

CLEAR LAKE CITY WATER AUTHORITY

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2012

REVISED

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants



CLEAR LAKE CITY WATER AUTHORITY

HARRIS COUNTY, TEXAS

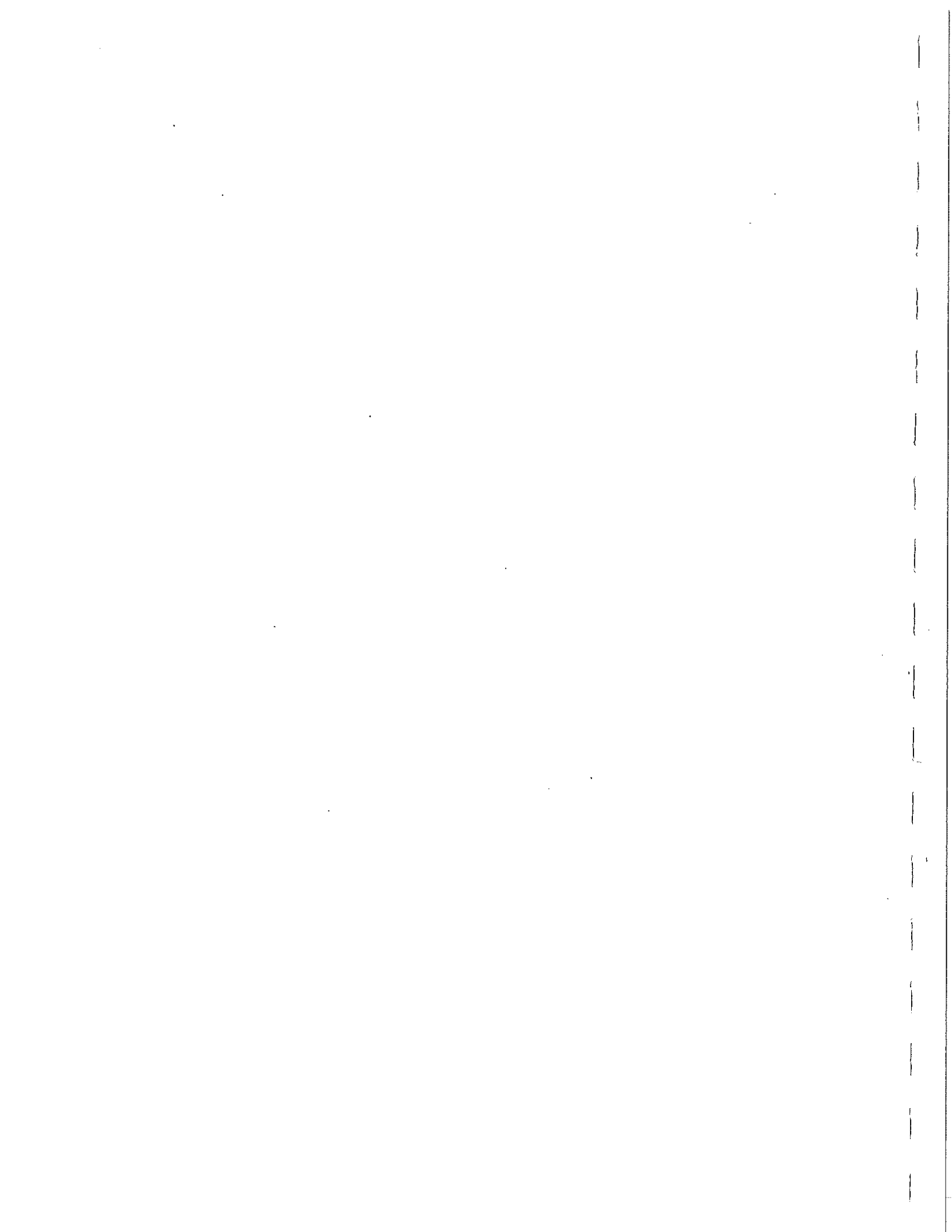
ANNUAL FINANCIAL REPORT

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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, 2012, 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 opinions on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted as promulgated within the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 opinions.

As discussed in Note 20 to the financial statements, the Authority has revised and reissued its September 30, 2012, annual financial report.

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, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Board of Directors
Clear Lake City Water Authority

Accounting principles generally accepted in the United States of America require that 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 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

February 7, 2013



CLEAR LAKE CITY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Management's 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, 2012. 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 Authority has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, ad valorem taxes, 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, 2012**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the 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 40 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 \$65,688,343 as of September 30, 2012. This compares with assets exceeding liabilities by \$59,272,041 as of September 30, 2011.

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, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Assets		
	2012	2011	Change Positive (Negative)
Current and Other Assets	\$ 32,172,327	\$ 29,125,322	\$ 3,047,005
Capital Assets (Net of Accumulated Depreciation)	112,764,229	109,518,289	3,245,940
Total Assets	\$ 144,936,556	\$ 138,643,611	\$ 6,292,945
Long -Term Liabilities	\$ 67,850,000	\$ 64,345,000	\$ (3,505,000)
Other Liabilities	11,398,213	15,026,570	3,628,357
Total Liabilities	\$ 79,248,213	\$ 79,371,570	\$ 123,357
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 46,727,731	\$ 47,247,826	\$ (520,095)
Restricted	10,563,044	9,289,015	1,274,029
Unrestricted	8,397,568	2,735,200	5,662,368
Total Net Assets	\$ 65,688,343	\$ 59,272,041	\$ 6,416,302

The following table provides a summary of the Authority's operations for the years ended September 30, 2012, and September 30, 2011. The Authority's net assets increased by \$6,416,302 accounting for a 10.8% growth in net assets. This compares with an increase of \$1,212,324 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		
	2012	2011	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 12,525,398	\$ 12,483,607	\$ 41,791
Charges for Services	10,333,018	9,345,148	987,870
Other Revenues	395,857	304,903	90,954
Total Revenues	\$ 23,254,273	\$ 22,133,658	\$ 1,120,615
Expenses for Services	16,837,971	20,921,334	4,083,363
Change in Net Assets	\$ 6,416,302	\$ 1,212,324	\$ 5,203,978
Net Assets, Beginning of Year	59,272,041	58,059,717	1,212,324
Net Assets, End of Year	\$ 65,688,343	\$ 59,272,041	\$ 6,416,302

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUNDS

The Authority's combined fund balances as of September 30, 2012, were \$27,296,381, an increase of \$3,585,310 from the prior year.

The General Fund fund balance increased by \$1,681,136, primarily due to an increase in sewer service revenues resulting from an increase in sewer rates and a decrease in purchased water costs.

The Debt Service Fund fund balance increased by \$1,247,702, primarily due to the structure of the Authority's outstanding debt and the sales of Series 2012 and Series 2012A refunding bonds.

The Capital Projects Fund fund balance increased by \$656,472, primarily due to the sale of Series 2012 bonds, a portion of which was still on hand at fiscal year-end.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the current fiscal year. Actual revenues were \$22,188 more than budgeted revenues primarily due to sales of groundwater credits and actual expenditures were \$71,347 more than budgeted expenditures primarily due to lower than expected operating expenditures. See the budget to actual comparison on page 42.

