

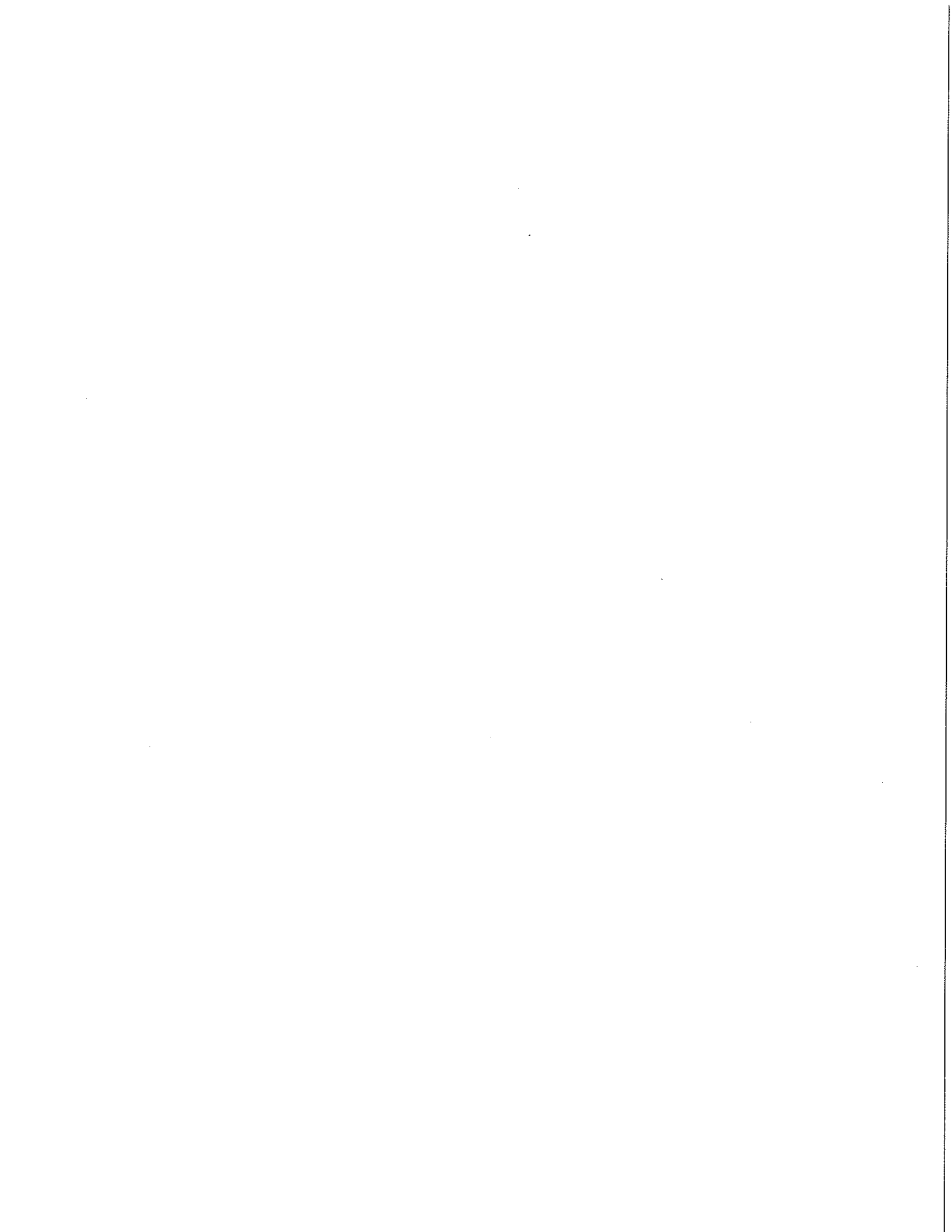
**CLEAR LAKE CITY WATER AUTHORITY**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2013**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants



**CLEAR LAKE CITY WATER AUTHORITY**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2013**

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**INDEPENDENT AUDITOR'S REPORT**

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

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

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Board of Directors  
Clear Lake City Water Authority

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Required Supplementary Information**

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 39 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 6, 2014

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# **CLEAR LAKE CITY WATER AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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, 2013. 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 Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. This report also includes other supplementary information in addition to the basic financial statements.

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The 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 Position. This information is found in the Statement of Net Position column on pages 8 through 11. The Statement of Net Position 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 position. Over time, increases or decreases in net position 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 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, maintenance 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, 2013**

**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 Position 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 FINANCIAL STATEMENTS**

The accompanying notes to the 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 37 in this report.

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$71,819,592 as of September 30, 2013. This compares with assets exceeding liabilities by \$64,686,633 as of September 30, 2012.

A portion of the Authority's assets reflects its net investment in capital assets (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 position:

**CLEAR LAKE CITY WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of Changes in the Statement of Net Position		
	2013	2012	Change Positive (Negative)
Current and Other Assets	\$ 51,186,546	\$ 30,227,971	\$ 20,958,575
Capital Assets (Net of Accumulated Depreciation)	117,066,694	112,764,229	4,302,465
Total Assets	\$ 168,253,240	\$ 142,992,200	\$ 25,261,040
Long -Term Liabilities	\$ 86,343,522	\$ 68,459,342	\$ (17,884,180)
Other Liabilities	10,090,126	9,846,225	(243,901)
Total Liabilities	\$ 96,433,648	\$ 78,305,567	\$ (18,128,081)
Net Position:			
Net Investment in Capital Assets	\$ 52,534,978	\$ 46,727,731	\$ 5,807,247
Restricted	8,939,635	10,563,044	(1,623,409)
Unrestricted	10,344,979	7,395,858	2,949,121
Total Net Position	\$ 71,819,592	\$ 64,686,633	\$ 7,132,959

\*

The following table provides a summary of the Authority's operations for the years ended September 30, 2013, and September 30, 2012. The Authority's net position increased by \$7,132,959 accounting for a 11.0% growth in net position. This compares with an increase of \$6,416,302 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		
	2013	2012	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 11,885,096	\$ 12,525,398	\$ (640,302)
Charges for Services	11,044,882	10,333,018	711,864
Other Revenues	326,125	395,857	(69,732)
Total Revenues	\$ 23,256,103	\$ 23,254,273	\$ 1,830
Expenses for Services	16,123,144	16,837,971	714,827
Change in Net Position	\$ 7,132,959	\$ 6,416,302	\$ 716,657
Net Position, Beginning of Year	64,686,633	58,270,331	6,416,302
Net Position, End of Year	\$ 71,819,592	\$ 64,686,633	\$ 7,132,959

\*

\* As Adjusted, Note 15

**CLEAR LAKE CITY WATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUNDS**

The Authority's combined fund balances as of September 30, 2013, were \$47,200,557, an increase of \$19,904,176 from the prior year.

The General Fund fund balance increased by \$2,161,057, primarily due to service revenues exceeding operating expenditures.

The Debt Service Fund fund balance increased by \$213,667, primarily due to the structure of the Authority's outstanding debt.

The Capital Projects Fund fund balance increased by \$17,529,452, primarily due to the sale of Series 2013 and Series 2013A 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 to increase budgeted tax revenues, decrease purchased water costs and adjust the allocation of costs to be recorded in other funds. Actual revenues were \$148,890 less than budgeted revenues primarily due to lower service revenues than estimated and actual expenditures were \$2,251,478 less than budgeted expenditures primarily due to lower than expected capital expenditures. See the budget to actual comparison on page 39.

