125% of the total capacity. The City of Galveston's pumping allocation was 18.4 mgpd. The Authority obtained 5.75 mgpd of this capacity, giving the Authority 20.75 mgpd of the pumping allocation of the Plant or 9.25% of the total pumping capacity.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 11. COST SHARING WATER PROJECT CONTRACT (Continued)

The initial construction, phase 1, was completed in 1987 with total plant capacity being 80 mgpd. In 2001, phase 2 was completed, increasing plant capacity from 80mgpd to 120 mgpd. In 2011, phase 3 was completed, increasing capacity from 120 mgpd to 200 mgpd. The Authority's allocation of this expanded capacity is 6.45 mgpd. In addition, the Authority acquired 1.0 mgpd capacity in the Plant from the La Porte Area Water Authority and also acquired 0.5 mgpd capacity in the Plant from Harris County Municipal Utility District No. 55. With these acquisitions, the Authority owns a total demand capacity of 22.05 mgpd in the Plant, which includes demand capacity of 1.60 mgpd for the Johnson Space Center, along with additional allocations for pumping and distribution. In the current fiscal year, the District incurred expenditures of \$3,224,133 for water supplied from the Plant.

NOTE 12. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Authority carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, mobile equipment, general liability, boiler and machinery, errors and omissions, public employee dishonesty, automobile, and workers compensation coverage. The Authority, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. During the current fiscal year the Authority contributed \$170,392 to the fund for this insurance coverage. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 13. ADVANCE REFUNDING BOND ISSUE

On April 27, 2006, the Authority issued \$4,255,000 of Series 2006 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, with interest rates of 3.75% to 4.07%, to advance refund \$270,000 of Series 1997 bonds, \$2,240,000 of Series 1998 bonds and \$1,745,000 of Series 2001 bonds. The net proceeds of \$4,530,577 (after payment of bond insurance, an underwriter's discount and other issuance costs and the receipt of a bond premium of \$467,672) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the retirement of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets. The effect of the refunding was to decrease its total debt service requirement over 15 years by \$223,094 and at the same time obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$202,445.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 13. ADVANCE REFUNDING BOND ISSUE (Continued)

REFUNDED BONDS

<u>Issue</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Callable Date</u>	<u>Outstanding at September 30, 2011</u>
2001	5.66%-5.71%	2019-2021	03/01/12	<u>\$ 1,745,000</u>

NOTE 14. ESCROW REQUIREMENT

The Authority was required by the Commission to escrow \$7,702,966 of the \$9,600,000 Series 2005 bond proceeds for various projects including the construction and engineering costs to upgrade the SCADA system, re-coating multiple water tanks, water and wastewater extensions along Space Center Boulevard, rehabilitate the sanitary sewer collection system and fund the Authority's share of the City of Houston's Southeast Water Purification Plant (Plant) upgrades. In prior fiscal years, the Commission approved the release from escrow of \$5,295,230 for various projects. On December 4, 2007, the Commission approved the release of \$225,663 from escrow for wastewater collection system inspection and rehabilitation costs. On March 6, 2008, the Commission approved the release of \$1,423,320 from escrow to fund a portion of the Authority's share of the Plant upgrades. On May 19, 2008, the Commission approved the release of \$453,686 from escrow to fund additional costs related to Plant upgrades as well as storm sewer rehabilitation phase 6 costs. On September 30, 2008, the Commission approved a change of project scope and the release of \$160,000 from escrow for the La Avenida water line replacement project. As of September 30, 2011, \$145,067 of Series 2005 bond proceeds are required to be escrowed.

Subsequent to year-end, the Commission approved the change of scope and the release of escrow in the amount of \$145,067 to fund the sanitary sewer phase 49 television inspection project.

NOTE 15. BOND SALES

On April 7, 2011, the Authority issued \$7,620,000 of Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011. The proceeds are to be used to fund engineering and construction costs on the following Authority projects: interior and exterior recoating of ground storage tank no. 1 at water plant no. 4; emergency generator at water plant no. 4; rehabilitation of water distribution system; mobile emergency generator for lift stations; rehabilitation of lift station nos. 1, 2, 3, 9, 14, and 15; improvements to lift station no. 4, phase 1; and inspection and rehabilitation of wastewater collection and drainage systems. The proceeds were also used to pay for bond issuance costs.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 15. BOND SALES (Continued)

On April 11, 2011, the Authority issued its Series 2011 Bond Anticipation Note (BAN) in the amount of \$6,280,000 bearing interest at a rate of 2.73%. The proceeds were used to purchase land, specifically tracts A through J for drainage and detention ponds.

On August 23, 2011, the Authority issued \$7,130,000 of Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011A. The proceeds were used to retire the Series 2011 BAN and pay bond issuance costs and BAN interest expense.

NOTE 16. EARLY RETIREMENT OF BONDS

During the prior fiscal year, the Authority retired \$945,000 of Series 1999 Bonds and \$2,750,000 of Series 2001 Bonds. The Authority purchased \$4,011,311 of United States Treasury Securities to provide for the future principal and interest payments on the retired bonds. As a result, the liability for the following bonds has been removed from the Statement of Net Assets:

Issue	Interest Rates	Maturities	Callable Date	Outstanding at September 30, 2011
2001	5.21%-5.61%	2013-2018	03/01/12	<u>\$ 2,750,000</u>

NOTE 17. USE OF SURPLUS FUNDS

On August 1, 2011, the Commission approved the use of surplus Capital Projects Fund money in the amount of \$178,250 to fund a portion of the Authority's pro-rata share of construction costs associated with the El Camino Real Aerial Utility Crossing over Cow Bayou.