CAPITAL ASSETS

The Authority's investment in capital assets as of September 30, 2012, amounts to \$112,764,229 (net of accumulated depreciation). Significant capital asset activity during the current fiscal year included: water, sewer and drainage system rehabilitation; replacement of rotary blowers; water plant no. 4 generator; El Camino Real Utility Adjustments; and the purchase of various vehicles and equipment.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2012	2011	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 6,639,514	\$ 6,614,715	\$ 24,799
Sanitary Sewer Laterals and Trunks	44,470,123	42,053,988	2,416,135
Construction in Progress	988,289	1,200,004	(211,715)
Capital Assets, Net of Accumulated Depreciation:			
Buildings	470,327	485,477	(15,150)
Water System	25,135,172	25,137,639	(2,467)
Sanitary Sewer System	9,654,214	8,524,062	1,130,152
Drainage System	25,084,284	25,206,206	(121,922)
Equipment	322,306	296,198	26,108
Total Net Capital Assets	\$ 112,764,229	\$ 109,518,289	\$ 3,245,940

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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, 2012, the Authority had total bond debt payable of \$74,475,000. The changes in the debt position of the Authority during the fiscal year ended September 30, 2012, are summarized as follows:

Bond Debt Payable, October 1, 2011	\$	70,135,000
Add: Bond Issued - Refunding Series 2012		11,105,000
Add: Bond Issued - Series 2012		6,300,000
Add: Bond Issued - Refunding Series 2012A		4,305,000
Less: Bond Principal Refunded		11,580,000
Less: Bond Principal Paid		<u>5,790,000</u>
Bond Debt Payable, September 30, 2012	\$	<u>74,475,000</u>

Standard & Poor's has assigned an underlying rating of "AA-" to the Authority. The Authority's bonds either do not have an insured rating or have an insured rating equal to or 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, 2012.

CONTACTING THE AUTHORITY'S 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, 2012

	General Fund	Debt Service Fund
ASSETS		
Cash, Note 5	\$ 512,944	\$ 734,149
Investments, Note 5	7,345,755	8,288,154
Receivables:		
Property Taxes	38,533	183,861
Penalty and Interest on Delinquent Taxes		68,700
Service Accounts (Net of Allowance for Uncollectible Accounts of \$-0-)	1,055,083	
Other	10,792	
Due from Other Funds, Note 2	227,749	
Inventory, Note 2	135,295	
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	\$ 9,326,151	\$ 9,274,864

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>
\$ 3,116,329	\$ 4,363,422	\$	\$ 4,363,422
8,738,376	24,372,285		24,372,285
	222,394		222,394
	68,700		68,700
	1,055,083		1,055,083
	10,792		10,792
85,991	313,740	(313,740)	
	135,295		135,295
		1,001,710	1,001,710
		942,646	942,646
		6,639,514	6,639,514
		44,470,123	44,470,123
		988,289	988,289
		60,666,303	60,666,303
<u>\$ 11,940,696</u>	<u>\$ 30,541,711</u>	<u>\$ 114,394,845</u>	<u>\$ 144,936,556</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, 2012

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 1,110,922	\$ 45,273
Accrued Interest Payable		
Due to Other Funds, Note 2	85,991	227,749
Security Deposits	733,380	
Deferred Property Tax Revenues	38,533	183,861
Deferred Penalty and Interest on Delinquent Taxes		68,700
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		
	<u>\$ 1,968,826</u>	<u>\$ 525,583</u>
TOTAL LIABILITIES		
FUND BALANCES/NET ASSETS		
FUND BALANCES		
Nonspendable:		
Inventory, Note 2	\$ 135,295	\$
Restricted for Authorized Construction:		
Bond Proceeds		
Net Investment Revenues		8,749,281
Restricted for Debt Service		
Committed for Sick Leave Obligation, Note 9	627,040	
Committed for Unbudgeted Major Repairs of Facilities, Note 2	250,000	
Committed for Emergencies, Note 2	820,000	
Unassigned	5,524,990	
	<u>\$ 7,357,325</u>	<u>\$ 8,749,281</u>
TOTAL FUND BALANCES		
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,326,151</u>	<u>\$ 9,274,864</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Restricted for:		
Debt Service		
Capital Projects		
Unrestricted		
TOTAL NET ASSETS		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Assets
\$ 750,921	\$ 1,907,116	\$	\$ 1,907,116
		243,015	243,015
	313,740	(313,740)	
	733,380		733,380
	222,394	(222,394)	
	68,700	(68,700)	
		1,551,988	1,551,988
		6,625,000	6,625,000
		337,714	337,714
		<u>67,850,000</u>	<u>67,850,000</u>
<u>\$ 750,921</u>	<u>\$ 3,245,330</u>	<u>\$ 76,002,883</u>	<u>\$ 79,248,213</u>
\$	\$ 135,295	\$ (135,295)	\$
9,385,558	9,385,558	(9,385,558)	
1,804,217	1,804,217	(1,804,217)	
	8,749,281	(8,749,281)	
	627,040	(627,040)	
	250,000	(250,000)	
	820,000	(820,000)	
	<u>5,524,990</u>	<u>(5,524,990)</u>	
<u>\$ 11,189,775</u>	<u>\$ 27,296,381</u>	<u>\$ (27,296,381)</u>	<u>\$ - 0 -</u>
<u>\$ 11,940,696</u>	<u>\$ 30,541,711</u>		
		\$ 46,727,731	\$ 46,727,731
		8,758,827	8,758,827
		1,804,217	1,804,217
		<u>8,397,568</u>	<u>8,397,568</u>
		<u>\$ 65,688,343</u>	<u>\$ 65,688,343</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, 2012**

Total Fund Balances - Governmental Funds \$ 27,296,381

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

Unamortized bond issuance costs, bond discounts and bond premiums in governmental activities are not reported in the governmental funds. 392,368

Land, construction in progress, sanitary sewer laterals and trunks and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 112,764,229

Deferred tax revenues and deferred penalty and interest revenues on delinquent taxes for the 2011 and prior tax levies became part of recognized revenue in the governmental activities of the District. 291,094

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

Accrued Interest Payable	\$ (243,015)	
Bonds Payable Within One Year	(6,625,000)	
Accrued Interest Payable on Premium		
Compound Interest Bonds	(337,714)	
Bonds Payable After One Year	<u>(67,850,000)</u>	<u>(75,055,729)</u>

Total Net Assets - Governmental Activities \$ 65,688,343

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, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 2,214,100	\$ 10,333,288
Water Service	6,189,253	
Wastewater Service	3,931,335	
Penalty and Interest	107,843	86,463
Tap Connection and Inspection Fees	20,024	
Groundwater Credits	162,770	
Investment Revenues	6,254	12,593
Miscellaneous Revenues	198,012	4,187
TOTAL REVENUES	<u>\$ 12,829,591</u>	<u>\$ 10,436,531</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Bulk Water Purchases	\$ 2,485,940	\$ 256,443
Payroll	3,867,603	
Utilities	890,346	
Repairs and Maintenance	1,032,029	8,847
Professional Fees	585,670	225,145
Contracted Services		29,257
Depreciation, Note 6		
Other	1,982,947	43,488
Lawsuit Settlement	172,053	
Capital Outlay	131,867	
Debt Service:		
Bond Anticipation Note Issuance Costs		
Bond Anticipation Note Interest		189,521
Bond Issuance Costs		5,790,000
Bond Principal		2,942,767
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 11,148,455</u>	<u>\$ 9,485,468</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 1,681,136</u>	<u>\$ 951,063</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out), Note 17	\$	\$ (4,052,786)
Long-Term Debt Issued, Note 17		15,410,000
Transfer to Refunding Bond Escrow Agent		(12,007,810)
Bond Discounts		(113,956)
Bond Premium		1,061,191
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ 296,639</u>
NET CHANGE IN FUND BALANCES	\$ 1,681,136	\$ 1,247,702
CHANGE IN NET ASSETS		
FUND BALANCES/NET ASSETS - OCTOBER 1, 2011	<u>5,676,189</u>	<u>7,501,579</u>
FUND BALANCES/NET ASSETS - SEPTEMBER 30, 2012	<u>\$ 7,357,325</u>	<u>\$ 8,749,281</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 12,547,388	\$ (21,990)	\$ 12,525,398
	6,189,253		6,189,253
	3,931,335		3,931,335
	194,306	(1,900)	192,406
	20,024		20,024
	162,770		162,770
12,041	30,888		30,888
	202,199		202,199
<u>\$ 12,041</u>	<u>\$ 23,278,163</u>	<u>\$ (23,890)</u>	<u>\$ 23,254,273</u>
	\$ 2,485,940	\$	\$ 2,485,940
	4,124,046		4,124,046
	890,346		890,346
	1,040,876		1,040,876
117	810,932		810,932
	29,257		29,257
		2,387,210	2,387,210
	2,026,435		2,026,435
3,987,833	4,159,886	(4,159,886)	
5,501,283	5,633,150	(5,633,150)	
	31,479		31,479
	22,786		22,786
120,871	310,392	(310,392)	
	5,790,000	(5,790,000)	
	2,942,767	45,897	2,988,664
<u>\$ 9,664,369</u>	<u>\$ 30,298,292</u>	<u>\$ (13,460,321)</u>	<u>\$ 16,837,971</u>
<u>\$ (9,652,328)</u>	<u>\$ (7,020,129)</u>	<u>\$ 13,436,431</u>	<u>\$ 6,416,302</u>
\$ 4,052,786	\$	\$	\$
6,300,000	21,710,000	(21,710,000)	
	(12,007,810)	12,007,810	
(43,986)	(157,942)	157,942	
	1,061,191	(1,061,191)	
<u>\$ 10,308,800</u>	<u>\$ 10,605,439</u>	<u>\$ (10,605,439)</u>	<u>\$ -0-</u>
\$ 656,472	\$ 3,585,310	\$ (3,585,310)	\$
		6,416,302	6,416,302
10,533,303	23,711,071	35,560,970	59,272,041
<u>\$ 11,189,775</u>	<u>\$ 27,296,381</u>	<u>\$ 38,391,962</u>	<u>\$ 65,688,343</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, 2012**

