

**CLEAR LAKE CITY WATER AUTHORITY**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2016**

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-36
REQUIRED SUPPLEMENTARY INFORMATION:	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	38
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to financial statements)	
SERVICES AND RATES	40-43
GENERAL FUND EXPENDITURES	44-45
INVESTMENTS	46
TAXES LEVIED AND RECEIVABLE	47-49
LONG-TERM DEBT SERVICE REQUIREMENTS	50-63
CHANGES IN LONG-TERM BOND DEBT	64-70
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL AND DEBT SERVICE FUNDS - FIVE YEARS	71-74
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	75-76

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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, 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority'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.

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 Authority as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

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

*McCall Gibson Swedlund Barfoot PLLC*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

February 9, 2017

**CLEAR LAKE CITY WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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, 2016.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The 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. The Statement of Net Position is the Authority-wide statement of its financial position presenting information that includes all of the Authority's assets, liabilities and, if applicable, deferred inflows and outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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 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, operating 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, 2016**

**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 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). 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 and deferred outflows of resources exceeded liabilities by \$86,910,579 as of September 30, 2016. This compares with assets exceeding liabilities by \$79,009,114 as of September 30, 2015. 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 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, 2016**

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

	<u>Summary of Changes in the Statement of Net Position</u>		
	2016	2015	Change Positive (Negative)
Current and Other Assets	\$ 35,429,946	\$ 39,085,452	\$ (3,655,506)
Capital Assets (Net of Accumulated Depreciation)	126,646,810	122,442,974	4,203,836
Total Assets	<u>\$ 162,076,756</u>	<u>\$ 161,528,426</u>	<u>\$ 548,330</u>
Deferred Outflows of Resources	\$ 99,592	\$ -0-	\$ 99,592
Bonds Payable	\$ 71,753,480	\$ 79,175,757	\$ 7,422,277
Other Liabilities	3,512,289	3,343,555	(168,734)
Total Liabilities	<u>\$ 75,265,769</u>	<u>\$ 82,519,312</u>	<u>\$ 7,253,543</u>
Net Position:			
Net Investment in Capital Assets	\$ 64,534,131	\$ 58,952,174	\$ 5,581,957
Restricted	8,143,917	8,061,604	82,313
Unrestricted	14,232,531	11,995,336	2,237,195
Total Net Position	<u>\$ 86,910,579</u>	<u>\$ 79,009,114</u>	<u>\$ 7,901,465</u>

The following table provides a summary of the Authority's operations for the years ended September 30, 2016, and September 30, 2015. The Authority's net position increased by \$7,901,465 accounting for a 10.0% growth in net position. This compares with an increase of \$4,407,648 in the prior year. Comparative data is presented below from summary information in the Statement of Activities:

	<u>Summary of Changes in the Statement of Activities</u>		
	2016	2015	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 13,338,952	\$ 12,925,197	\$ 413,755
Charges for Services	11,828,890	11,095,554	733,336
Other Revenues	815,843	1,182,124	(366,281)
Total Revenues	<u>\$ 25,983,685</u>	<u>\$ 25,202,875</u>	<u>\$ 780,810</u>
Expenses for Services	<u>18,082,220</u>	<u>20,795,227</u>	<u>2,713,007</u>
Change in Net Position	\$ 7,901,465	\$ 4,407,648	\$ 3,493,817
Net Position, Beginning of Year	<u>79,009,114</u>	<u>74,601,466</u>	<u>4,407,648</u>
Net Position, End of Year	<u>\$ 86,910,579</u>	<u>\$ 79,009,114</u>	<u>\$ 7,901,465</u>

**CLEAR LAKE CITY WATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

The Authority's combined fund balances as of September 30, 2016, were \$31,201,996, a decrease of \$3,841,503 from the prior year.

The General Fund fund balance increased by \$2,274,430, primarily due to service and tax revenues exceeding operating expenditures.

The Debt Service Fund fund balance increased by \$27,815, primarily due to the structure of the Authority's outstanding debt and the sale of refunding bonds in the current year.

The Capital Projects Fund fund balance decreased by \$6,143,748, primarily due to the use of bond proceeds received in prior years on planned construction projects in the current year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$1,129,580 more than budgeted revenues primarily due to higher service revenues than estimated and actual expenditures were \$86,836 less than budgeted expenditures primarily due to lower than expected personnel expenditures and repairs and maintenance costs.

**CAPITAL ASSETS**

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.