Subsequent to year end, on January 31, 2012, the Commission approved the use of surplus Capital Projects Fund money in the amount of \$65,300 to fund a portion of the Authority's pro-rata share of construction costs associated with the El Camino Real Aerial Utility Crossing over Cow Bayou.

CLEAR LAKE CITY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2011

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CLEAR LAKE CITY WATER AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 2,150,000	\$ 2,196,954	\$ 46,954
Water Service	5,150,021	6,232,870	1,082,849
Wastewater Service	2,659,659	2,916,287	256,628
Penalty and Interest	94,850	88,762	(6,088)
Tap Connection and Inspection Fees	45,240	63,691	18,451
Investment Revenues	15,000	6,113	(8,887)
Miscellaneous Revenues	<u>168,226</u>	<u>178,410</u>	<u>10,184</u>
TOTAL REVENUES	<u>\$ 10,282,996</u>	<u>\$ 11,683,087</u>	<u>\$ 1,400,091</u>
EXPENDITURES			
Services Operations:			
Bulk Water Purchases	\$ 2,473,338	\$ 3,298,902	\$ (825,564)
Payroll	3,529,483	3,672,231	(142,748)
Utilities	1,311,400	1,419,908	(108,508)
Repairs and Maintenance	504,410	600,437	(96,027)
Professional Fees	828,000	661,269	166,731
Other	1,865,751	1,821,389	44,362
Capital Outlay	<u>42,200</u>	<u>41,239</u>	<u>961</u>
TOTAL EXPENDITURES	<u>\$ 10,554,582</u>	<u>\$ 11,515,375</u>	<u>\$ (960,793)</u>
NET CHANGE IN FUND BALANCE	\$ (271,586)	\$ 167,712	\$ 439,298
FUND BALANCE - OCTOBER 1, 2010	<u>5,508,477</u>	<u>5,508,477</u>	
FUND BALANCE - SEPTEMBER 30, 2011	<u>\$ 5,236,891</u>	<u>\$ 5,676,189</u>	<u>\$ 439,298</u>

See accompanying independent auditor's report.

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CLEAR LAKE CITY WATER AUTHORITY
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2011

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CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

1. SERVICES PROVIDED BY THE AUTHORITY DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	<u> X </u>	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	<u> X </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> X </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 5/8" METER (OR EQUIVALENT):

Based on the rate order approved December 13, 2007.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons</u>
WATER:	\$ 4.50	5,000	N	\$ 1.70
WASTEWATER:	\$ 4.50	5,000	N	\$ 1.08**
SURCHARGE:	N/A			

Authority employs winter averaging for wastewater usage? X
Yes No

All customers who use over 5,000 gallons of water monthly will be charged at the regular rates for total water and sewer use.

Total monthly charges per 10,000 gallons usage: Water: \$17.00 Wastewater: \$8.52* Surcharge \$-0-

* Includes a \$1.50 charge for each sewer connection to the Authority's sewer system.

** In the absence of metered sewage flow, a residence will be charged for sewer based on a flow factor applied to the metered water usage as outlined in the Authority's rate order.

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>10,832</u>	<u>10,703</u>	x 1.0	<u>10,703</u>
1"	<u>6,240</u>	<u>6,197</u>	x 2.5	<u>15,493</u>
1½"	<u>271</u>	<u>262</u>	x 5.0	<u>1,310</u>
2"	<u>426</u>	<u>407</u>	x 8.0	<u>3,256</u>
3"	<u>40</u>	<u>40</u>	x 15.0	<u>600</u>
4"	<u>29</u>	<u>28</u>	x 25.0	<u>700</u>
6"	<u>5</u>	<u>5</u>	x 50.0	<u>250</u>
8"	<u>5</u>	<u>5</u>	x 80.0	<u>400</u>
10"	<u>1</u>	<u>1</u>	x 115.0	<u>115</u>
Total Water Connections	<u>17,849</u>	<u>17,648</u>		<u>32,827</u>
Total Wastewater Connections	<u>17,380</u>	<u>17,202</u>	x 1.0	<u>17,202</u>

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

Gallons pumped into system:	4,128,904,000	Water Accountability Ratio: 80.84% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	3,247,613,000	
Gallons purchased:	4,526,829,000	From: <u>City of Houston, Texas</u>
Gallons sold:	90,041,000	To: <u>Harris County Water Control and Improvement District No. 156</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

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

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

5. LOCATION OF AUTHORITY:

Is the Authority located entirely within one county?

Yes ___ No X

County or Counties in which Authority is located:

Harris County, Texas
Houston County, Texas (2 acres)

Is the Authority located within a city?

Entirely ___ Partly X Not at all ___

City or Cities in which Authority is located:

City of Pasadena, Texas; City of Houston, Texas; City of Webster, Texas; City of Taylor Lake Village, Texas and City of La Porte, Texas.

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

5. LOCATION OF AUTHORITY: (Continued)

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

Entirely _____ Partly X Not at all _____

ETJ's in which Authority is located:

City of Webster, Texas and City of Pasadena, Texas.

Are Board Members appointed by an office outside the Authority?