Net Change in Fund Balances - Governmental Funds	\$ 3,585,310
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(21,990)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	(1,900)
Governmental funds record expenditures for payments made on long-term debt. However, in the Statement of Net Assets, long-term payables are reduced by amounts paid and the Statement of Activities is not affected.	4,159,886
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.	(2,387,210)
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.	5,633,150
Governmental funds report bond issuance costs as expenditures and bond discounts and bond premiums as other financing sources/uses in the year paid. However, in the Statement of Net Assets, the bond issuance costs, bond discounts, and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(592,857)
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.	5,790,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Assets, interest is accrued on the long-term debt through fiscal year-end.	(45,897)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Assets.	(21,710,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Assets.	12,007,810
Change in Net Assets - Governmental Activities	<u>\$ 6,416,302</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, 2012

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 ("GASB"). 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 GASB has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The 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 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, 2012

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

When both restricted and unrestricted resources are available for use, generally it is the 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, 2012

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, 2012

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, 2012, the Debt Service Fund owed the General Fund \$227,749 for operating expenses. The General Fund owed the Capital Projects Fund \$85,991 for impact fees.

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:

	Years
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, 2012

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, 2012, was \$135,295.

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended during the current fiscal year.

Pensions

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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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, 2012

NOTE 3. BONDS PAYABLE

	Series 1997	Harris County Water Control and Improvement District No. 75 Series 1998-B
Amounts Outstanding - September 30, 2012	\$ 460,000	\$ 950,000
Interest Rates	4.50%	5.30% - 5.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2022	March 1, 2013/2016
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.

	Refunding Series 2003-A	Refunding Series 2003-B
Amounts Outstanding – September 30, 2012	\$ 605,000	\$ 730,000
Interest Rates	3.40%	3.45%
Maturity Dates – Serially Beginning/Ending	March 1, 2013	March 1, 2013
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	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, 2012

NOTE 3. BONDS PAYABLE (Continued)

	Series 2005	Series 2006	Series 2008
Amounts Outstanding - September 30, 2012	\$ 1,025,000	\$ 2,020,000	\$ 6,820,000
Interest Rates	3.625% - 3.75%	3.75% - 4.00%	3.00% - 3.70%
Maturity Dates – Serially Beginning/Ending	March 1, 2013/2014	March 1, 2013/2015, 2021/2022	March 1, 2013/2022
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		Series 2009
	Current Interest Bonds	Premium Compound Interest Bonds	
Amounts Outstanding – September 30, 2012	\$ 4,100,000	\$ 20,000	\$ 4,595,000
Interest Rates	4.00%	4.07%	3.00%-3.50%
Maturity Dates – Serially Beginning/Ending	March 1, 2013 and 2015/2021	March 1, 2014	March 1, 2013/2022
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. Series 2006 bonds maturing March 1, 2022, are term bonds and are subject to mandatory redemption on March 1, 2021, respectively.

** Callable in whole or in part, at a price equal to the principal amount of the Current Interest Bonds or a portion thereof called for redemption, plus accrued interest to the date of redemption. The par value of the premium compound interest bonds is \$20,000 and the maturity value is \$380,000. Interest on these bonds will be paid at maturity. At September 30, 2012, the accreted value of these bonds is approximately \$357,714. Accrued interest of \$337,714 has been recorded in the Statement of Net Assets.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 3. BONDS PAYABLE (Continued)

	Refunding Series 2009	Refunding Series 2010	Series 2011
Amounts Outstanding – September 30, 2012	\$ 9,485,000	\$ 7,505,000	\$ 7,450,000
Interest Rates	2.50%-4.00%	2.00% - 4.25%	2.50% - 4.75%
Maturity Dates – Serially Beginning/Ending	March 1, 2013/2021 and September 1, 2021	March 1, 2013/2021	March 1, 2013/2035
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2019*	March 1, 2018*	March 1, 2019**
	Series 2011A	Refunding Series 2012	Series 2012
Amounts Outstanding – September 30, 2012	\$ 7,000,000	\$ 11,105,000	\$ 6,300,000
Interest Rates	2.50%-4.75%	3.00% - 4.00%	2.00%-3.65%
Maturity Dates – Serially Beginning/Ending	March 1, 2013/2035	March 1, 2014/2020	March 1, 2013/2035
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2019**	Non-Callable	March 1, 2020**

* 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.

**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. Series 2012 term bonds due March 1, 2025, are subject to mandatory redemption beginning on March 1, 2024.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 3. BONDS PAYABLE (Continued)

	Refunding Series 2012A
Amounts Outstanding – September 30, 2012	\$ 4,305,000
Interest Rates	2.00% - 3.65%
Maturity Dates – Serially Beginning/Ending	March 1, 2013/2035
Interest Payment Dates	March 1/ September 1
Callable Dates	March 1, 2020*

* 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 2012A Refunding term bonds due March 1, 2026, March 1, 2028, March 1, 2030, March 1, 2032, and March 1, 2035, are subject to mandatory redemption beginning on March 1, 2024, March 1, 2027, March 1, 2029, March 1, 2031, and March 1, 2033.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2012:

Bond Debt Payable - October 1, 2011		\$	70,135,000
Add:	Bonds Sold:		
	Refunding Series 2012	\$	11,105,000
	Series 2012		6,300,000
	Refunding Series 2012A		4,305,000
			21,710,000
Less:	Bond Principal Paid/Refunded:		
	Refunding Series 1998-B	\$	200,000
	Series 2001		380,000
	Refunding Series 2003-A		1,770,000
	Refunding Series 2003-B		1,480,000
	Series 2005		7,750,000
	Series 2006		2,390,000
	Refunding Series 2006		60,000
	Series 2008		515,000
	Refunding Series 2009		1,005,000
	Series 2009		345,000
	Refunding Series 2010		1,175,000
	Series 2011		170,000
	Series 2011A		130,000
			17,370,000
Bond Debt Payable - September 30, 2012		\$	74,475,000

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 3. BONDS PAYABLE (Continued)