**CAPITAL ASSETS**

Capital assets as of September 30, 2013, total \$117,066,694 (net of accumulated depreciation). Significant capital asset activity during the current fiscal year included: water, sewer and drainage system rehabilitation, and the purchase of various vehicles and equipment.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2013	2012	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 6,639,514	\$ 6,639,514	\$ -0-
Sanitary Sewer Laterals and Trunks	46,925,502	44,470,123	2,455,379
Construction in Progress	2,229,373	988,289	1,241,084
Capital Assets, Net of Accumulated Depreciation:			
Buildings	455,219	470,327	(15,108)
Water System	25,366,175	25,135,172	231,003
Sanitary Sewer System	9,639,834	9,654,214	(14,380)
Drainage System	24,917,302	25,084,284	(166,982)
Equipment	893,775	322,306	571,469
<b>Total Net Capital Assets</b>	<b>\$ 117,066,694</b>	<b>\$ 112,764,229</b>	<b>\$ 4,302,465</b>

**CLEAR LAKE CITY WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**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, 2013, the Authority had total bond debt payable of \$93,230,000. The changes in the debt position of the Authority during the fiscal year ended September 30, 2013, are summarized as follows:

Bond Debt Payable, October 1, 2012	\$ 74,475,000
Add: Bond Issued - Series 2013	4,380,000
Add: Bond Issued - Series 2013A	21,000,000
Less: Bond Principal Paid	<u>6,625,000</u>
Bond Debt Payable, September 30, 2013	<u>\$ 93,230,000</u>

Standard & Poor's assigned an underlying rating of "AA-" to the Authority for the current and prior fiscal year.

**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 POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2013**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash, Note 5	\$ 750,822	\$ 212,967
Investments, Note 5	9,435,207	9,066,161
Receivables:		
Property Taxes	28,009	134,295
Penalty and Interest on Delinquent Taxes		75,450
Service Accounts	1,090,696	
Other	7,376	
Due from Other Funds, Note 2	190,767	
Inventory, Note 2	142,885	
Prepaid Lease, Note 16		
Land, Note 6		
Sanitary Sewer Laterals and Trunks, Note 6		
Construction in Progress, Note 6		
Capital Assets (Net of Accumulated Depreciation), Note 6		
<b>TOTAL ASSETS</b>	<b>\$ 11,645,762</b>	<b>\$ 9,488,873</b>

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



<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 3,131,594	\$ 4,095,383	\$	\$ 4,095,383
26,312,496	44,813,864		44,813,864
	162,304		162,304
	75,450		75,450
	1,090,696		1,090,696
	7,376		7,376
85,991	276,758	(276,758)	
	142,885		142,885
		798,588	798,588
		6,639,514	6,639,514
		46,925,502	46,925,502
		2,229,373	2,229,373
		<u>61,272,305</u>	<u>61,272,305</u>
<u>\$ 29,530,081</u>	<u>\$ 50,664,716</u>	<u>\$ 117,588,524</u>	<u>\$ 168,253,240</u>

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

**CLEAR LAKE CITY WATER AUTHORITY**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2013**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 1,240,569	\$ 47,699
Accrued Interest Payable		80,432
Due to Other Funds, Note 2	85,991	188,049
Security Deposits	772,811	
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		
<b>TOTAL LIABILITIES</b>	<b>\$ 2,099,371</b>	<b>\$ 316,180</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Property Tax Revenues	\$ 28,009	\$ 134,295
Deferred Penalty and Interest on Delinquent Taxes		75,450
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 28,009</b>	<b>\$ 209,745</b>
<b>FUND BALANCES</b>		
Nonspendable:		
Inventory, Note 2	\$ 142,885	\$
Restricted for Authorized Construction		
Restricted for Debt Service		8,962,948
Committed for Sick Leave Obligation, Note 8	646,955	
Committed for Unbudgeted Major Repairs of Facilities, Note 2	250,000	
Committed for Emergencies, Note 2	820,000	
Unassigned	7,658,542	
<b>TOTAL FUND BALANCES</b>	<b>\$ 9,518,382</b>	<b>\$ 8,962,948</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 11,645,762</b>	<b>\$ 9,488,873</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 808,136	\$ 2,096,404	\$	\$ 2,096,404
	80,432	233,058	313,490
2,718	276,758	(276,758)	772,811
	772,811		772,811
		6,555,000	6,555,000
		352,421	352,421
		<u>86,343,522</u>	<u>86,343,522</u>
<u>\$ 810,854</u>	<u>\$ 3,226,405</u>	<u>\$ 93,207,243</u>	<u>\$ 96,433,648</u>
\$	\$ 162,304	\$ (162,304)	\$
	75,450	(75,450)	
<u>\$ -0-</u>	<u>\$ 237,754</u>	<u>\$ (237,754)</u>	<u>\$ -0-</u>
\$	\$ 142,885	\$ (142,885)	\$
28,719,227	28,719,227	(28,719,227)	
	8,962,948	(8,962,948)	
	646,955	(646,955)	
	250,000	(250,000)	
	820,000	(820,000)	
	<u>7,658,542</u>	<u>(7,658,542)</u>	
<u>\$ 28,719,227</u>	<u>\$ 47,200,557</u>	<u>\$ (47,200,557)</u>	<u>\$ - 0 -</u>
<u>\$ 29,530,081</u>	<u>\$ 50,664,716</u>		
		\$ 52,534,978	\$ 52,534,978
		8,939,635	8,939,635
		<u>10,344,979</u>	<u>10,344,979</u>
		<u>\$ 71,819,592</u>	<u>\$ 71,819,592</u>

The accompanying notes to the 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 POSITION  
SEPTEMBER 30, 2013**

Total Fund Balances - Governmental Funds \$ 47,200,557

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

Prepaid leases are recorded in the Statement of Net Position and amortized over the term of the lease. 798,588

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 117,066,694

Deferred tax revenues and deferred penalty and interest revenues on delinquent taxes for the 2012 and prior tax levies became part of recognized revenue in the governmental activities of the District. 237,754

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	\$ (233,058)	
Bonds Payable Within One Year	(6,555,000)	
Accrued Interest Payable on Premium		
Compound Interest Bonds	(352,421)	
Bonds Payable After One Year	<u>(86,343,522)</u>	(93,484,001)
Total Net Position - Governmental Activities		<u>\$ 71,819,592</u>