Yes _____ No X

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

PERSONNEL EXPENDITURES (Including Benefits)	\$ 3,672,231
PROFESSIONAL FEES:	
Auditing	\$ 28,835
Engineering	340,569
Legal	<u>291,865</u>
TOTAL PROFESSIONAL FEES	\$ 661,269
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 3,298,902
UTILITIES:	
Electricity	\$ 1,379,670
Gas	4,180
Internet	887
Telephone	<u>35,171</u>
TOTAL UTILITIES	\$ 1,419,908
REPAIRS AND MAINTENANCE	\$ 600,437
ADMINISTRATIVE EXPENDITURES:	
Bank Charges	\$ 12,723
Billing Costs	19,464
Director Fees	18,065
Dues	4,105
Insurance	147,727
Legal Notices	1,716
Office Supplies and Postage	46,105
Regulatory Assessment	38,875
Travel and Meetings	24,631
Water and Sewer Rebate	613,580
Other	<u>23,600</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ 950,591
CAPITAL OUTLAY:	
Capitalized Assets	\$ 41,239
Expenditures Not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY:	\$ 41,239

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

OTHER EXPENDITURES:

Bad Debts	\$	4,767
Chemicals		149,986
Equipment Rental		6,804
Inspection and Permit Fees		95,491
Janitorial Service		7,470
Laboratory Fees		52,068
Parts and Supplies		222,726
Sludge Hauling		139,234
Uniforms		18,354
Vehicle Supplies and Maintenance		122,532
Water Conservation		36,775
Other		<u>14,591</u>
TOTAL OTHER EXPENDITURES	\$	<u>870,798</u>
TOTAL EXPENDITURES	\$	<u>11,515,375</u>

Number of persons employed by the District 55 Full-Time -0- Part-Time

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
INVESTMENTS
SEPTEMBER 30, 2011

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	1	Varies	Daily	\$ 4,721,869	\$
TexPool	3	Varies	Daily	678,203	\$
TOTAL GENERAL FUND				\$ 5,400,072	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	4	Varies	Daily	\$ 7,354,968	\$
TexPool	9	Varies	Daily	146,796	\$
TOTAL DEBT SERVICE FUND				\$ 7,501,764	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
TexPool	14	Varies	Daily	\$ 33,286	\$
TexPool	25	Varies	Daily	546,701	\$
TexPool	26	Varies	Daily	169,535	\$
TexPool	28	Varies	Daily	789,726	\$
TexPool	31	Varies	Daily	6	\$
TexPool	32	Varies	Daily	2,651,970	\$
TexPool	33	Varies	Daily	7,244,772	\$
TexPool	34	Varies	Daily	523,100	\$
TOTAL CAPITAL PROJECTS FUND				\$ 11,959,096	\$ - 0 -
TOTAL - ALL FUNDS				\$ 24,860,932	\$ - 0 -

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2010	\$	35,785	\$	174,245
Adjustments to Beginning				
Balance		<u>(2,965)</u>	\$	<u>163,890</u>
Original 2010 Tax Levy	\$	2,025,409	\$	9,457,277
Adjustment to 2010 Tax Levy		<u>192,840</u>	<u>2,218,249</u>	<u>10,344,319</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	2,251,069	\$
				10,508,209
TAX COLLECTIONS:				
Prior Years	\$	9,839	\$	52,329
Current Year		<u>2,198,854</u>	<u>2,208,693</u>	<u>10,306,201</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2011		<u>\$</u>	<u>42,376</u>	<u>\$</u>
				<u>202,008</u>
TAXES RECEIVABLE BY				
YEAR:				
2010	\$	19,395	\$	90,447
2009		5,933		28,019
2008		5,741		27,378
2007		1,640		7,542
2006		1,515		6,968
2005		1,694		8,130
2004		1,560		7,489
2003		1,105		5,303
2002		1,217		6,331
2001		1,249		6,997
2000		544		3,045
1999		570		3,194
1998		129		721
1997		3		15
1996		42		238
1995		<u>39</u>		<u>191</u>
TOTAL	\$	<u>42,376</u>	\$	<u>202,008</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Clear Lake City Water Authority:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
PROPERTY VALUATIONS:				
Land	\$1,209,762,801	\$1,181,084,222	\$1,132,733,689	\$1,007,857,513
Improvements	3,953,847,347	4,080,142,136	4,225,723,369	3,719,411,760
Personal Property	629,426,649	701,274,555	798,822,694	728,040,736
Exemptions	<u>(1,408,511,555)</u>	<u>(1,437,625,057)</u>	<u>(1,462,386,297)</u>	<u>(1,286,307,772)</u>
TOTAL PROPERTY VALUATIONS	<u>\$4,384,525,242</u>	<u>\$4,524,875,856</u>	<u>\$4,694,893,455</u>	<u>\$4,169,002,237</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23
Maintenance	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>
ADJUSTED TAX LEVY*	<u>\$ 12,276,672</u>	<u>\$ 12,669,654</u>	<u>\$ 13,145,702</u>	<u>\$ 11,673,208</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	<u>99.17 %</u>	<u>99.74 %</u>	<u>99.76 %</u>	<u>99.92 %</u>

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

Maintenance Tax – Maximum Tax Rate of \$0.05 per \$100 of assessed valuation approved by voters on August 14, 1982.