Bond Debt Payable -	
Due Within One Year	\$ 6,625,000
Due After One Year	<u>67,850,000</u>
Bond Debt Payable - September 30, 2012	<u>\$ 74,475,000</u>
Original Bonds Voted	<u>\$ 219,395,400</u>
Original Bonds Approved	<u>\$ 179,210,000</u>
Original Bonds Issued	<u>\$ 179,210,000</u>
Remaining Voted Bonds to be Issued (see pages 76 and 77)	<u>\$ 40,185,400</u>
Refunding Bonds Voted	<u>\$ 116,323,100</u>
Refunding Bonds Issued	<u>\$ 52,340,335</u>
Remaining Refunding Bonds to be Issued	<u>\$ 63,982,765</u>

As of September 30, 2012, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2013	\$ 6,625,000	\$ 2,551,170	\$ 9,176,170
2014	6,475,000	2,709,961	9,184,961
2015	7,115,000	2,130,178	9,245,178
2016	7,435,000	1,870,070	9,305,070
2017	7,490,000	1,604,118	9,094,118
2018-2022	22,070,000	5,166,413	27,236,413
2023-2027	5,460,000	2,911,519	8,371,519
2028-2032	6,870,000	1,763,553	8,633,553
2033-2035	4,935,000	323,257	5,258,257
	<u>\$ 74,475,000</u>	<u>\$ 21,030,239</u>	<u>\$ 95,505,239</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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 3. BONDS PAYABLE (Continued)

During the year ended September 30, 2012, the Authority levied an ad valorem debt service tax and maintenance tax as follows:

	<u>2011 Appraised Valuation</u>	<u>Debt Service Tax Rates Per \$100 Of Valuation</u>	<u>Debt Service Tax Levy</u>
Clear Lake City Water Authority	\$ 4,365,589,534	\$0.23	\$ 10,040,860
Harris County Water Control and Improvement District No. 75	\$ 54,088,631	\$0.50	<u>270,443</u>
Total Debt Service Tax Levy			<u>\$ 10,311,303</u>
		<u>Maintenance Tax Rates Per \$100 of Valuation</u>	<u>Maintenance Tax Levy</u>
Clear Lake City Water Authority		\$0.05	\$ 2,182,790
Harris County Water Control and Improvement District No. 75		\$0.05	<u>27,044</u>
Total Maintenance Tax Levy			<u>\$ 2,209,834</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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 3. BONDS PAYABLE (Continued)

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.
- 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.
- 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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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 \$4,363,422 and the bank balance was \$4,727,324. Of the bank balance, \$633,214 was covered by federal depository insurance and the remainder was collateralized with securities held in a third-party depository in the Authority's name.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at September 30, 2012, as listed below:

GENERAL FUND	\$	512,944
DEBT SERVICE FUND		734,149
CAPITAL PROJECTS FUND		<u>3,116,329</u>
TOTAL DEPOSITS	\$	<u>4,363,422</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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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 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, Inc. 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, 2012, the Authority had the following investments and maturities:

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 7,345,755	\$ 7,345,755	\$	\$	\$
<u>DEBT SERVICE FUND</u>					
TexPool	8,288,154	8,288,154			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	8,738,376	8,738,376			
TOTAL INVESTMENTS	<u>\$24,372,285</u>	<u>\$24,372,285</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2012, 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, 2012

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012:

	October 1, 2011	Increases	Decreases	September 30, 2012
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 6,614,715	\$ 24,799	\$	\$ 6,639,514
Sanitary Sewer Laterals and Trunks	42,053,988	2,416,135		44,470,123
Construction in Progress	<u>1,200,004</u>	<u>5,633,150</u>	<u>5,844,865</u>	<u>988,289</u>
Total Capital Assets Not Being Depreciated	<u>\$ 49,868,707</u>	<u>\$ 8,074,084</u>	<u>\$ 5,844,865</u>	<u>\$ 52,097,926</u>
Capital Assets at Historical Cost Subject to Depreciation				
Buildings	\$ 523,166	\$	\$	\$ 523,166
Water System	47,055,797	1,038,672		48,094,469
Sanitary Sewer System	16,299,824	1,493,462		17,793,286
Drainage System	47,170,776	739,930		47,910,706
Equipment	<u>1,128,886</u>	<u>131,867</u>		<u>1,260,753</u>
Total Capital Assets at Historical Cost Subject to Depreciation	<u>\$ 112,178,449</u>	<u>\$ 3,403,931</u>	<u>\$ - 0 -</u>	<u>\$ 115,582,380</u>
Less Accumulated Depreciation				
Buildings	\$ 37,689	\$ 15,150	\$	\$ 52,839
Water System	21,918,158	1,041,139		22,959,297
Sanitary Sewer System	7,775,762	363,310		8,139,072
Drainage System	21,964,570	861,852		22,826,422
Equipment	<u>832,688</u>	<u>105,759</u>		<u>938,447</u>
Total Accumulated Depreciation	<u>\$ 52,528,867</u>	<u>\$ 2,387,210</u>	<u>\$ - 0 -</u>	<u>\$ 54,916,077</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 59,649,582</u>	<u>\$ 1,016,721</u>	<u>\$ - 0 -</u>	<u>\$ 60,666,303</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 109,518,289</u>	<u>\$ 9,090,805</u>	<u>\$ 5,844,865</u>	<u>\$ 112,764,229</u>

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, 2012:

Condition		Sewer Laterals and Trunks in Linear Feet
1.00-1.99	New Condition	490,203
2.00-2.99	Minor Deficiencies	290,066
3.00-3.99	Serious Deficiency	209,567
4.00-4.99	Very Serious Deficiency	28,743
5.00	Severe Deficiency	<u>20,805</u>
TOTAL		<u><u>1,039,384</u></u>

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 6. CAPITAL ASSETS (Continued)

Comparison of Estimated to Actual Maintenance/Preservation Costs

	Estimated	Actual
2012	\$ 4,390,472	\$ 4,783,003
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

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, 2012, September 30, 2011, and September 30, 2010, were 2.17, 2.22 and 2.01, 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 \$151,206 as its contribution to the Plan.

NOTE 8. PENDING LITIGATION

In 2011, final, non-appealable judgments were entered in the following 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; and (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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 8. PENDING LITIGATION (Continued)

On January 30, 2012, the Authority's Board authorized the Authority's Financial Advisor and Bond Counsel to proceed with drafting bond documents and to conduct a bond sale by the end of February 2012, with funding on April 2, 2012, to pay the *Kirby Lake* judgment and to settle, if agreement could be reached, the *Friendswood* lawsuit.

The bond sale was held and the Authority paid the Plaintiffs in the *Kirby Lake* lawsuit (collectively) the sum of \$2,240,783 in exchange for a full and final release.

By agreement of the parties, the *Friendswood* lawsuit was fully and finally settled on February 29, 2012, with the Authority's payment of \$1,720,000 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, \$627,040 of the General Fund fund balance has been committed for this future obligation.

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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 10. EXCLUSION CONTRACT AND SERVICE AGREEMENT (Continued)

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>
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>\$ 16,279</u>

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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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.

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 80 mgpd 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 \$2,418,354 for water supplied from the Plant.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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 \$138,076 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. 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. On November 3, 2011, 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. As of September 30, 2012, no funds are required to be escrowed.

NOTE 14. USE OF SURPLUS FUNDS

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
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 15. 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.

<u>Issue</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Callable Date</u>	<u>Outstanding at September 30, 2012</u>
2001	5.66%-5.71%	2019-2021	03/01/12	<u>\$ -0-</u>

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.

<u>Issue</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Callable Date</u>	<u>Outstanding at September 30, 2012</u>
2001	5.21%-5.61%	2013-2018	03/01/12	<u>\$ -0-</u>

NOTE 17. BOND SALES

On March 22, 2012, the Authority issued its Series 2012 Bond Anticipation Note (BAN) in the amount of \$4,030,000. The proceeds were used to fund judgments made against the Authority. See Note 8.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 17. BOND SALES (Continued)

On April 19, 2012, the Authority issued \$11,105,000 of Series 2012 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, to refund \$1,200,000 of Series 2003A Refunding bonds, \$785,000 of Series 2003B Refunding bonds, \$7,515,000 of Series 2005 Refunding bonds, and \$2,080,000 of Series 2006 bonds.