The accompanying notes to the 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, 2013**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 2,110,164	\$ 9,835,022
Water Service	6,614,667	
Wastewater Service	4,182,587	
Penalty and Interest	121,072	87,685
Tap Connection and Inspection Fees	32,121	
Groundwater Credits	90,358	
Investment Revenues	7,266	11,235
Miscellaneous Revenues	202,030	5,341
<b>TOTAL REVENUES</b>	<b>\$ 13,360,265</b>	<b>\$ 9,939,283</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Bulk Water Purchases	\$ 2,259,030	\$ 256,819
Payroll	3,634,919	
Utilities	816,942	
Repairs and Maintenance	862,402	10,308
Professional Fees	668,172	197,536
Depreciation and Amortization		
Other	2,237,004	84,783
Capital Outlay	720,739	
Debt Service:		
Bond Issuance Costs		
Bond Principal		6,625,000
Bond Interest		2,551,170
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 11,199,208</b>	<b>\$ 9,725,616</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ 2,161,057</b>	<b>\$ 213,667</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Long-Term Debt Issued, Note 12	\$	\$
Bond Discounts		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 2,161,057</b>	<b>\$ 213,667</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - OCTOBER 1, 2012, AS ADJUSTED, NOTE 15</b>	<b>7,357,325</b>	<b>8,749,281</b>
<b>FUND BALANCES/NET POSITION - SEPTEMBER 30, 2013</b>	<b>\$ 9,518,382</b>	<b>\$ 8,962,948</b>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 11,945,186	\$ (60,090)	\$ 11,885,096
	6,614,667		6,614,667
	4,182,587		4,182,587
	208,757	6,750	215,507
	32,121		32,121
	90,358		90,358
9,895	28,396		28,396
	207,371		207,371
<u>\$ 9,895</u>	<u>\$ 23,309,443</u>	<u>\$ (53,340)</u>	<u>\$ 23,256,103</u>
	\$ 2,259,030	\$	\$ 2,259,030
	3,891,738		3,891,738
	816,942		816,942
	872,710		872,710
	865,708		865,708
		2,497,057	2,497,057
	2,321,787		2,321,787
6,877,371	7,598,110	(7,598,110)	
	280,396		280,396
280,396	6,625,000	(6,625,000)	
	2,551,170	(233,394)	2,317,776
<u>\$ 7,157,767</u>	<u>\$ 28,082,591</u>	<u>\$ (11,959,447)</u>	<u>\$ 16,123,144</u>
<u>\$ (7,147,872)</u>	<u>\$ (4,773,148)</u>	<u>\$ 11,906,107</u>	<u>\$ 7,132,959</u>
\$ 25,380,000	\$ 25,380,000	\$ (25,380,000)	\$
(702,676)	(702,676)	702,676	
<u>\$ 24,677,324</u>	<u>\$ 24,677,324</u>	<u>\$ (24,677,324)</u>	<u>\$ -0-</u>
\$ 17,529,452	\$ 19,904,176	\$ (19,904,176)	\$
		7,132,959	7,132,959
11,189,775	27,296,381	37,390,252	64,686,633
<u>\$ 28,719,227</u>	<u>\$ 47,200,557</u>	<u>\$ 24,619,035</u>	<u>\$ 71,819,592</u>

The accompanying notes to the 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, 2013**

Net Change in Fund Balances - Governmental Funds	\$ 19,904,176
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.	(60,090)
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.	6,750
Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of	(2,497,057)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	7,598,110
Governmental funds report bond discounts as other financing sources/uses in the year paid. However, in the Statement of Net Position, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	702,676
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	6,625,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	233,394
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(25,380,000)
Change in Net Position - Governmental Activities	<u>\$ 7,132,959</u>

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



**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

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

Financial Statement Presentation

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

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**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 Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**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, maintenance taxes, 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 THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**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, 2013, the Debt Service Fund owed the General Fund \$188,049 for operating expenses. The General Fund owed the Capital Projects Fund \$85,991 for impact fees. The Capital Projects Fund owed the General Fund \$2,718 for bond issuance costs.

Capital Assets

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

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

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**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, 2013, was \$142,885.

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

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

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

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

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

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

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

*Unassigned:* all other spendable amounts in the General Fund.

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

Accounting Estimates

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

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Pronouncements

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for fiscal years beginning after December 15, 2011, provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period. GASB Statement No. 63 has been implemented in these financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for fiscal years beginning after December 15, 2012, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 has been early implemented in these financial statements.

**NOTE 3. LONG-TERM DEBT**

	Series 1997	Harris County Water Control and Improvement District No. 75 Series 1998-B
Amounts Outstanding - September 30, 2013	\$ 460,000	\$ 735,000
Interest Rates	4.50%	5.30% - 5.50%
Maturity Dates -- Serially Beginning/Ending	September 1, 2022	March 1, 2014/2016
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.

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 3. LONG-TERM DEBT (Continued)**

	<u>Series 2005</u>	<u>Series 2006</u>	<u>Series 2008</u>
Amounts Outstanding - September 30, 2013	\$ 820,000	\$ 1,695,000	\$ 6,280,000
Interest Rates	3.625%	3.75% - 4.00%	3.25% - 3.70%
Maturity Dates – Serially Beginning/Ending	March 1, 2014	March 1, 2014/2015, 2021/2022	March 1, 2014/2022
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*
	<u>Refunding Series 2006</u>		
	<u>Current Interest Bonds</u>	<u>Premium Compound Interest Bonds</u>	<u>Series 2009</u>
Amounts Outstanding – September 30, 2013	\$ 4,040,000	\$ 20,000	\$ 4,230,000
Interest Rates	4.00%	4.07%	3.00%-3.50%
Maturity Dates – Serially Beginning/Ending	March 1, 2015/2021	March 1, 2014	March 1, 2014/2022
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, 2013, the accreted value of these bonds is approximately \$372,421. Accrued interest of \$352,421 has been recorded in the Statement of Net Position.



**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 3. LONG-TERM DEBT (Continued)**

	Refunding Series 2009	Refunding Series 2010	Series 2011
Amounts Outstanding – September 30, 2013	\$ 7,730,000	\$ 6,305,000	\$ 7,275,000
Interest Rates	2.75%-4.00%	3.00% - 4.25%	2.50% - 4.75%
Maturity Dates – Serially Beginning/Ending	March 1, 2014/2021 and September 1, 2021	March 1, 2014/2021	March 1, 2014/2035
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, 2013	\$ 6,835,000	\$ 11,105,000	\$ 6,130,000
Interest Rates	2.50%-4.75%	3.00% - 4.00%	2.00%-3.65%
Maturity Dates – Serially Beginning/Ending	March 1, 2014/2035	March 1, 2014/2020	March 1, 2014/2035
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 THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 3. LONG-TERM DEBT (Continued)**

	Refunding Series 2012A	Series 2013	Series 2013A
Amounts Outstanding – September 30, 2013	\$ 4,190,000	\$ 4,380,000	\$ 21,000,000
Interest Rates	2.00% - 3.625%	2.00% - 4.25%	4.00% - 5.25%
Maturity Dates – Serially Beginning/Ending	March 1, 2014/2035	March 1, 2014/2038	March 1, 2023/2038
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2020*	March 1, 2021*	March 1, 2022*

\* 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, respectively. Series 2013 term bonds due March 1, 2023, March 1, 2025, March 1, 2029, March 1, 2031, March 1, 2033, March 1, 2035, and March 1, 2038, are subject to mandatory redemption beginning on March 1, 2022, March 1, 2024, March 1, 2026, March 1, 2030, March 1, 2032, March 1, 2034, and March 1, 2036, respectively. Series 2013A term bonds due March 1, 2033, and March 1, 2038, are subject to mandatory redemption beginning on March 1, 2032, and March 1, 2036, respectively.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2013:

	October 1, 2012	Additions	Retirements	September 30, 2013
Bonds Payable	\$ 74,475,000	\$ 25,380,000	\$ 6,625,000	\$ 93,230,000
Unamortized Discounts	(942,646)	(702,676)	(97,209)	(1,548,113)
Unamortized Premiums	1,551,988		335,353	1,216,635
Bonds Payable, Net	<u>\$ 75,084,342</u>	<u>\$ 24,677,324</u>	<u>\$ 6,863,144</u>	<u>\$ 92,898,522</u>
		Amount Due Within One Year		\$ 6,555,000
		Amount Due After One Year		86,343,522
		Bonds Payable, Net		<u>\$ 92,898,522</u>

As of September 30, 2013, the Authority had authorized but unissued bonds in the amount of \$11,545,400 for utility facilities and \$61,727,765 for refunding bonds.