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

**Harris County Water Control and
Improvement District No. 75:**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
PROPERTY VALUATIONS:				
Land	\$ 21,285,662	\$ 23,314,407	\$ 23,573,633	\$ 15,151,085
Improvements	31,265,843	29,985,814	33,830,688	39,390,100
Personal Property	430,488	478,185	348,114	377,238
Exemptions	<u>(1,001,004)</u>	<u>(872,363)</u>	<u>(2,348,855)</u>	<u>(1,139,237)</u>
TOTAL PROPERTY				
VALUATIONS	<u>\$ 51,980,989</u>	<u>\$ 52,906,043</u>	<u>\$ 55,403,580</u>	<u>\$ 53,779,186</u>
TAX RATES PER \$100				
VALUATION:				
Debt Service	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
Maintenance	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>
TOTAL TAX RATES PER				
\$100 VALUATION	<u>\$ 0.55</u>	<u>\$ 0.55</u>	<u>\$ 0.55</u>	<u>\$ 0.55</u>
ADJUSTED TAX LEVY*	<u>\$ 285,896</u>	<u>\$ 290,998</u>	<u>\$ 304,720</u>	<u>\$ 295,786</u>
PERCENTAGE OF TAXES				
COLLECTED TO TAXES				
LEVIED	<u>99.13 %</u>	<u>99.50 %</u>	<u>99.35 %</u>	<u>100.00 %</u>

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

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Harris County Municipal Utility District No. 181

	<u>2010**</u>	<u>2009**</u>	<u>2008**</u>	<u>2007</u>
PROPERTY VALUATIONS:				
Land	\$	\$	\$	\$ 12,599,788
Improvements				36,982,672
Personal Property				898,872
Exemptions				(5,034,872)
TOTAL PROPERTY				
VALUATIONS	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ 45,446,460</u>
TAX RATES PER \$100				
VALUATION:				
Debt Service	\$	\$	\$	\$ 0.25
Maintenance				0.05
TOTAL TAX RATES PER				
\$100 VALUATION	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ 0.30</u>
ADJUSTED TAX LEVY*	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ 136,339</u>
PERCENTAGE OF TAXES				
COLLECTED TO TAXES				
LEVIED	<u>N/A</u> %	<u>N/A</u> %	<u>N/A</u> %	<u>100.00</u> %

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

** The long-term debt for District No. 181 has been retired and its billing incorporated into the Authority's; thus no tax levies since the 2007 levy.

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

SERIES - \$5,705,000 - 1997

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2012	\$	\$ 20,700	\$ 20,700
2013		20,700	20,700
2014		20,700	20,700
2015		20,700	20,700
2016		20,700	20,700
2017		20,700	20,700
2018		20,700	20,700
2019		20,700	20,700
2020		20,700	20,700
2021		20,700	20,700
2022	460,000	20,700	480,700
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 460,000</u>	<u>\$ 227,700</u>	<u>\$ 687,700</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

HARRIS COUNTY WATER
CONTROL AND IMPROVEMENT
DISTRICT NO. 75
SERIES - \$2,160,000 - 1998 - B

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	\$ 200,000	\$ 57,270	\$ 257,270
2013	215,000	46,115	261,115
2014	230,000	34,042	264,042
2015	240,000	21,175	261,175
2016	265,000	7,287	272,287
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 1,150,000</u>	<u>\$ 165,889</u>	<u>\$ 1,315,889</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

SERIES - \$7,885,000 - 2001

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	\$ 380,000	\$ 9,614	\$ 389,614
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 380,000</u>	<u>\$ 9,614</u>	<u>\$ 389,614</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

REFUNDING SERIES - \$9,155,000 - 2 0 0 3 - A

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	\$ 570,000	\$ 76,197	\$ 646,197
2013	605,000	56,365	661,365
2014	480,000	37,440	517,440
2015		28,800	28,800
2016		28,800	28,800
2017		28,800	28,800
2018	720,000	14,400	734,400
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 2,375,000</u>	<u>\$ 270,802</u>	<u>\$ 2,645,802</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

REFUNDING SERIES - \$7,125,000 - 2003 - B

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	\$ 695,000	\$ 65,444	\$ 760,444
2013	730,000	41,210	771,210
2014	285,000	23,559	308,559
2015	500,000	9,250	509,250
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 2,210,000</u>	<u>\$ 139,463</u>	<u>\$ 2,349,463</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

SERIES - \$9,600,000 - 2005

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	\$ 235,000	\$ 324,339	\$ 559,339
2013	205,000	316,089	521,089
2014	820,000	297,383	1,117,383
2015	1,160,000	261,059	1,421,059
2016	1,755,000	206,693	1,961,693
2017	2,575,000	124,862	2,699,862
2018	2,025,000	37,969	2,062,969
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 8,775,000</u>	<u>\$ 1,568,394</u>	<u>\$ 10,343,394</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

SERIES - \$5,500,000 - 2 0 0 6

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	\$ 310,000	\$ 163,450	\$ 473,450
2013	325,000	150,750	475,750
2014	340,000	137,450	477,450
2015	360,000	123,450	483,450
2016	375,000	108,750	483,750
2017	395,000	93,844	488,844
2018	415,000	78,655	493,655
2019	435,000	62,719	497,719
2020	460,000	45,937	505,937
2021	485,000	28,220	513,220
2022	510,000	9,562	519,562
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 4,410,000</u>	<u>\$ 1,002,787</u>	<u>\$ 5,412,787</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

REFUNDING SERIES - \$4,255,000 - 2006

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	\$ 60,000	\$ 165,200	\$ 225,200
2013	60,000	162,800	222,800
2014	20,000	521,600	541,600
2015	380,000	154,000	534,000
2016	390,000	138,600	528,600
2017	670,000	117,400	787,400
2018	420,000	95,600	515,600
2019	985,000	67,500	1,052,500
2020	585,000	36,100	621,100
2021	610,000	12,200	622,200
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 4,180,000</u>	<u>\$ 1,471,000</u>	<u>\$ 5,651,000</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