Issue	Interest Rates	Maturities	Callable Date	Outstanding at September 30, 2012
2003A	3.60% - 4.00%	2014,2018	March 1, 2011	\$ -0-
2003B	3.55% - 3.70%	2014/2015	March 1, 2011	-0-
2005	3.70% - 3.80%	2015-2018	March 1, 2013	7,515,000
		2016, 2018,		
2006	3.75% - 4.00%	2020	March 1, 2014	<u>2,080,000</u>
Total				<u>\$ 9,595,000</u>

On May 30, 2012, the Authority issued \$6,300,000 of Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2012. The proceeds are to be used to fund engineering and construction costs on the following Authority projects: rehabilitation of water distribution system; examination of SCADA system; rehabilitation of lift station nos. 12 and 19; televising of wastewater collection system, phases 56 and 60; rehabilitation of wastewater collection system, phases 57, 58, 59, and 61; inspection and rehabilitation of drainage system, phases 22, 23 and 24; detention pond, phase 1 on tract E; and sheet flow improvements. The proceeds were also used to pay for bond issuance costs.

Also on May, 30, 2012, the Authority issued \$4,305,000 of Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2012A. The proceeds of the bonds were used to retire the Series 2012 BAN, pay interest on the BAN and fund issuance costs. A book entry in the amount of \$4,052,786 was recorded as a transfer from the Debt Service Fund to the Capital Projects Fund to remove the liability from the Capital Projects Fund.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 18. DRAINAGE PARTICIPATION AGREEMENT

Effective May 8, 2012, the Authority entered into a Drainage Participation Agreement with the City of Houston, Texas (the "City"). The Authority will at all times operate and maintain all existing and future drainage facilities constructed by the Authority. The Authority will also construct improvements to that portion of the drainage facilities it owns and which it normally and historically has maintained and operated as is necessary in the sole discretion of the Authority to provide adequate drainage within the Authority. The Authority will not be required to design and construct drainage facilities for service beyond the Authority's jurisdiction. The City agrees to continue to maintain, operate, and improve that portion of the drainage facilities it owns and which it normally and historically has maintained, operated, or controlled. In return for the Authority's maintenance, operation and improvement of that portion of the drainage facilities it owns and which it normally and historically has maintained, operated, or controlled, the City agrees that it will neither bill nor collect the annual drainage revenue for so long as the Authority's annual allocable costs, calculated on the basis of the anticipated allocable costs for the ensuing billing year, or averaged over a five-year period, beginning in billing year 2012-2013 and calculated for each successive billing year thereafter, offset the annual drainage revenue for the same year. The term of this agreement is ten years from the effective date.

NOTE 19. SETTLEMENT AGREEMENT

On April 12, 2012, the Authority entered into a Settlement Agreement with the City of Houston, Texas (the "City"). The Authority disputed whether amounts presented by the City under the true-up compensation calculation in connection with the operation and maintenance of the Southeast Plant for the fiscal years 2007, 2008, 2009, and 2010 are owed. The Authority has agreed to pay the City \$360,868 in full and final satisfaction of any and all claims which Houston may have against Participant relating to the dispute on or before July 31, 2013.

NOTE 20. REISSUED ANNUAL FINANCIAL REPORT

The Authority's September 30, 2012, Annual Financial Report has been reissued to account for the Authority's payments to the City of Pasadena as expenditures of the General Fund pursuant to Texas Local Government Code Chapter 43.0761.

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CLEAR LAKE CITY WATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2012



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, 2012

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 2,160,000	\$ 2,160,000	\$ 2,214,100	\$ 54,100
Water Service	6,423,514	6,423,514	6,189,253	(234,261)
Wastewater Service	3,949,243	3,949,243	3,931,335	(17,908)
Penalty and Interest	85,724	85,724	107,843	22,119
Tap Connection and Inspection Fees	3,600	3,600	20,024	16,424
Groundwater Credits			162,770	162,770
Investment Revenues	10,000	10,000	6,254	(3,746)
Miscellaneous Revenues	<u>175,322</u>	<u>175,322</u>	<u>198,012</u>	<u>22,690</u>
TOTAL REVENUES	<u>\$ 12,807,403</u>	<u>\$ 12,807,403</u>	<u>\$ 12,829,591</u>	<u>\$ 22,188</u>
EXPENDITURES				
Services Operations:				
Bulk Water Purchases	\$ 2,748,030	\$ 2,748,030	\$ 2,485,940	\$ 262,090
Payroll	3,883,192	3,883,192	3,867,603	15,589
Utilities	1,144,090	1,144,090	890,346	253,744
Repairs and Maintenance	551,500	551,500	1,032,029	(480,529)
Professional Fees	951,875	951,875	585,670	366,205
Other	2,285,121	1,660,121	1,982,947	(322,826)
Lawsuit Settlement			172,053	(172,053)
Capital Outlay	<u>138,300</u>	<u>138,300</u>	<u>131,867</u>	<u>6,433</u>
TOTAL EXPENDITURES	<u>\$ 11,702,108</u>	<u>\$ 11,077,108</u>	<u>\$ 11,148,455</u>	<u>\$ (71,347)</u>
NET CHANGE IN FUND BALANCE	\$ 1,105,295	\$ 1,730,295	\$ 1,681,136	\$ (49,159)
FUND BALANCE - OCTOBER 1, 2011	<u>5,676,189</u>	<u>5,676,189</u>	<u>5,676,189</u>	
FUND BALANCE - SEPTEMBER 30, 2012	<u>\$ 6,781,484</u>	<u>\$ 7,406,484</u>	<u>\$ 7,357,325</u>	<u>\$ (49,159)</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, 2012



CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> X </u>	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective October 31, 2011.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 5.50	1,000	N	\$ 0.50 2.75 2.28	1,001 to 5,000 5,001 to 10,000 10,001 and up
WASTEWATER:	\$ 5.50	1,000	N	\$ 0.50 1.90*	1,001 to 5,000 5,001 and up
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: \$21.25 Wastewater: \$15.58* Surcharge \$-0-

* 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, 2012

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	10,845	10,749	x 1.0	10,749
1"	6,246	6,206	x 2.5	15,515
1½"	274	262	x 5.0	1,310
2"	429	422	x 8.0	3,376
3"	41	41	x 15.0	615
4"	29	27	x 25.0	675
6"	4	4	x 50.0	200
8"	8	7	x 80.0	560
10"	1	1	x 115.0	115
Total Water Connections	<u>17,877</u>	<u>17,719</u>		<u>33,115</u>
Total Wastewater Connections	<u>17,408</u>	<u>17,273</u>	x 1.0	<u>17,273</u>

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

Gallons pumped into system:	3,223,788,000	Water Accountability Ratio: 81.81% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	2,560,063,000	
Gallons purchased:	3,827,684,000	From: <u>City of Houston, Texas</u>
Gallons sold:	76,899,000	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, 2012

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, 2012

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, 2012

PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 3,867,603</u>
PROFESSIONAL FEES:	
Auditing	\$ 29,063
Engineering	415,811
Legal	<u>140,796</u>
TOTAL PROFESSIONAL FEES	<u>\$ 585,670</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 2,485,940</u>
UTILITIES:	
Electricity	\$ 833,107
Gas	2,010
Telephone	<u>55,229</u>
TOTAL UTILITIES	<u>\$ 890,346</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,032,029</u>
ADMINISTRATIVE EXPENDITURES:	
Bank Charges	\$ 10,617
Billing Costs	24,303
Director Fees	16,600
Dues	3,616
Insurance	150,713
Legal Notices	1,011
Office Supplies and Postage	60,184
Regulatory Assessment	43,651
Travel and Meetings	19,184
Municipal Payment	605,758
Other	<u>21,816</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 957,453</u>
CAPITAL OUTLAY:	
Capitalized Assets	\$ 131,867
Expenditures Not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY:	<u>\$ 131,867</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