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 3. LONG-TERM DEBT (Continued)**

As of September 30, 2013, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 6,555,000	\$ 3,835,346	\$ 10,390,346
2015	7,225,000	3,229,160	10,454,160
2016	7,550,000	2,966,802	10,516,802
2017	7,610,000	2,698,500	10,308,500
2018	6,795,000	2,445,707	9,240,707
2019-2023	18,000,000	9,849,218	27,849,218
2024-2028	11,820,000	7,104,333	18,924,333
2029-2033	14,805,000	4,243,623	19,048,623
2034-2038	12,870,000	1,137,416	14,007,416
	<u>\$ 93,230,000</u>	<u>\$ 37,510,105</u>	<u>\$ 130,740,105</u>

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

During the year ended September 30, 2013, the Authority levied an ad valorem debt service tax and maintenance tax as follows:

	2012 Appraised Valuation	Debt Service Tax Rates Per \$100 Of Valuation	Debt Service Tax Levy
Clear Lake City Water Authority	\$ 4,161,052,012	\$0.23	\$ 9,570,424
Harris County Water Control and Improvement District No. 75	\$ 52,909,994	\$0.47	<u>248,676</u>
Total Debt Service Tax Levy			<u>\$ 9,819,100</u>

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 3. LONG-TERM DEBT (Continued)**

	Maintenance Tax Rates Per \$100 of <u>Valuation</u>	<u>Maintenance Tax Levy</u>
Clear Lake City Water Authority	\$0.05	\$ 2,080,523
Harris County Water Control and Improvement District No. 75	\$0.05	<u>26,454</u>
Total Maintenance Tax Levy		<u>\$ 2,106,977</u>

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

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

The Authority's tax calendar is as follows:

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

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**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.

**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 \$4,095,383 and the bank balance was \$4,883,895. Of the bank balance, \$469,192 was covered by federal depository insurance and the remainder was collateralized with securities held in a third-party depository in the Authority's name.

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2013, as listed below:

GENERAL FUND	\$	750,822
DEBT SERVICE FUND		212,967
CAPITAL PROJECTS FUND		<u>3,131,594</u>
TOTAL DEPOSITS	\$	<u>4,095,383</u>

Investments

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

Texas statutes include specifications for and limitations applicable to the Authority and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States of America or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain banker's acceptances with limitations,

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

(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, 2013, the Authority had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 9,435,207	\$ 9,435,207	\$	\$	\$
<u>DEBT SERVICE FUND</u>					
TexPool	9,066,161	9,066,161			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	26,312,496	26,312,496			
<b>TOTAL INVESTMENTS</b>	<b><u>\$44,813,864</u></b>	<b><u>\$44,813,864</u></b>	<b><u>\$ - 0 -</u></b>	<b><u>\$ - 0 -</u></b>	<b><u>\$ - 0 -</u></b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2013, 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.

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Restrictions

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

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2013:

	October 1, 2012	Increases	Decreases	September 30, 2013
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 6,639,514	\$	\$	\$ 6,639,514
Sanitary Sewer Laterals and Trunks	44,470,123	2,455,379		46,925,502
Construction in Progress	988,289	7,598,110	6,357,026	2,229,373
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 52,097,926</b>	<b>\$ 10,053,489</b>	<b>\$ 6,357,026</b>	<b>\$ 55,794,389</b>
<b>Capital Assets Subject to Depreciation</b>				
Buildings	\$ 523,166	\$	\$	\$ 523,166
Water System	48,094,469	1,322,037		49,416,506
Sanitary Sewer System	17,793,286	365,971		18,159,257
Drainage System	47,910,706	692,898		48,603,604
Equipment	1,260,753	720,741	17,561	1,963,933
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 115,582,380</b>	<b>\$ 3,101,647</b>	<b>\$ 17,561</b>	<b>\$ 118,666,466</b>
<b>Less Accumulated Depreciation</b>				
Buildings	\$ 52,839	\$ 15,108	\$	\$ 67,947
Water System	22,959,297	1,091,034		24,050,331
Sanitary Sewer System	8,139,072	380,351		8,519,423
Drainage System	22,826,422	859,880		23,686,302
Equipment	938,447	149,272	17,561	1,070,158
<b>Total Accumulated Depreciation</b>	<b>\$ 54,916,077</b>	<b>\$ 2,495,645</b>	<b>\$ 17,561</b>	<b>\$ 57,394,161</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 60,666,303</b>	<b>\$ 606,002</b>	<b>\$ - 0 -</b>	<b>\$ 61,272,305</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 112,764,229</b>	<b>\$ 10,659,491</b>	<b>\$ 6,357,026</b>	<b>\$ 117,066,694</b>



**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 6. CAPITAL ASSETS (Continued)**

The sanitary sewer laterals and trunk lines are accounted for using the modified approach. 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, 2013, September 30, 2012 and September 30, 2011, were 2.11, 2.17, 2.22, respectively. The following is a summary of the condition levels of the individual subdivision sanitary sewer laterals and trunks as of September 30, 2013:

	Condition	<u>Sewer Laterals and Trunks in Linear Feet</u>
1.00-1.99	New Condition	527,111
2.00-2.99	Minor Deficiencies	256,777
3.00-3.99	Serious Deficiency	210,172
4.00-4.99	Very Serious Deficiency	30,074
5.00	Severe Deficiency	<u>16,043</u>
<b>TOTAL</b>		<u><b>1,040,177</b></u>

Comparison of Estimated to Actual Maintenance/Preservation Costs

	Estimated	Actual
2013	\$ 5,514,797	\$ 4,828,688
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

**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, 8.0% of the employee's earnings, as defined in the Plan agreement. During the current fiscal year, the Authority recorded \$175,394 as its contribution to the Plan.

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 8. 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, \$646,955 of the General Fund fund balance has been committed for this future obligation.

**NOTE 9. EXCLUSION CONTRACT AND SERVICE AGREEMENT**

On May 12, 1999, the Authority executed two contracts, an Exclusion Contract and a Service Agreement, both with Harris County Water Control & Improvement District No. 156 ("District No. 156"). The contract was later amended on October 16, 2000, and December 9, 2010. On March 10, 1999, the Texas Commission on Environmental Quality ("the Commission") entered an order creating District No. 156. On May 1, 1999, District No. 156 held elections confirming creation of District No. 156 and authorizing the Exclusion Contract. The Exclusion Contract provides for the exclusion of 142.368 acres of land from the Authority and for the payment of a pro rata share of the Authority's debt service on the excluded land. The term of the Exclusion Contract is 40 years.

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

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 9. EXCLUSION CONTRACT AND SERVICE AGREEMENT (Continued)**

Year	Allocable Debt
2014	\$ 2,838
2015	2,649
2016	2,320
2017	1,867
2018	1,880
2019	608
2020	296
2021	301
2022	308
TOTAL	\$ 13,067

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

**NOTE 10. 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").

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 10. COST SHARING WATER PROJECT CONTRACT (Continued)**

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 \$2,198,013 for water supplied from the Plant.

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 11. 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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 12. BOND SALES**

On July 11, 2013, the Authority issued \$4,380,000 of Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2013. The proceeds are to be used to pay for water meter replacements. The proceeds were also used to pay for bond issuance costs.

On August 30, 2013, the Authority issued \$21,000,000 of Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2013A. The proceeds are to be used to fund engineering and construction costs on the following Authority projects: rehabilitation of water distribution system phases 6 through 10; water SCADA modifications; rehabilitation of lift station nos. 16, 17, 18, 19, 25 and 26; rehabilitation of wastewater collection system, phases 61 through 78; inspection and rehabilitation of drainage system, phases 25 through 33; detention pond, phase 1B. The proceeds were also used to pay for bond issuance costs.