SERIES - \$8,730,000 - 2008

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	\$ 515,000	\$ 241,026	\$ 756,026
2013	540,000	225,202	765,202
2014	565,000	207,919	772,919
2015	595,000	189,070	784,070
2016	625,000	169,089	794,089
2017	660,000	147,886	807,886
2018	690,000	125,266	815,266
2019	730,000	100,761	830,761
2020	765,000	74,216	839,216
2021	805,000	45,855	850,855
2022	845,000	15,632	860,632
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 7,335,000</u>	<u>\$ 1,541,922</u>	<u>\$ 8,876,922</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

REFUNDING SERIES - \$11,645,000 - 2009

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	\$ 1,005,000	\$ 809,388	\$ 1,814,388
2013	1,755,000	312,449	2,067,449
2014	1,495,000	269,956	1,764,956
2015	1,550,000	218,400	1,768,400
2016	1,620,000	155,000	1,775,000
2017	665,000	109,300	774,300
2018	975,000	76,500	1,051,500
2019	325,000	50,500	375,500
2020	345,000	37,100	382,100
2021	755,000	22,900	777,900
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 10,490,000</u>	<u>\$ 2,061,493</u>	<u>\$ 12,551,493</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

S E R I E S - \$ 5,270,000 - 2 0 0 9

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	\$ 345,000	\$ 151,057	\$ 496,057
2013	365,000	140,405	505,405
2014	385,000	129,156	514,156
2015	400,000	117,381	517,381
2016	420,000	105,081	525,081
2017	445,000	92,106	537,106
2018	465,000	78,457	543,457
2019	490,000	63,519	553,519
2020	515,000	46,866	561,866
2021	540,000	29,062	569,062
2022	570,000	9,975	579,975
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 4,940,000</u>	<u>\$ 963,065</u>	<u>\$ 5,903,065</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

REFUNDING SERIES - \$8,815,000 - 2010

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	\$ 1,175,000	\$ 275,924	\$ 1,450,924
2013	1,200,000	246,174	1,446,174
2014	1,245,000	209,501	1,454,501
2015	1,290,000	171,476	1,461,476
2016	1,325,000	125,625	1,450,625
2017	1,385,000	71,425	1,456,425
2018	255,000	38,626	293,626
2019	260,000	27,999	287,999
2020	270,000	16,737	286,737
2021	275,000	5,500	280,500
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 8,680,000</u>	<u>\$ 1,188,987</u>	<u>\$ 9,868,987</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

SERIES - \$7,620,000 - 2011

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	\$ 170,000	\$ 300,057	\$ 470,057
2013	175,000	295,746	470,746
2014	185,000	291,245	476,245
2015	195,000	286,495	481,495
2016	205,000	281,495	486,495
2017	215,000	275,707	490,707
2018	230,000	269,032	499,032
2019	240,000	261,982	501,982
2020	250,000	254,632	504,632
2021	265,000	246,245	511,245
2022	280,000	236,008	516,008
2023	290,000	224,608	514,608
2024	305,000	212,708	517,708
2025	325,000	200,108	525,108
2026	340,000	186,808	526,808
2027	355,000	172,464	527,464
2028	375,000	156,951	531,951
2029	395,000	140,292	535,292
2030	415,000	122,265	537,265
2031	435,000	103,140	538,140
2032	460,000	82,657	542,657
2033	480,000	60,562	540,562
2034	505,000	37,169	542,169
2035	530,000	12,588	542,588
	<u>\$ 7,620,000</u>	<u>\$ 4,710,964</u>	<u>\$ 12,330,964</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

SERIES - \$7,130,000 - 2011A

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2012	\$ 130,000	\$ 295,317	\$ 425,317
2013	165,000	268,788	433,788
2014	175,000	264,537	439,537
2015	185,000	260,037	445,037
2016	195,000	254,800	449,800
2017	205,000	248,800	453,800
2018	215,000	242,500	457,500
2019	225,000	235,900	460,900
2020	235,000	229,000	464,000
2021	245,000	221,494	466,494
2022	260,000	213,125	473,125
2023	275,000	203,925	478,925
2024	290,000	193,856	483,856
2025	300,000	182,975	482,975
2026	320,000	170,950	490,950
2027	335,000	157,850	492,850
2028	350,000	143,931	493,931
2029	370,000	128,850	498,850
2030	390,000	112,700	502,700
2031	410,000	95,444	505,444
2032	430,000	76,800	506,800
2033	450,000	56,719	506,719
2034	475,000	35,031	510,031
2035	500,000	11,875	511,875
	<u>\$ 7,130,000</u>	<u>\$ 4,305,204</u>	<u>\$ 11,435,204</u>

See accompanying independent auditor's report.