OTHER EXPENDITURES:	
Bad Debts	\$ 5,281
Chemicals	127,706
Equipment Rental	12,448
Inspection and Permit Fees	95,673
Janitorial Service	7,246
Laboratory Fees	56,931
Lawsuit Settlement	172,053
Parts and Supplies	352,847
Sludge Hauling	157,733
Uniforms	20,581
Vehicle Supplies and Maintenance	127,901
Water Conservation	26,582
Other	<u>34,565</u>
TOTAL OTHER EXPENDITURES	<u>\$ 1,197,547</u>
TOTAL EXPENDITURES	<u>\$ 11,148,455</u>

Number of persons employed by the Authority 53 Full-Time -0- Part-Time

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
INVESTMENTS
SEPTEMBER 30, 2012

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	1	Varies	Daily	\$ 6,666,781	\$
TexPool	3	Varies	Daily	<u>678,974</u>	<u> </u>
TOTAL GENERAL FUND				\$ 7,345,755	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	4	Varies	Daily	\$ 8,125,139	\$
TexPool	9	Varies	Daily	<u>163,015</u>	<u> </u>
TOTAL DEBT SERVICE FUND				\$ 8,288,154	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
TexPool	14	Varies	Daily	\$ 33,323	\$
TexPool	26	Varies	Daily	154,360	
TexPool	28	Varies	Daily	54,677	
TexPool	32	Varies	Daily	221,170	
TexPool	33	Varies	Daily	4,726,832	
TexPool	34	Varies	Daily	420,380	
TexPool	35	Varies	Daily	10,746	
TexPool	37	Varies	Daily	<u>3,116,888</u>	<u> </u>
TOTAL CAPITAL PROJECTS FUND				\$ 8,738,376	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 24,372,285</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2011	\$	42,376	\$	202,008
Adjustments to Beginning				
Balance		<u>423</u>	\$	<u>3,838</u>
		\$	42,799	\$
			<u>205,846</u>	
Original 2011 Tax Levy	\$	2,123,668	\$	9,908,750
Adjustment to 2011 Tax Levy		<u>86,166</u>	<u>2,209,834</u>	<u>402,553</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	2,252,633	\$
				10,517,149
TAX COLLECTIONS:				
Prior Years	\$	12,085	\$	59,784
Current Year		<u>2,202,015</u>	<u>2,214,100</u>	<u>10,273,504</u>
				<u>10,333,288</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2012		<u>\$</u>	<u>38,533</u>	<u>\$</u>
				<u>183,861</u>
TAXES RECEIVABLE BY				
YEAR:				
2011	\$	7,819	\$	37,799
2010		10,648		49,356
2009		4,671		21,486
2008		5,065		23,673
2007		1,108		5,098
2006		1,401		6,445
2005		1,520		7,296
2004		1,532		7,355
2003		1,085		5,208
2002		1,209		6,284
2001		1,241		6,950
2000		540		3,024
1999		568		3,180
1998		<u>126</u>		<u>707</u>
TOTAL	\$	<u>38,533</u>	\$	<u>183,861</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Clear Lake City Water Authority:

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
PROPERTY VALUATIONS:				
Land	\$1,224,416,809	\$1,209,762,801	\$1,181,084,222	\$1,132,733,689
Improvements	3,949,669,854	3,953,847,347	4,080,142,136	4,225,723,369
Personal Property	625,640,254	629,426,649	701,274,555	798,822,694
Exemptions	<u>(1,434,137,383)</u>	<u>(1,408,511,555)</u>	<u>(1,437,625,057)</u>	<u>(1,462,386,297)</u>
TOTAL PROPERTY VALUATIONS	<u>\$4,365,589,534</u>	<u>\$4,384,525,242</u>	<u>\$4,524,875,856</u>	<u>\$4,694,893,455</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>\$ 12,223,650</u>	<u>\$ 12,276,672</u>	<u>\$ 12,669,654</u>	<u>\$ 13,145,702</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	<u>99.65 %</u>	<u>99.52 %</u>	<u>99.79 %</u>	<u>99.78 %</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, 2012

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
PROPERTY VALUATIONS:				
Land	\$ 21,137,647	\$ 21,285,662	\$ 23,314,407	\$ 23,573,633
Improvements	33,012,030	31,265,843	29,985,814	33,830,688
Personal Property	416,150	430,488	478,185	348,114
Exemptions	<u>(477,196)</u>	<u>(1,001,004)</u>	<u>(872,363)</u>	<u>(2,348,855)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 54,088,631</u>	<u>\$ 51,980,989</u>	<u>\$ 52,906,043</u>	<u>\$ 55,403,580</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>\$ 297,487</u>	<u>\$ 285,896</u>	<u>\$ 290,998</u>	<u>\$ 304,720</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.75 %</u>	<u>99.74 %</u>	<u>100.00 %</u>	<u>99.75 %</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
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

S E R I E S - \$5,705,000 - 1 9 9 7

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
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>\$ 207,000</u>	<u>\$ 667,000</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

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
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			
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2026			
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2031			
2032			
2033			
2034			
2035			
	<u>\$ 950,000</u>	<u>\$ 108,619</u>	<u>\$ 1,058,619</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

REFUNDING SERIES - \$9,155,000 - 2003 - A

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1/ September 1</u>	<u>Total</u>
2013	\$ 605,000	\$ 10,285	\$ 615,285
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 605,000</u>	<u>\$ 10,285</u>	<u>\$ 615,285</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

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

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1/ September 1</u>	<u>Total</u>
2013	\$ 730,000	\$ 12,593	\$ 742,593
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
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2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 730,000</u>	<u>\$ 12,593</u>	<u>\$ 742,593</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

S E R I E S - \$ 9,600,000 - 2 0 0 5

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2013	\$ 205,000	\$ 33,569	\$ 238,569
2014	820,000	14,862	834,862
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 1,025,000</u>	<u>\$ 48,431</u>	<u>\$ 1,073,431</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

S E R I E S - \$ 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
2013	\$ 325,000	\$ 71,812	\$ 396,812
2014	340,000	58,512	398,512
2015	360,000	44,512	404,512
2016		37,313	37,313
2017		37,313	37,313
2018		37,313	37,313
2019		37,313	37,313
2020		37,313	37,313
2021	485,000	28,218	513,218
2022	510,000	9,562	519,562
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 2,020,000</u>	<u>\$ 399,181</u>	<u>\$ 2,419,181</u>

- See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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>\$ 4,120,000</u>	<u>\$ 1,305,800</u>	<u>\$ 5,425,800</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

SERIES - \$8,730,000 - 2008

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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>\$ 6,820,000</u>	<u>\$ 1,300,896</u>	<u>\$ 8,120,896</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

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

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1/ September 1</u>	<u>Total</u>
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>\$ 9,485,000</u>	<u>\$ 1,252,105</u>	<u>\$ 10,737,105</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

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
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>\$ 4,595,000</u>	<u>\$ 812,008</u>	<u>\$ 5,407,008</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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>\$ 7,505,000</u>	<u>\$ 913,063</u>	<u>\$ 8,418,063</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

SERIES - \$7,620,000 - 2011

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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>\$ 7,450,000</u>	<u>\$ 4,410,907</u>	<u>\$ 11,860,907</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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>\$ 7,000,000</u>	<u>\$ 4,009,887</u>	<u>\$ 11,009,887</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