**NOTE 13. 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

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 13. DRAINAGE PARTICIPATION AGREEMENT (Continued)**

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 14. SUBSEQUENT EVENT**

Subsequent to year end, on January 22, 2014, the Authority issued \$5,705,000 of Series 2014 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, to refund \$460,000 of Series 1997 bonds, \$1,355,000 of Series 2006 Bonds and \$4,040,000 of Series 2006 Refunding bonds.

**NOTE 15. PRIOR PERIOD ADJUSTMENT**

GASB Statement No. 65 was implemented in the current fiscal year. Bond issuance costs previously reported as assets to be amortized over the life of the related debt are now recognized as an expense in the period in which the bonds are sold. The effect of this change in accounting principle is as follows:

Net Position - October 1, 2012	\$ 65,688,343
Effect of Adjustment	<u>(1,001,710)</u>
Net Position - October 1, 2012, As Adjusted	<u>\$ 64,686,633</u>

**NOTE 16. GENERATOR LEASE**

The Authority executed an agreement with NRG Energy Services LLC ("NRG") dated November 10, 2011, for the lease of nine generators to service Water Pumping Station 3, Water Pumping Station 4, Lift Station 4 and the Wastewater Treatment Plant. The generators will remain the property of NRG throughout the 20-year term of the agreement. The Authority elected to make a buydown payment of \$800,000 to reduce the monthly service fees. Monthly service fees for the 1st, 2nd, 3rd, and 4th five-year terms of the agreement are \$20,880, \$18,630, \$14,130 and \$11,880, respectively.

**CLEAR LAKE CITY WATER AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2013**

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**CLEAR LAKE CITY WATER AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
Property Taxes	\$ 1,951,350	\$ 2,056,710	\$ 2,110,164	\$ 53,454
Water Service	6,760,015	6,693,975	6,614,667	(79,308)
Wastewater Service	4,471,745	4,471,745	4,182,587	(289,158)
Penalty and Interest	89,885	89,885	121,072	31,187
Tap Connection and Inspection Fees	10,940	10,940	32,121	21,181
Investment Revenues	5,000	5,000	7,266	2,266
Miscellaneous Revenues	<u>180,900</u>	<u>180,900</u>	<u>292,388</u>	<u>111,488</u>
<b>TOTAL REVENUES</b>	<b>\$ 13,469,835</b>	<b>\$ 13,509,155</b>	<b>\$ 13,360,265</b>	<b>\$ (148,890)</b>
<b>EXPENDITURES</b>				
Services Operations:				
Bulk Water Purchases	\$ 2,807,195	\$ 2,446,327	\$ 2,259,030	\$ 187,297
Payroll	3,762,732	3,762,732	3,634,919	127,813
Utilities	856,090	856,090	816,942	39,148
Repairs and Maintenance	1,057,050	1,057,050	862,402	194,648
Professional Fees	1,055,500	1,055,500	668,172	387,328
Other	1,424,886	2,014,887	2,237,004	(222,117)
Capital Outlay	<u>2,258,100</u>	<u>2,258,100</u>	<u>720,739</u>	<u>1,537,361</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 13,221,553</b>	<b>\$ 13,450,686</b>	<b>\$ 11,199,208</b>	<b>\$ 2,251,478</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 248,282</b>	<b>\$ 58,469</b>	<b>\$ 2,161,057</b>	<b>\$ 2,102,588</b>
<b>FUND BALANCE - OCTOBER 1, 2012</b>	<u>7,357,325</u>	<u>7,357,325</u>	<u>7,357,325</u>	<u>                    </u>
<b>FUND BALANCE - SEPTEMBER 30, 2013</b>	<b>\$ 7,605,607</b>	<b>\$ 7,415,794</b>	<b>\$ 9,518,382</b>	<b>\$ 2,102,588</b>

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, 2013**

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**CLEAR LAKE CITY WATER AUTHORITY  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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

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

**2. RETAIL SERVICE PROVIDERS**

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

Based on the rate order effective October 31, 2011.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 5.50	1,000	N	\$ 0.75 2.75 2.28	1,001 to 5,000 5,001 to 10,000 10,001 and up
WASTEWATER:	\$ 5.50	1,000	N	\$ 0.75 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: \$22.25 Wastewater: \$16.58\* 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, 2013**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	10,830	10,718	x 1.0	10,718
1"	6,237	6,180	x 2.5	15,450
1½"	267	261	x 5.0	1,305
2"	427	416	x 8.0	3,328
3"	40	40	x 15.0	600
4"	28	28	x 25.0	700
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>17,842</u>	<u>17,655</u>		<u>32,976</u>
Total Wastewater Connections	<u>17,375</u>	<u>17,193</u>	x 1.0	<u>17,193</u>

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

Gallons pumped into system:	3,177,541,000	Water Accountability Ratio: 86.14% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	2,661,004,000	
Gallons purchased:	3,700,489,000	From: <u>City of Houston, Texas</u>
Gallons sold:	76,053,000	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, 2013**

**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, 2013**

**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, 2013**

PERSONNEL EXPENDITURES (Including Benefits)	\$ 3,634,919
PROFESSIONAL FEES:	
Auditing	\$ 29,250
Engineering	400,876
Legal	<u>238,046</u>
TOTAL PROFESSIONAL FEES	\$ <u>668,172</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ <u>2,259,030</u>
UTILITIES:	
Electricity	\$ 750,961
Gas	2,082
Telephone	<u>63,899</u>
TOTAL UTILITIES	\$ <u>816,942</u>
REPAIRS AND MAINTENANCE	\$ <u>862,402</u>
ADMINISTRATIVE EXPENDITURES:	
Bank Charges	\$ 1,057
Billing Costs	37,440
Director Fees	16,950
Dues	2,659
Insurance	146,606
Legal Notices	3,255
Office Supplies and Postage	64,860
Regulatory Assessment	47,272
Travel and Meetings	18,270
Municipal Payment	578,453
Other	<u>50,674</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>967,496</u>
CAPITAL OUTLAY:	
Capitalized Assets	\$ 720,739
Expenditures Not Capitalized	<u>          </u>
TOTAL CAPITAL OUTLAY:	\$ <u>720,739</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

OTHER EXPENDITURES:	
Bad Debts	\$ 17,229
Chemicals	133,718
Equipment Rental	3,105
Generator Lease	303,590
Inspection and Permit Fees	97,428
Janitorial Service	7,627
Laboratory Fees	51,638
Parts and Supplies	343,619
Sludge Hauling	147,642
Uniforms	22,456
Vehicle Supplies and Maintenance	110,758
Water Conservation	25,418
Other	5,280
	<hr/>
TOTAL OTHER EXPENDITURES	\$ 1,269,508
	<hr/>
TOTAL EXPENDITURES	\$ 11,199,208

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**INVESTMENTS**  
**SEPTEMBER 30, 2013**

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	\$ 8,755,589	\$
TexPool	3	Varies	Daily	<u>679,618</u>	_____
TOTAL GENERAL FUND				\$ <u>9,435,207</u>	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	4	Varies	Daily	\$ 8,926,488	\$
TexPool	9	Varies	Daily	<u>139,673</u>	_____
TOTAL DEBT SERVICE FUND				\$ <u>9,066,161</u>	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
TexPool	14	Varies	Daily	\$ 44,110	\$
TexPool	28	Varies	Daily	54,729	_____
TexPool	32	Varies	Daily	215,535	_____
TexPool	33	Varies	Daily	407,637	_____
TexPool	34	Varies	Daily	315,354	_____
TexPool	39	Varies	Daily	20,211,310	_____
TexPool	37	Varies	Daily	866,820	_____
TexPool	38	Varies	Daily	<u>4,197,001</u>	_____
TOTAL CAPITAL PROJECTS FUND				\$ <u>26,312,496</u>	\$ - 0 -
TOTAL - ALL FUNDS				\$ <u>44,813,864</u>	\$ - 0 -