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CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal Interest Due
2012	\$ 5,790,000	\$ 2,954,983	\$ 8,744,983
2013	6,340,000	2,282,793	8,622,793
2014	6,225,000	2,444,488	8,669,488
2015	6,855,000	1,861,293	8,716,293
2016	7,175,000	1,601,920	8,776,920
2017	7,215,000	1,330,830	8,545,830
2018	6,410,000	1,077,705	7,487,705
2019	3,690,000	891,580	4,581,580
2020	3,425,000	761,288	4,186,288
2021	3,980,000	632,176	4,612,176
2022	2,925,000	505,002	3,430,002
2023	565,000	428,533	993,533
2024	595,000	406,564	1,001,564
2025	625,000	383,083	1,008,083
2026	660,000	357,758	1,017,758
2027	690,000	330,314	1,020,314
2028	725,000	300,882	1,025,882
2029	765,000	269,142	1,034,142
2030	805,000	234,965	1,039,965
2031	845,000	198,584	1,043,584
2032	890,000	159,457	1,049,457
2033	930,000	117,281	1,047,281
2034	980,000	72,200	1,052,200
2035	1,030,000	24,463	1,054,463
	<u>\$ 70,135,000</u>	<u>\$ 19,627,284</u>	<u>\$ 89,762,284</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Description	Original Bonds Issued	Bonds Outstanding October 1, 2010
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 1997	\$ 5,705,000	\$ 700,000
Clear Lake City Water Authority Consolidated Area (Harris County Water Control and Improvement District No. 75) Unlimited Tax Refunding Bonds - Series 1998-B	2,160,000	1,340,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 1999	6,900,000	355,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2000	4,485,000	215,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2001	7,885,000	745,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2002	11,405,000	520,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2003-A	9,155,000	2,915,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2003-B	7,125,000	3,380,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2005	9,600,000	9,035,000

For interest rates, interest payment dates and maturity dates, see Note 3.

See accompanying independent auditor's report.

Current Year Transactions					Bonds Outstanding September 30, 2011	Paying Agent
Bonds Sold	Retirements					
	Principal	Interest				
\$	\$ 240,000	\$ 32,460	\$	\$ 460,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	190,000	67,655		1,150,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	355,000	6,301		-0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	215,000	4,246		-0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	365,000	28,280		380,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	520,000	9,750		-0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	540,000	94,183		2,375,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	1,170,000	95,512		2,210,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	260,000	333,621		8,775,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Description	Original Bonds Issued	Bonds Outstanding October 1, 2010
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2006	\$ 5,500,000	\$ 4,705,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2006	4,255,000	4,235,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2008	8,730,000	7,825,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2009	11,645,000	11,385,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2009	5,270,000	5,270,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2010	8,815,000	8,815,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011	7,620,000	
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011A	7,130,000	
TOTAL	<u>\$ 123,385,000</u>	<u>\$ 61,440,000</u>

For interest rates, interest payment dates and maturity dates, see Note 3.

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding September 30, 2011	Paying Agent
	Principal	Interest		
\$	\$ 295,000	\$ 175,550	\$ 4,410,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	55,000	167,500	4,180,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	490,000	256,102	7,335,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	895,000	372,288	10,490,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	330,000	161,182	4,940,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	135,000	289,025	8,680,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
7,620,000		120,871	7,620,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>7,130,000</u>			<u>7,130,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 14,750,000</u>	<u>\$ 6,055,000</u>	<u>\$ 2,214,526</u>	<u>\$ 70,135,000</u>	

See accompanying independent auditor's report.

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CLEAR LAKE CITY WATER AUTHORITY
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

RECONCILIATION OF BONDS ISSUED:

In addition to the bond issues listed on the previous pages, the Authority has retired the following bond issues.

Entity	Bond Issue	Amount
Harris County Municipal Utility District No. 181	Series 1983	\$ 1,300,000
Harris County Municipal Utility District No. 181	Series 1986	440,000
Harris County Water Control & Improvement District No. 75	Series 1992	3,005,000
Clear Lake City Water Authority	Series 1963	5,400,000
Clear Lake City Water Authority	Series 1967	3,025,000
Clear Lake City Water Authority	Series 1968	1,965,000
Clear Lake City Water Authority	Series 1969	1,450,000
Clear Lake City Water Authority	Series 1971	2,850,000
Clear Lake City Water Authority	Series 1975	1,000,000
Clear Lake City Water Authority	Series 1976	1,780,000
Clear Lake City Water Authority	Series 1977	1,080,000
Clear Lake City Water Authority	Series 1978	1,900,000
Clear Lake City Water Authority	Series 1980	1,450,000
Clear Lake City Water Authority	Series 1986	5,910,000
Clear Lake City Water Authority	Series 1987	9,535,000
Clear Lake City Water Authority	Series 1988	4,700,000
Clear Lake City Water Authority	Refunding Series 1990	1,440,000
Clear Lake City Water Authority	Series 1977-A	2,100,000
Clear Lake City Water Authority	Series 1989	3,350,000
Clear Lake City Water Authority	Series 1987-A	7,000,000
Clear Lake City Water Authority	Series 1990	6,400,000
Clear Lake City Water Authority	Series 1991	8,090,000
Clear Lake City Water Authority	Refunding Series 1992	5,520,000
Clear Lake City Water Authority	Series 1993	8,345,000
Clear Lake City Water Authority	Series 1993-A	7,000,000
Clear Lake City Water Authority	Series 1993-B	9,600,000
Clear Lake City Water Authority	Series 1994	18,840,000
Clear Lake City Water Authority	Series 1999	6,065,000
Clear Lake City Water Authority	Series 1998-A	1,305,000
Clear Lake City Water Authority	Series 1998	5,410,000
Clear Lake City Water Authority	Refunding Series 1998	<u>10,655,000</u>
TOTAL BOND ISSUES RETIRED		\$ 147,910,000
Total Original Bonds Issued Outstanding as of the fiscal year end September 30, 2011		<u>123,385,000</u>
Totals Bonds Issued		<u>\$ 271,295,000</u>
Total Tax Bonds Issued		\$ 172,910,000
Total Refunding Bonds Issued		27,150,000
Total Dollar for Dollar Refunding Bonds Issued		<u>71,235,000</u>
TOTAL BONDS ISSUED		<u>\$ 271,295,000</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Tax Bonds		
	Clear Lake City Water Authority	HC MUD No. 181	HCWCID No. 75
Bond Authority:			
Amount Authorized by Voters	\$ 211,390,400	\$ 5,000,000	\$ 3,005,000
Amount Issued	<u>168,165,000</u>	<u>1,740,000</u>	<u>3,005,000</u>
Remaining to be Issued	<u>\$ 43,225,400</u>	<u>\$ 3,260,000</u>	<u>\$ -0-</u>
Debt Service Fund cash and investment balances as of September 30, 2011:			<u>\$ 7,766,521</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 3,740,095</u>

See accompanying independent auditor's report.