REFUNDING SERIES - \$11,105,000 - 2012

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2013	\$	\$ 384,600	\$ 384,600
2014	720,000	373,800	1,093,800
2015	1,610,000	338,850	1,948,850
2016	2,070,000	273,300	2,343,300
2017	2,910,000	188,250	3,098,250
2018	3,075,000	83,100	3,158,100
2019	350,000	16,350	366,350
2020	370,000	5,550	375,550
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 11,105,000</u>	<u>\$ 1,663,800</u>	<u>\$ 12,768,800</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

S E R I E S - \$ 6,300,000 - 2 0 1 2

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2013	\$ 170,000	\$ 189,632	\$ 359,632
2014	175,000	186,181	361,181
2015	185,000	182,582	367,582
2016	190,000	178,830	368,830
2017	200,000	174,931	374,931
2018	210,000	169,781	379,781
2019	215,000	163,406	378,406
2020	225,000	156,806	381,806
2021	235,000	149,906	384,906
2022	245,000	142,706	387,706
2023	255,000	135,206	390,206
2024	265,000	127,406	392,406
2025	275,000	119,307	394,307
2026	285,000	110,907	395,907
2027	300,000	101,944	401,944
2028	310,000	92,413	402,413
2029	325,000	82,287	407,287
2030	335,000	71,562	406,562
2031	350,000	60,212	410,212
2032	365,000	48,147	413,147
2033	380,000	35,338	415,338
2034	395,000	21,775	416,775
2035	410,000	7,431	417,431
	<u>\$ 6,300,000</u>	<u>\$ 2,708,696</u>	<u>\$ 9,008,696</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

REFUNDING SERIES - \$4,305,000 - 2012A

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2013	\$ 115,000	\$ 130,300	\$ 245,300
2014	120,000	127,950	247,950
2015	125,000	125,500	250,500
2016	130,000	122,950	252,950
2017	135,000	120,300	255,300
2018	140,000	116,850	256,850
2019	150,000	112,500	262,500
2020	155,000	107,925	262,925
2021	160,000	103,200	263,200
2022	165,000	98,325	263,325
2023	175,000	93,225	268,225
2024	180,000	87,900	267,900
2025	190,000	82,350	272,350
2026	195,000	76,575	271,575
2027	205,000	70,447	275,447
2028	215,000	63,884	278,884
2029	220,000	56,950	276,950
2030	230,000	49,637	279,637
2031	240,000	41,850	281,850
2032	250,000	33,581	283,581
2033	260,000	24,650	284,650
2034	270,000	15,044	285,044
2035	280,000	5,075	285,075
	<u>\$ 4,305,000</u>	<u>\$ 1,866,968</u>	<u>\$ 6,171,968</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2012

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal Interest Due
2013	\$ 6,625,000	\$ 2,551,170	\$ 9,176,170
2014	6,475,000	2,709,961	9,184,961
2015	7,115,000	2,130,178	9,245,178
2016	7,435,000	1,870,070	9,305,070
2017	7,490,000	1,604,118	9,094,118
2018	6,675,000	1,353,725	8,028,725
2019	3,970,000	1,158,430	5,128,430
2020	3,715,000	1,022,945	4,737,945
2021	4,375,000	885,280	5,260,280
2022	3,335,000	746,033	4,081,033
2023	995,000	656,964	1,651,964
2024	1,040,000	621,870	1,661,870
2025	1,090,000	584,740	1,674,740
2026	1,140,000	545,240	1,685,240
2027	1,195,000	502,705	1,697,705
2028	1,250,000	457,179	1,707,179
2029	1,310,000	408,379	1,718,379
2030	1,370,000	356,164	1,726,164
2031	1,435,000	300,646	1,735,646
2032	1,505,000	241,185	1,746,185
2033	1,570,000	177,269	1,747,269
2034	1,645,000	109,019	1,754,019
2035	1,720,000	36,969	1,756,969
	<u>\$ 74,475,000</u>	<u>\$ 21,030,239</u>	<u>\$ 95,505,239</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Description	Original Bonds Issued	Bonds Outstanding October 1, 2011
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 1997	\$ 5,705,000	\$ 460,000
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	1,150,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2001	7,885,000	380,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2003-A	9,155,000	2,375,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2003-B	7,125,000	2,210,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2005	9,600,000	8,775,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2006	5,500,000	4,410,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2006	4,255,000	4,180,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2008	8,730,000	7,335,000

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding September 30, 2012	Paying Agent
	Principal	Interest		
\$		\$ 20,700	\$ 460,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	200,000	57,270	950,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	380,000	9,614	- 0 -	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,770,000	53,158	605,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,480,000	51,135	730,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	7,750,000	183,079	1,025,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	2,390,000	123,981	2,020,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	60,000	165,200	4,120,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	515,000	241,026	6,820,000	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, 2012

Description	Original Bonds Issued	Bonds Outstanding October 1, 2011
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2009	\$ 11,645,000	\$ 10,490,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2009	5,270,000	4,940,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2010	8,815,000	8,680,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011	7,620,000	7,620,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011A	7,130,000	7,130,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012	11,105,000	
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2012	6,300,000	
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012A	4,305,000	
TOTAL	<u>\$ 122,305,000</u>	<u>\$ 70,135,000</u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2012</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 1,005,000	\$ 809,388	\$ 9,485,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	345,000	151,057	4,595,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,175,000	275,924	7,505,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	170,000	300,057	7,450,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	130,000	278,566	7,000,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
11,105,000		141,020	11,105,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
6,300,000		48,364	6,300,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
4,305,000		33,228	4,305,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 21,710,000</u>	<u>\$ 17,370,000</u>	<u>\$ 2,942,767</u>	<u>\$ 74,475,000</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, 2012

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	Refunding Series 1994	18,840,000
Clear Lake City Water Authority	Refunding 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	10,655,000
Clear Lake City Water Authority	Series 1999	6,900,000
Clear Lake City Water Authority	Series 2000	4,485,000
Clear Lake City Water Authority	Refunding Series 2002	<u>11,405,000</u>
TOTAL BOND ISSUES RETIRED		\$ 170,700,000
Total Original Bonds Issued Outstanding as of the fiscal year end September 30, 2012		<u>122,305,000</u>
TOTAL BONDS ISSUED		<u>\$ 293,005,000</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	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>174,465,000</u>	<u>1,740,000</u>	<u>3,005,000</u>
Remaining to be Issued	<u>\$ 36,925,400</u>	<u>\$ 3,260,000</u>	<u>\$ -0-</u>
Debt Service Fund cash and investment balances as of September 30, 2012:			<u>\$ 9,022,303</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 4,152,402</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>179,210,000</u>	<u>49,595,335</u>	<u>2,745,000</u>	<u>52,340,335</u>
<u>\$ 40,185,400</u>	<u>\$ 61,727,765</u>	<u>\$ 2,255,000</u>	<u>\$ 63,982,765</u>

See accompanying independent auditor's report.