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Maintenance Taxes		Debt Service Taxes
TAXES RECEIVABLE -			
OCTOBER 1, 2012	\$ 38,533		\$ 183,861
Adjustments to Beginning			
Balance	<u>(7,337)</u>	\$ 31,196	<u>(33,644)</u> \$ 150,217
2012 Adjusted Tax Roll		<u>2,106,977</u>	<u>9,819,100</u>
TOTAL TO BE			
ACCOUNTED FOR		\$ 2,138,173	\$ 9,969,317
TAX COLLECTIONS:			
Prior Years	\$ 10,180		\$ 48,779
Current Year	<u>2,099,984</u>	<u>2,110,164</u>	<u>9,786,243</u> <u>9,835,022</u>
TAXES RECEIVABLE -			
SEPTEMBER 30, 2013		<u>\$ 28,009</u>	<u>\$ 134,295</u>
TAXES RECEIVABLE BY			
YEAR:			
2012		\$ 6,993	\$ 32,857
2011		2,661	12,632
2010		2,871	13,209
2009		2,982	13,718
2008		2,621	12,429
2007		860	3,957
2006		1,307	6,014
2005		1,456	6,989
2004		1,518	7,288
2003		1,071	5,140
2002		1,208	6,283
2001		1,227	6,868
2000		540	3,024
1999		568	3,180
1998		<u>126</u>	<u>707</u>
TOTAL		<u>\$ 28,009</u>	<u>\$ 134,295</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**Clear Lake City Water Authority:**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 1,276,690,479	\$ 1,224,416,809	\$ 1,209,762,801	\$ 1,181,084,222
Improvements	3,898,939,242	3,949,669,854	3,953,847,347	4,080,142,136
Personal Property	456,819,399	625,640,254	629,426,649	701,274,555
Exemptions	<u>(1,471,397,108)</u>	<u>(1,434,137,383)</u>	<u>(1,408,511,555)</u>	<u>(1,437,625,057)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u>\$ 4,161,052,012</u>	<u>\$ 4,365,589,534</u>	<u>\$ 4,384,525,242</u>	<u>\$ 4,524,875,856</u>
<b>TAX RATES PER \$100 VALUATION:</b>				
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>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>
<b>ADJUSTED TAX LEVY*</b>	<u>\$ 11,650,947</u>	<u>\$ 12,223,650</u>	<u>\$ 12,276,672</u>	<u>\$ 12,669,654</u>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<u>99.67 %</u>	<u>99.88 %</u>	<u>99.87 %</u>	<u>99.87 %</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, 2013**

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 21,304,043	\$ 21,137,647	\$ 21,285,662	\$ 23,314,407
Improvements	31,749,208	33,012,030	31,265,843	29,985,814
Personal Property	327,466	416,150	430,488	478,185
Exemptions	<u>(470,723)</u>	<u>(477,196)</u>	<u>(1,001,004)</u>	<u>(872,363)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u>\$ 52,909,994</u>	<u>\$ 54,088,631</u>	<u>\$ 51,980,989</u>	<u>\$ 52,906,043</u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.47	\$ 0.50	\$ 0.50	\$ 0.50
Maintenance	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u>\$ 0.52</u>	<u>\$ 0.55</u>	<u>\$ 0.55</u>	<u>\$ 0.55</u>
<b>ADJUSTED TAX LEVY*</b>	<u>\$ 275,130</u>	<u>\$ 297,487</u>	<u>\$ 285,896</u>	<u>\$ 290,998</u>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<u>99.46 %</u>	<u>99.73 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

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
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			
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2030			
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2033			
2034			
2035			
2036			
2037			
2038			
	<u>\$ 460,000</u>	<u>\$ 186,300</u>	<u>\$ 646,300</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

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
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			
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2036			
2037			
2038			
	<u>\$ 735,000</u>	<u>\$ 62,504</u>	<u>\$ 797,504</u>

See accompanying independent auditor's report.



**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

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

<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>
2014	\$ 820,000	\$ 14,862	\$ 834,862
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
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2033			
2034			
2035			
2036			
2037			
2038			
	<u>\$ 820,000</u>	<u>\$ 14,862</u>	<u>\$ 834,862</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

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
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			
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2036			
2037			
2038			
	<u>\$ 1,695,000</u>	<u>\$ 327,369</u>	<u>\$ 2,022,369</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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			
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2032			
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2036			
2037			
2038			
	<u>\$ 4,060,000</u>	<u>\$ 1,143,000</u>	<u>\$ 5,203,000</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

S E R I E S - \$ 8,730,000 - 2 0 0 8

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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			
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2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
	<u>\$ 6,280,000</u>	<u>\$ 1,075,694</u>	<u>\$ 7,355,694</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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			
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2032			
2033			
2034			
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2036			
2037			
2038			
	<u>\$ 7,730,000</u>	<u>\$ 939,656</u>	<u>\$ 8,669,656</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

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
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			
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2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
	<u>\$ 4,230,000</u>	<u>\$ 671,603</u>	<u>\$ 4,901,603</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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			
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2037			
2038			
	<u>\$ 6,305,000</u>	<u>\$ 666,889</u>	<u>\$ 6,971,889</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

SERIES - \$7,620,000 - 2011

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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
2036			
2037			
2038			
	<u>\$ 7,275,000</u>	<u>\$ 4,115,161</u>	<u>\$ 11,390,161</u>

See accompanying independent auditor's report.



**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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
2036			
2037			
2038			
	<u>\$ 6,835,000</u>	<u>\$ 3,741,099</u>	<u>\$ 10,576,099</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

REFUNDING SERIES - \$11,105,000 - 2 0 1 2

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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			
2036			
2037			
2038			
	<u>\$ 11,105,000</u>	<u>\$ 1,279,200</u>	<u>\$ 12,384,200</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

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
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
2036			
2037			
2038			
	<u>\$ 6,130,000</u>	<u>\$ 2,519,064</u>	<u>\$ 8,649,064</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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
2036			
2037			
2038			
	<u>\$ 4,190,000</u>	<u>\$ 1,736,668</u>	<u>\$ 5,926,668</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

SERIES - \$4,380,000 - 2013

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2014	\$ 80,000	\$ 178,625	\$ 258,625
2015	110,000	154,844	264,844
2016	115,000	152,594	267,594
2017	120,000	150,244	270,244
2018	120,000	147,844	267,844
2019	125,000	144,769	269,769
2020	135,000	140,869	275,869
2021	140,000	136,744	276,744
2022	145,000	132,469	277,469
2023	150,000	128,044	278,044
2024	155,000	123,275	278,275
2025	160,000	118,156	278,156
2026	170,000	112,156	282,156
2027	175,000	105,256	280,256
2028	185,000	98,056	283,056
2029	190,000	90,556	280,556
2030	200,000	82,756	282,756
2031	205,000	74,656	279,656
2032	215,000	66,256	281,256
2033	225,000	57,456	282,456
2034	235,000	48,109	283,109
2035	240,000	38,312	278,312
2036	250,000	28,050	278,050
2037	260,000	17,213	277,213
2038	275,000	5,844	280,844
	<u>\$ 4,380,000</u>	<u>\$ 2,533,153</u>	<u>\$ 6,913,153</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