Refunding Bonds			
Total	Clear Lake City Water Authority	HC MUD No. 181	Total
\$ 219,395,400	\$ 111,323,100	\$ 5,000,000	\$116,323,100
<u>172,910,000</u>	<u>24,405,000</u>	<u>2,745,000</u>	<u>27,150,000 (1)</u>
<u>\$ 46,485,400</u>	<u>\$ 86,918,100</u>	<u>\$ 2,255,000</u>	<u>\$ 89,173,100</u>

- (1) Total refunding bonds issued excludes the following bond issues which were refunded dollar for dollar to obtain a lower interest rate.

Clear Lake City Water Authority Bonds Series 1987	\$ 6,065,000
Clear Lake City Water Authority Bonds Series 1991	3,330,000
Clear Lake City Water Authority Bonds Series 1993	7,325,000
District No. 75 Bonds Refunded by Series 1998-B	2,160,000
Clear Lake City Water Authority Refunding Bond Series 2002	11,405,000
Clear Lake City Water Authority Refunding Bond Series 2003-A and 2003-B	16,280,000
Clear Lake City Water Authority Refunding Bond Series 2006	4,255,000
Clear Lake City Water Authority Refunding Bond Series 2009	11,645,000
Clear Lake City Water Authority Refunding Bond Series 2010	<u>8,770,000</u>
TOTAL	<u>\$ 71,235,000</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amount		
	2011	2010	2009
REVENUES			
Property Taxes	\$ 2,196,954	\$ 2,294,895	\$ 2,347,941
Water Service	6,232,870	4,802,760	5,370,624
Wastewater Service	2,916,287	2,585,387	2,723,388
Penalty and Interest	88,762	99,016	74,342
Tap Connection and Inspection Fees	63,691	207,831	24,345
Investment Revenues	6,113	10,276	23,969
Miscellaneous Revenues	178,410	166,142	251,332
TOTAL REVENUES	\$ 11,683,087	\$ 10,166,307	\$ 10,815,941
EXPENDITURES			
Payroll	\$ 3,672,231	\$ 3,359,592	\$ 3,151,612
Bulk Water Purchases	3,298,902	2,219,656	2,341,119
Professional Fees	661,269	801,138	1,290,186
Utilities	1,419,908	1,434,313	1,253,342
Repairs and Maintenance	600,437	488,673	636,122
Other	1,821,389	1,763,504	1,775,716
Capital Outlay	41,239	134,541	127,980
TOTAL EXPENDITURES	\$ 11,515,375	\$ 10,201,417	\$ 10,576,077
NET CHANGE IN FUND BALANCE	\$ 167,712	\$ (35,110)	\$ 239,864
BEGINNING FUND BALANCE	5,508,477	5,543,587	5,303,723
ENDING FUND BALANCE	\$ 5,676,189	\$ 5,508,477	\$ 5,543,587

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2008	2007	2011	2010	2009	2008	2007
\$ 2,129,498	\$ 2,077,589	18.8 %	22.7 %	21.7 %	21.3 %	22.2 %
4,829,038	4,186,792	53.3	47.2	49.7	48.3	44.7
2,575,718	2,478,277	25.0	25.4	25.2	25.8	26.4
89,539	88,090	0.8	1.0	0.7	0.9	0.9
48,930	131,507	0.5	2.0	0.2	0.5	1.4
165,907	233,543	0.1	0.1	0.2	1.7	2.5
163,454	178,477	1.5	1.6	2.3	1.5	1.9
<u>\$ 10,002,084</u>	<u>\$ 9,374,275</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 3,083,780	\$ 2,954,910	31.4 %	33.0 %	29.1 %	30.8 %	31.5 %
2,200,671	1,748,483	28.2	21.8	21.6	22.0	18.7
1,120,130	830,169	5.7	7.9	11.9	11.2	8.9
1,211,197	1,046,628	12.2	14.1	11.6	12.1	11.2
588,574	478,144	5.1	4.8	5.9	5.9	5.1
1,592,393	1,586,354	15.6	17.4	16.4	15.9	16.9
80,542	115,467	0.4	1.3	1.2	0.8	1.2
<u>\$ 9,877,287</u>	<u>\$ 8,760,155</u>	<u>98.6 %</u>	<u>100.3 %</u>	<u>97.7 %</u>	<u>98.7 %</u>	<u>93.5 %</u>
\$ 124,797	\$ 614,120	1.4 %	(0.3) %	2.3 %	1.3 %	6.5 %
<u>5,178,926</u>	<u>4,564,806</u>					
<u>\$ 5,303,723</u>	<u>\$ 5,178,926</u>					