The Authority's capital assets as of September 30, 2016, total \$126,646,810 (net of accumulated depreciation). Certain capital asset activity during the current fiscal year included the following:

- Water, sewer and drainage system rehabilitation
- Elevated Storage Tank No. 2 and Water Plant No. 1 recoating
- Vehicles and equipment



**CLEAR LAKE CITY WATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**CAPITAL ASSETS (Continued)**

Capital Assets At Year-End, Net of Accumulated Depreciation			Change Positive (Negative)
	2016	2015	
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 6,639,514	\$ 6,639,514	\$ -0-
Sanitary Sewer Laterals and Trunks	55,598,397	52,967,481	2,630,916
Construction in Progress	4,259,318	3,057,894	1,201,424
Capital Assets, Net of Accumulated Depreciation:			
Buildings	409,853	425,003	(15,150)
Water System	25,210,830	25,049,680	161,150
Sanitary Sewer System	8,504,254	8,888,991	(384,737)
Drainage System	25,234,357	24,808,523	425,834
Equipment	790,287	605,888	184,399
Total Net Capital Assets	<u>\$ 126,646,810</u>	<u>\$ 122,442,974</u>	<u>\$ 4,203,836</u>

**LONG-TERM DEBT ACTIVITY**

As of September 30, 2016, the Authority had total bond debt payable of \$71,955,000. The changes in the debt position of the Authority during the fiscal year ended September 30, 2016, are summarized as follows:

Bond Debt Payable, October 1, 2015	\$ 79,305,000
Add: Bonds Issued - Refunding Series 2016	5,645,000
Less: Bond Principal Paid and Refunded	<u>12,995,000</u>
Bond Debt Payable, September 30, 2016	<u>\$ 71,955,000</u>

Standard & Poor's assigned an underlying rating of "AA-" to the Authority for the current and prior fiscal year. The Series 2008 bonds carry an insured rating of "AA" based on bond insurance issued by Assured Guaranty Corp for the current and prior fiscal years.

**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 77058-2604.

**CLEAR LAKE CITY WATER AUTHORITY**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2016**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 968,877	\$ 438,656
Investments	14,709,127	7,883,268
Receivables:		
Property Taxes	31,996	153,686
Penalty and Interest on Delinquent Taxes		
Service Accounts	1,272,353	
Other	5,663	
Due from Other Funds	136,010	
Inventory	130,063	
Prepaid Costs	136,585	
Prepaid Lease		
Land		
Sanitary Sewer Laterals and Trunks		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 17,390,674</b>	<b>\$ 8,475,610</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 17,390,674</b>	<b>\$ 8,475,610</b>

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

Capital Projects Fund	Total	Adjustments*	Statement of Net Position
\$ 4,211,903	\$ 5,619,436	\$	\$ 5,619,436
4,734,392	27,326,787		27,326,787
	185,682		185,682
		76,665	76,665
	1,272,353		1,272,353
	5,663		5,663
1,355,980	1,491,990	(1,491,990)	
	130,063		130,063
	136,585		136,585
		676,712	676,712
		6,639,514	6,639,514
		55,598,397	55,598,397
		4,259,318	4,259,318
		60,149,581	60,149,581
<u>\$ 10,302,275</u>	<u>\$ 36,168,559</u>	<u>\$ 125,908,197</u>	<u>\$ 162,076,756</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 99,592</u>	<u>\$ 99,592</u>
<u>\$ 10,302,275</u>	<u>\$ 36,168,559</u>	<u>\$ 126,007,789</u>	<u>\$ 162,176,348</u>

\* See Reconciliation on page 12 and Note 2

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, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 1,434,464	\$ 48,950
Accrued Interest Payable		
Due to Other Funds	1,355,980	136,010
Security Deposits	1,044,411	
Long-term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<u>\$ 3,834,855</u>	<u>\$ 184,960</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Tax Revenues	<u>\$ 31,996</u>	<u>\$ 153,686</u>
<b>FUND BALANCES</b>		
Nonspendable:		
Inventory	\$ 130,063	\$
Prepaid Costs	136,585	
Restricted for Authorized Construction		
Restricted for Debt Service		8,136,964
Committed for Sick Leave Obligation	540,795	
Committed for Unbudgeted Major Repairs of Facilities	250,000	
Committed for Emergencies	820,000	
Unassigned	<u>11,646,380</u>	
<b>TOTAL FUND BALANCES</b>	<u>\$ 13,523,823</u>	<u>\$ 8,136,964</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 17,390,674</u>	<u>\$ 8,475,610</u>
<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.