S E R I E S - \$21,000,000 - 2 0 1 3 - A

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2014	\$	\$ 946,760	\$ 946,760
2015		944,138	944,138
2016		944,138	944,138
2017		944,138	944,138
2018		944,138	944,138
2019		944,138	944,138
2020		944,138	944,138
2021		944,138	944,138
2022		944,138	944,138
2023	915,000	920,119	1,835,119
2024	960,000	870,900	1,830,900
2025	1,005,000	820,575	1,825,575
2026	1,050,000	769,200	1,819,200
2027	1,095,000	715,575	1,810,575
2028	1,150,000	659,450	1,809,450
2029	1,200,000	600,700	1,800,700
2030	1,255,000	539,325	1,794,325
2031	1,315,000	475,075	1,790,075
2032	1,375,000	414,700	1,789,700
2033	1,435,000	358,500	1,793,500
2034	1,505,000	299,700	1,804,700
2035	1,575,000	238,100	1,813,100
2036	1,645,000	173,700	1,818,700
2037	1,720,000	106,400	1,826,400
2038	1,800,000	36,000	1,836,000
	<u>\$ 21,000,000</u>	<u>\$ 16,497,883</u>	<u>\$ 37,497,883</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2013**

**ANNUAL REQUIREMENTS**  
**FOR ALL SERIES**

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal Interest Due
2014	\$ 6,555,000	\$ 3,835,346	\$ 10,390,346
2015	7,225,000	3,229,160	10,454,160
2016	7,550,000	2,966,802	10,516,802
2017	7,610,000	2,698,500	10,308,500
2018	6,795,000	2,445,707	9,240,707
2019	4,095,000	2,247,337	6,342,337
2020	3,850,000	2,107,952	5,957,952
2021	4,515,000	1,966,162	6,481,162
2022	3,480,000	1,822,640	5,302,640
2023	2,060,000	1,705,127	3,765,127
2024	2,155,000	1,616,045	3,771,045
2025	2,255,000	1,523,471	3,778,471
2026	2,360,000	1,426,596	3,786,596
2027	2,465,000	1,323,536	3,788,536
2028	2,585,000	1,214,685	3,799,685
2029	2,700,000	1,099,635	3,799,635
2030	2,825,000	978,245	3,803,245
2031	2,955,000	850,377	3,805,377
2032	3,095,000	722,141	3,817,141
2033	3,230,000	593,225	3,823,225
2034	3,385,000	456,828	3,841,828
2035	3,535,000	313,381	3,848,381
2036	1,895,000	201,750	2,096,750
2037	1,980,000	123,613	2,103,613
2038	2,075,000	41,844	2,116,844
	<u>\$ 93,230,000</u>	<u>\$ 37,510,105</u>	<u>\$ 130,740,105</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2012
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	950,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2003-A	9,155,000	605,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2003-B	7,125,000	730,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2005	9,600,000	1,025,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2006	5,500,000	2,020,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2006	4,255,000	4,120,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2008	8,730,000	6,820,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2009	11,645,000	9,485,000

See accompanying independent auditor's report.



<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2013</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$	\$ 20,700	\$ 460,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	215,000	46,115	735,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	605,000	10,285	- 0 -	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	730,000	12,593	- 0 -	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	205,000	33,569	820,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	325,000	71,812	1,695,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	60,000	162,800	4,060,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	540,000	225,202	6,280,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,755,000	312,449	7,730,000	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, 2013**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2012
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2009	\$ 5,270,000	\$ 4,595,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2010	8,815,000	7,505,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011	7,620,000	7,450,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011A	7,130,000	7,000,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012	11,105,000	11,105,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2012	6,300,000	6,300,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012A	4,305,000	4,305,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013	4,380,000	
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013A	21,000,000	
<b>TOTAL</b>	<b>\$ 139,800,000</b>	<b>\$ 74,475,000</b>

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

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding September 30, 2013	Paying Agent
	Principal	Interest		
\$	\$ 365,000	\$ 140,405	\$ 4,230,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,200,000	246,174	6,305,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	175,000	295,746	7,275,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	165,000	268,788	6,835,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		384,600	11,105,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	170,000	189,632	6,130,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	115,000	130,300	4,190,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
4,380,000			4,380,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>21,000,000</u>			<u>21,000,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 25,380,000</u>	<u>\$ 6,625,000</u>	<u>\$ 2,551,170</u>	<u>\$ 93,230,000</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, 2013**

**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	11,405,000
Clear Lake City Water Authority	Series 2001	<u>7,885,000</u>
<b>TOTAL BOND ISSUES RETIRED IN PREVIOUS FISCAL YEARS</b>		<b>\$ 178,585,000</b>
Original Bonds as listed on pages 68-71		<u>139,800,000</u>
<b>TOTAL BONDS ISSUED</b>		<b><u>\$ 318,385,000</u></b>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Tax Bonds		
	Clear Lake City Water Authority	HC MUD No. 181	HC WCID No. 75
Bond Authority:			
Amount Authorized by Voters	\$ 211,390,400	\$ 5,000,000	\$ 3,005,000
Amount Issued	<u>199,845,000</u>	<u>1,740,000</u>	<u>3,005,000</u>
Remaining to be Issued	<u>\$ 11,545,400</u>	<u>\$ 3,260,000</u>	<u>\$ -0-</u>
Debt Service Fund cash and investment balances as of September 30, 2013:			<u>\$ 9,279,128</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 5,229,604</u>

See accompanying independent auditor's report.

<u>Total</u>	<u>Refunding Bonds</u>		<u>Total</u>
	<u>Clear Lake City Water Authority</u>	<u>HC MUD No. 181</u>	
\$ 219,395,400	\$ 111,323,100	\$ 5,000,000	\$116,323,100
<u>204,590,000</u>	<u>49,595,335</u>	<u>2,745,000</u>	<u>52,340,335</u>
<u>\$ 14,805,400</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		
	2013	2012	2011
<b>REVENUES</b>			
Property Taxes	\$ 2,110,164	\$ 2,214,100	\$ 2,196,954
Water Service	6,614,667	6,189,253	6,232,870
Wastewater Service	4,182,587	3,931,335	2,916,287
Penalty and Interest	121,072	107,843	88,762
Tap Connection and Inspection Fees	32,121	20,024	63,691
Groundwater Credits	90,358	162,770	
Investment Revenues	7,266	6,254	6,113
Miscellaneous Revenues	202,030	198,012	178,410
<b>TOTAL REVENUES</b>	<b>\$ 13,360,265</b>	<b>\$ 12,829,591</b>	<b>\$ 11,683,087</b>
<b>EXPENDITURES</b>			
Payroll	\$ 3,634,919	\$ 3,867,603	\$ 3,672,231
Bulk Water Purchases	2,259,030	2,485,940	3,298,902
Professional Fees	668,172	585,670	661,269
Utilities	816,942	890,346	1,419,908
Repairs and Maintenance	862,402	1,032,029	600,437
Other	2,237,004	1,982,947	1,821,389
Lawsuit Settlement		172,053	
Capital Outlay	720,739	131,867	41,239
<b>TOTAL EXPENDITURES</b>	<b>\$ 11,199,208</b>	<b>\$ 11,148,455</b>	<b>\$ 11,515,375</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 2,161,057</b>	<b>\$ 1,681,136</b>	<b>\$ 167,712</b>
<b>BEGINNING FUND BALANCE</b>	<b>7,357,325</b>	<b>5,676,189</b>	<b>5,508,477</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 9,518,382</b>	<b>\$ 7,357,325</b>	<b>\$ 5,676,189</b>

See accompanying independent auditor's report.