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amount		
	2011	2010	2009
REVENUES			
Property Taxes	\$ 10,252,299	\$ 10,698,308	\$ 10,946,767
Penalty and Interest	83,538	138,909	108,467
Interest on Investments	12,234	15,153	58,195
Miscellaneous Revenues	10,887	9,302	17,346
TOTAL REVENUES	\$ 10,358,958	\$ 10,861,672	\$ 11,130,775
EXPENDITURES			
Payroll	\$ 250,715	\$ 226,475	\$ 186,329
Debt Service Principal	6,055,000	8,880,000	4,995,000
Debt Service Interest and Fees	2,477,722	2,890,888	2,903,295
Tax Collection Expenditures	58,651	157,551	145,680
TOTAL EXPENDITURES	\$ 8,842,088	\$ 12,154,914	\$ 8,230,304
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,516,870	\$ (1,293,242)	\$ 2,900,471
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued-Refunding	\$	\$ 8,815,000	\$ 11,645,000
Premium on Bonds Issued		381,085	547,778
Payment to Refunding Bonds Escrow Agent		(8,929,247)	(11,876,602)
Bond Discount		(171,893)	(241,591)
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 94,945	\$ 74,585
NET CHANGE IN FUND BALANCE	\$ 1,516,870	\$ (1,198,297)	\$ 2,975,056
BEGINNING FUND BALANCE	5,984,709	7,183,006	4,207,950
ENDING FUND BALANCE	\$ 7,501,579	\$ 5,984,709	\$ 7,183,006
TOTAL ACTIVE RETAIL WATER CONNECTIONS	17,648	17,700	17,732
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	17,202	17,260	17,277

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2008	2007	2011	2010	2009	2008	2007
\$ 9,951,412	\$ 9,773,339	99.0 %	98.5 %	98.3 %	96.8 %	95.5 %
105,196	105,204	0.8	1.3	1.0	1.0	1.0
217,150	358,605	0.1	0.1	0.5	2.1	3.5
11,224	4,914	0.1	0.1	0.2	0.1	
<u>\$ 10,284,982</u>	<u>\$ 10,242,062</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 157,465	\$ 216,669	2.4 %	2.1 %	1.7 %	1.5 %	2.1 %
6,814,172	6,105,000	58.5	81.8	44.9	66.2	59.6
3,249,916	3,581,500	23.9	26.6	26.1	31.6	35.0
61,002	54,368	0.6	1.5	1.3	0.6	0.5
<u>\$ 10,282,555</u>	<u>\$ 9,957,537</u>	<u>85.4 %</u>	<u>112.0 %</u>	<u>74.0 %</u>	<u>99.9 %</u>	<u>97.2 %</u>
\$ 2,427	\$ 284,525	14.6 %	(12.0) %	26.0 %	0.1 %	2.8 %
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 2,427	\$ 284,525					
4,205,523	3,920,998					
<u>\$ 4,207,950</u>	<u>\$ 4,205,523</u>					
<u>17,740</u>	<u>17,829</u>					
<u>17,264</u>	<u>17,307</u>					

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2011

Authority Mailing Address - Clear Lake City Water Authority
 900 Bay Area Blvd.
 Houston, TX 77058-2691

Authority Telephone Number - (281) 488-1164

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2011	Expense Reimbursements for the year ended September 30, 2011	Title
Gayle I. Yoder	05/2008 05/2012 (Elected)	\$ 4,800	\$ -0-	President/ Investment Officer
John B. Branch	05/2008 05/2012 (Elected)	\$ 2,400	\$ -0-	Vice President
Robert T. Savely	05/2008 05/2012 (Elected)	\$ 4,800	\$ -0-	Secretary
Vince Johnson	05/2010 05/2014 (Elected)	\$ 6,000	\$ -0-	Director
John Ferguson	05/2010 05/2014 (Elected)	\$ 6,000	\$ -0-	Director

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

Submission Date of most recent Registration Form (TWC Sections 36.054 and 49.054):
 January 30, 2012.

Limit on Fees of Office that a Director may receive during a fiscal year is the maximum allowed by law as set by Board Resolution (TWC Section 49.060) on February 10, 2011. Fees of Office are the amounts actually paid to a Director during the Authority's current fiscal year.

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2011

Key Administrative Personnel:	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ending September 30, 2011</u>	<u>Title</u>
[REDACTED]	08/29/83	\$ 103,826	General Manager/ Treasurer
[REDACTED]	01/16/86	\$ 81,091	Director of Utilities
[REDACTED]	11/18/77	\$ 84,076	Capital Projects Bookkeeper
[REDACTED]	10/19/98	\$ 72,485	Tax Assessor/ Collector
[REDACTED]	04/16/07	\$ 54,539	Accounts Manager
Consultants:			
Schweinle & Parish, P.C. 440 Louisiana, Suite 1400 Houston, TX 77002-1691	07/17/86	\$ 197,375	Attorney
McCall Gibson Swedlund Barfoot PLLC 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	07/31/96	\$ 39,360	Auditor
Sanford Kuhl Hagan Kugle Parker Kahn LLP 1980 Post Oak Blvd., Suite 1380 Houston, TX 77056	02/11/10	\$ 81,150	Bond Counsel
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, TX 77008	06/28/01	\$ 19,566	Delinquent Tax Attorney
Lockwood, Andrews & Newnam, Inc. 2925 Briarpark Drive Houston, TX 77042	12/18/97	\$ 1,730,504	Engineer
RBC Capital Markets 1001 Fannin, Suite 1200 Houston, TX 77002-6796	11/04/89	\$ 60,681	Financial Advisor

See accompanying independent auditor's report.