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

	Amount		
	2012	2011	2010
REVENUES			
Property Taxes	\$ 2,214,100	\$ 2,196,954	\$ 2,294,895
Water Service	6,189,253	6,232,870	4,802,760
Wastewater Service	3,931,335	2,916,287	2,585,387
Penalty and Interest	107,843	88,762	99,016
Tap Connection and Inspection Fees	20,024	63,691	207,831
Groundwater Credits	162,770		
Investment Revenues	6,254	6,113	10,276
Miscellaneous Revenues	198,012	178,410	166,142
TOTAL REVENUES	\$ 12,829,591	\$ 11,683,087	\$ 10,166,307
EXPENDITURES			
Payroll	\$ 3,867,603	\$ 3,672,231	\$ 3,359,592
Bulk Water Purchases	2,485,940	3,298,902	2,219,656
Professional Fees	585,670	661,269	801,138
Utilities	890,346	1,419,908	1,434,313
Repairs and Maintenance	1,032,029	600,437	488,673
Other	1,982,947	1,821,389	1,763,504
Lawsuit Settlement	172,053		
Capital Outlay	131,867	41,239	134,541
TOTAL EXPENDITURES	\$ 11,148,455	\$ 11,515,375	\$ 10,201,417
NET CHANGE IN FUND BALANCE	\$ 1,681,136	\$ 167,712	\$ (35,110)
BEGINNING FUND BALANCE	5,676,189	5,508,477	5,543,587
ENDING FUND BALANCE	\$ 7,357,325	\$ 5,676,189	\$ 5,508,477

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2009	2008	2012	2011	2010	2009	2008
\$ 2,347,941	\$ 2,129,498	17.4 %	18.8 %	22.7 %	21.7 %	21.3 %
5,370,624	4,829,038	48.2	53.3	47.2	49.7	48.3
2,723,388	2,575,718	30.6	25.0	25.4	25.2	25.8
74,342	89,539	0.8	0.8	1.0	0.7	0.9
24,345	48,930	0.2	0.5	2.0	0.2	0.5
		1.3				
23,969	165,907		0.1	0.1	0.2	1.7
251,332	163,454	1.5	1.5	1.6	2.3	1.5
<u>\$ 10,815,941</u>	<u>\$ 10,002,084</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 3,151,612	\$ 3,083,780	30.1 %	31.4 %	33.0 %	29.1 %	30.8 %
2,341,119	2,200,671	19.4	28.2	21.8	21.6	22.0
1,290,186	1,120,130	4.6	5.7	7.9	11.9	11.2
1,253,342	1,211,197	6.9	12.2	14.1	11.6	12.1
636,122	588,574	8.0	5.1	4.8	5.9	5.9
1,775,716	1,592,393	15.5	15.7	17.3	16.4	15.9
		1.3				
127,980	80,542	1.0	0.4	1.3	1.2	0.8
<u>\$ 10,576,077</u>	<u>\$ 9,877,287</u>	<u>86.8 %</u>	<u>98.7 %</u>	<u>100.2 %</u>	<u>97.7 %</u>	<u>98.7 %</u>
\$ 239,864	\$ 124,797	13.2 %	1.3 %	(0.2) %	2.3 %	1.3 %
<u>5,303,723</u>	<u>5,178,926</u>					
<u>\$ 5,543,587</u>	<u>\$ 5,303,723</u>					

See accompanying independent auditor's report.

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

	Amount		
	2012	2011	2010
REVENUES			
Property Taxes	\$ 10,333,288	\$ 10,252,299	\$ 10,698,308
Penalty and Interest	86,463	83,538	138,909
Interest on Investments	12,593	12,234	15,153
Miscellaneous Revenues	4,187	10,887	9,302
TOTAL REVENUES	\$ 10,436,531	\$ 10,358,958	\$ 10,861,672
EXPENDITURES			
Payroll	\$ 256,443	\$ 250,715	\$ 226,475
Debt Service Principal	5,790,000	6,055,000	8,880,000
Debt Service Interest and Fees	3,197,169	2,477,722	2,890,888
Tax Collection Expenditures	52,335	58,651	157,551
Bond Issuance Costs	189,521		
TOTAL EXPENDITURES	\$ 9,485,468	\$ 8,842,088	\$ 12,154,914
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 951,063	\$ 1,516,870	\$ (1,293,242)
OTHER FINANCING SOURCES (USES)			
Transfer Out	\$ (4,052,786)	\$	\$
Long-Term Debt Issued-Refunding	15,410,000		8,815,000
Premium on Bonds Issued	1,061,191		381,085
Payment to Refunding Bonds Escrow Agent	(12,007,810)		(8,929,247)
Bond Discount	(113,956)		(171,893)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 296,639	\$ - 0 -	\$ 94,945
NET CHANGE IN FUND BALANCE	\$ 1,247,702	\$ 1,516,870	\$ (1,198,297)
BEGINNING FUND BALANCE	7,501,579	5,984,709	7,183,006
ENDING FUND BALANCE	\$ 8,749,281	\$ 7,501,579	\$ 5,984,709
TOTAL ACTIVE RETAIL WATER CONNECTIONS	17,719	17,648	17,700
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	17,273	17,202	17,260

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2009	2008	2012	2011	2010	2009	2008
\$ 10,946,767	\$ 9,951,412	99.1 %	99.0 %	98.5 %	98.3 %	96.8 %
108,467	105,196	0.8	0.8	1.3	1.0	1.0
58,195	217,150	0.1	0.1	0.1	0.5	2.1
17,346	11,224		0.1	0.1	0.2	0.1
<u>\$ 11,130,775</u>	<u>\$ 10,284,982</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 186,329	\$ 157,465	2.5 %	2.4 %	2.1 %	1.7 %	1.5 %
4,995,000	6,814,172	55.5	58.5	81.8	44.9	66.2
2,903,295	3,249,916	30.6	23.9	26.6	26.1	31.6
145,680	61,002	0.5	0.6	1.5	1.3	0.6
		1.8				
<u>\$ 8,230,304</u>	<u>\$ 10,282,555</u>	<u>90.9 %</u>	<u>85.4 %</u>	<u>112.0 %</u>	<u>74.0 %</u>	<u>99.9 %</u>
<u>\$ 2,900,471</u>	<u>\$ 2,427</u>	<u>9.1 %</u>	<u>14.6 %</u>	<u>(12.0) %</u>	<u>26.0 %</u>	<u>0.1 %</u>
\$ 11,645,000	\$					
547,778						
(11,876,602)						
(241,591)						
<u>\$ 74,585</u>	<u>\$ - 0 -</u>					
\$ 2,975,056	\$ 2,427					
4,207,950	4,205,523					
<u>\$ 7,183,006</u>	<u>\$ 4,207,950</u>					
<u>17,732</u>	<u>17,740</u>					
<u>17,277</u>	<u>17,264</u>					

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2012

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, 2012	Expense Reimbursements for the year ended September 30, 2012	Title
Gayle I. Yoder	05/2012 05/2016 (Elected)	\$ 4,800	\$ -0-	President/ Investment Officer
John B. Branch	05/2012 05/2016 (Elected)	\$ 2,400	\$ -0-	Vice President
Robert T. Savely	05/2012 05/2016 (Elected)	\$ 5,000	\$ -0-	Secretary
Vince Johnson	05/2010 05/2014 (Elected)	\$ 6,100	\$ -0-	Director
Gordon Johnson	05/2012 05/2014 (Appointed)	\$ 1,600	\$ -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): July 6, 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, 2012

Key Administrative Personnel:	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ending September 30, 2012</u>	<u>Title</u>
	08/29/83	\$ 108,700	General Manager/ Treasurer
	01/16/86	\$ 81,254	Director of Utilities
	11/18/77	\$ 106,456	Capital Projects Bookkeeper
	10/19/98	\$ 71,299	Tax Assessor/ Collector
	04/16/07	\$ 55,620	Accounts Manager
Consultants:			
Schweinle & Parish, P.C. 440 Louisiana, Suite 1400 Houston, TX 77002-1691	07/17/86	\$ 179,908	Attorney
McCall Gibson Swedlund Barfoot PLLC 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	07/31/96	\$ 39,650	Auditor
Sanford Kuhl Hagan Kugle Parker Kahn LLP 1980 Post Oak Blvd., Suite 1380 Houston, TX 77056	02/11/10	\$ 155,673	Bond Counsel
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, TX 77008	06/28/01	\$ 24,196	Delinquent Tax Attorney
Lockwood, Andrews & Newnam, Inc. 2925 Briarpark Drive Houston, TX 77042	12/18/97	\$ 2,263,486	Engineer
RBC Capital Markets 1001 Fannin, Suite 1200 Houston, TX 77002-6796	11/04/89	\$ 77,294	Financial Advisor

See accompanying independent auditor's report.