		Percentage of Total Revenue				
<u>2010</u>	<u>2009</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 2,294,895	\$ 2,347,941	15.8 %	17.4 %	18.8 %	22.7 %	21.7 %
4,802,760	5,370,624	49.5	48.2	53.3	47.2	49.7
2,585,387	2,723,388	31.3	30.6	25.0	25.4	25.2
99,016	74,342	0.9	0.8	0.8	1.0	0.7
207,831	24,345	0.2	0.2	0.5	2.0	0.2
		0.7	1.3			
10,276	23,969	0.1		0.1	0.1	0.2
166,142	251,332	1.5	1.5	1.5	1.6	2.3
<u>\$ 10,166,307</u>	<u>\$ 10,815,941</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 3,359,592	\$ 3,151,612	27.2 %	30.1 %	31.4 %	33.0 %	29.1 %
2,219,656	2,341,119	16.9	19.4	28.2	21.8	21.6
801,138	1,290,186	5.0	4.6	5.7	7.9	11.9
1,434,313	1,253,342	6.1	6.9	12.2	14.1	11.6
488,673	636,122	6.5	8.0	5.1	4.8	5.9
1,763,504	1,775,716	16.7	15.6	15.7	17.3	16.4
			1.3			
134,541	127,980	5.4	1.0	0.4	1.3	1.2
<u>\$ 10,201,417</u>	<u>\$ 10,576,077</u>	<u>83.8 %</u>	<u>86.9 %</u>	<u>98.7 %</u>	<u>100.2 %</u>	<u>97.7 %</u>
\$ (35,110)	\$ 239,864	<u>16.2 %</u>	<u>13.1 %</u>	<u>1.3 %</u>	<u>(0.2) %</u>	<u>2.3 %</u>
5,543,587	5,303,723					
<u>\$ 5,508,477</u>	<u>\$ 5,543,587</u>					

See accompanying independent auditor's report.

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

	Amount		
	2013	2012	2011
<b>REVENUES</b>			
Property Taxes	\$ 9,835,022	\$ 10,333,288	\$ 10,252,299
Penalty and Interest	87,685	86,463	83,538
Investment Revenues	11,235	12,593	12,234
Miscellaneous Revenues	5,341	4,187	10,887
<b>TOTAL REVENUES</b>	<b>\$ 9,939,283</b>	<b>\$ 10,436,531</b>	<b>\$ 10,358,958</b>
<b>EXPENDITURES</b>			
Payroll	\$ 256,819	\$ 256,443	\$ 250,715
Debt Service Principal	6,625,000	5,790,000	6,055,000
Debt Service Interest and Fees	2,748,706	3,197,169	2,477,722
Tax Collection Expenditures	95,091	52,335	58,651
Bond Issuance Costs		189,521	
<b>TOTAL EXPENDITURES</b>	<b>\$ 9,725,616</b>	<b>\$ 9,485,468</b>	<b>\$ 8,842,088</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 213,667</b>	<b>\$ 951,063</b>	<b>\$ 1,516,870</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer Out	\$	\$ (4,052,786)	\$
Long-Term Debt Issued-Refunding		15,410,000	
Premium on Bonds Issued		1,061,191	
Payment to Refunding Bonds Escrow Agent		(12,007,810)	
Bond Discount		(113,956)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ - 0 -</b>	<b>\$ 296,639</b>	<b>\$ - 0 -</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 213,667</b>	<b>\$ 1,247,702</b>	<b>\$ 1,516,870</b>
<b>BEGINNING FUND BALANCE</b>	<b>8,749,281</b>	<b>7,501,579</b>	<b>5,984,709</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 8,962,948</b>	<b>\$ 8,749,281</b>	<b>\$ 7,501,579</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>17,655</b>	<b>17,719</b>	<b>17,648</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>17,193</b>	<b>17,273</b>	<b>17,202</b>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2010	2009	2013	2012	2011	2010	2009
\$ 10,698,308	\$ 10,946,767	98.9 %	99.1 %	99.0 %	98.5 %	98.3 %
138,909	108,467	0.9	0.8	0.8	1.3	1.0
15,153	58,195	0.1	0.1	0.1	0.1	0.5
9,302	17,346	0.1		0.1	0.1	0.2
<u>\$ 10,861,672</u>	<u>\$ 11,130,775</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 226,475	\$ 186,329	2.6 %	2.5 %	2.4 %	2.1 %	1.7 %
8,880,000	4,995,000	66.7	55.5	58.5	81.8	44.9
2,890,888	2,903,295	27.7	30.6	23.9	26.6	26.1
157,551	145,680	1.0	0.5	0.6	1.5	1.3
			1.8			
<u>\$ 12,154,914</u>	<u>\$ 8,230,304</u>	<u>98.0 %</u>	<u>90.9 %</u>	<u>85.4 %</u>	<u>112.0 %</u>	<u>74.0 %</u>
\$ (1,293,242)	\$ 2,900,471	<u>2.0 %</u>	<u>9.1 %</u>	<u>14.6 %</u>	<u>(12.0) %</u>	<u>26.0 %</u>
\$ 8,815,000	\$ 11,645,000					
381,085	547,778					
(8,929,247)	(11,876,602)					
(171,893)	(241,591)					
<u>\$ 94,945</u>	<u>\$ 74,585</u>					
\$ (1,198,297)	\$ 2,975,056					
7,183,006	4,207,950					
<u>\$ 5,984,709</u>	<u>\$ 7,183,006</u>					
17,700	17,732					
<u>17,260</u>	<u>17,277</u>					

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**SEPTEMBER 30, 2013**

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

Authority Telephone Number - (281) 488-1164

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2013	Expense Reimbursements for the year ended September 30, 2013	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)	\$ 4,800	\$ -0-	Secretary
Vince Johnson	05/2010 05/2014 (Elected)	\$ 5,800	\$ -0-	Director
Gordon Johnson	05/2012 05/2014 (Appointed)	\$ 4,800	\$ -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, 2013**

<b>Key Administrative Personnel:</b>	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ending September 30, 2013</u>	<u>Title</u>
	08/29/83	\$ 114,358	General Manager/ Treasurer
	01/16/86	\$ 83,555	Director of Utilities
	11/18/77	\$ 85,580	Capital Projects Bookkeeper
	10/19/98	\$ 76,520	Tax Assessor/ Collector
	04/16/07	\$ 59,521	Accounts Manager
<b>Consultants:</b>			
Schweinle & Associates, P.C. 440 Louisiana, Suite 1400 Houston, TX 77002-1691	07/17/86	\$ 186,663	Attorney
McCall Gibson Swedlund Barfoot PLLC 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	07/31/96	\$ 40,200	Auditor
Sanford Kuhl Hagan Kugle Parker Kahn LLP 1980 Post Oak Blvd., Suite 1380 Houston, TX 77056	02/11/10	\$ 108,404	Bond Counsel
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, TX 77008	06/28/01	\$ 19,417	Delinquent Tax Attorney
Lockwood, Andrews & Newnam, Inc. 2925 Briarpark Drive Houston, TX 77042	12/18/97	\$ 2,357,557	Engineer
RBC Capital Markets 1001 Fannin, Suite 1200 Houston, TX 77002-6796	11/04/89	\$ 53,287	Financial Advisor

See accompanying independent auditor's report.