Capital Projects Fund	Total	Adjustments*	Statement of Net Position
\$ 761,066	\$ 2,244,480	\$	\$ 2,244,480
		223,398	223,398
	1,491,990	(1,491,990)	
	1,044,411		1,044,411
		7,665,000	7,665,000
		64,088,480	64,088,480
<u>\$ 761,066</u>	<u>\$ 4,780,881</u>	<u>\$ 70,484,888</u>	<u>\$ 75,265,769</u>
<u>\$ -0-</u>	<u>\$ 185,682</u>	<u>\$ (185,682)</u>	<u>\$ -0-</u>
\$	\$ 130,063	\$ (130,063)	\$
	136,585	(136,585)	
9,541,209	9,541,209	(9,541,209)	
	8,136,964	(8,136,964)	
	540,795	(540,795)	
	250,000	(250,000)	
	820,000	(820,000)	
	11,646,380	(11,646,380)	
<u>\$ 9,541,209</u>	<u>\$ 31,201,996</u>	<u>\$ (31,201,996)</u>	<u>\$ - 0 -</u>
<u>\$ 10,302,275</u>	<u>\$ 36,168,559</u>		
		\$ 64,534,131	\$ 64,534,131
		8,143,917	8,143,917
		14,232,531	14,232,531
		<u>\$ 86,910,579</u>	<u>\$ 86,910,579</u>

\* See Reconciliation on page 12 and Note 2

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, 2016**

Total Fund Balances - Governmental Funds \$ 31,201,996

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. 676,712

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 99,592

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 126,646,810

Deferred tax revenues and penalty and interest receivable on delinquent taxes for the 2015 and prior tax levies became part of recognized revenue in the governmental activities of the District. 262,347

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	\$ (223,398)	
Bonds Payable	<u>(71,753,480)</u>	<u>(71,976,878)</u>

Total Net Position - Governmental Activities \$ 86,910,579

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 FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 2,453,923	\$ 10,866,413
Water Service	6,656,052	
Wastewater Service	4,595,664	
Penalty and Interest	97,089	78,837
Tap Connection and Inspection Fees	394,993	
Impact Fees		
Miscellaneous Revenues	331,664	73,772
<b>TOTAL REVENUES</b>	<b>\$ 14,529,385</b>	<b>\$ 11,019,022</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Bulk Water Purchases	\$ 2,591,386	\$
Payroll	4,229,916	321,405
Utilities	926,870	
Repairs and Maintenance	807,749	7,932
Professional Fees	891,593	181,385
Depreciation and Amortization		
Other	2,415,706	83,736
Capital Outlay	391,735	
Debt Service:		
Payment to Refunding Bond Escrow Agent		17,000
Bond Issuance Costs		119,920
Bond Principal		7,535,000
Bond Interest		2,872,152
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 12,254,955</b>	<b>\$ 11,138,530</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER</b>		
<b>EXPENDITURES/EXPENSES</b>	<b>\$ 2,274,430</b>	<b>\$ (119,508)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Long-Term Debt Issued	\$	\$ 5,645,000
Transfer to Refunding Bond Escrow Agent		(5,497,677)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ -0-</b>	<b>\$ 147,323</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 2,274,430</b>	<b>\$ 27,815</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION -</b>		
<b>OCTOBER 1, 2015</b>	<b>11,249,393</b>	<b>8,109,149</b>
<b>FUND BALANCES/NET POSITION -</b>		
<b>SEPTEMBER 30, 2016</b>	<b>\$ 13,523,823</b>	<b>\$ 8,136,964</b>

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



Capital Projects Fund	Total	Adjustments*	Statement of Activities
\$	\$ 13,320,336	\$ 18,616	\$ 13,338,952
	6,656,052		6,656,052
	4,595,664		4,595,664
	175,926	6,255	182,181
	394,993		394,993
385,969	385,969		385,969
24,438	429,874		429,874
<u>\$ 410,407</u>	<u>\$ 25,958,814</u>	<u>\$ 24,871</u>	<u>\$ 25,983,685</u>
\$	\$ 2,591,386	\$	\$ 2,591,386
	4,551,321		4,551,321
	926,870		926,870
	815,681		815,681
	1,072,978		1,072,978
	2,499,442	2,782,164	2,782,164
6,554,155	6,945,890	(6,945,890)	2,499,442
	17,000	(17,000)	
	119,920		119,920
	7,535,000	(7,535,000)	
	2,872,152	(149,694)	2,722,458
<u>\$ 6,554,155</u>	<u>\$ 29,947,640</u>	<u>\$ (11,865,420)</u>	<u>\$ 18,082,220</u>
<u>\$ (6,143,748)</u>	<u>\$ (3,988,826)</u>	<u>\$ 11,890,291</u>	<u>\$ 7,901,465</u>
\$	\$ 5,645,000	\$ (5,645,000)	\$
	(5,497,677)	5,497,677	
<u>\$ -0-</u>	<u>\$ 147,323</u>	<u>\$ (147,323)</u>	<u>\$ -0-</u>
\$ (6,143,748)	\$ (3,841,503)	\$ 3,841,503	\$
		7,901,465	7,901,465
<u>15,684,957</u>	<u>35,043,499</u>	<u>43,965,615</u>	<u>79,009,114</u>
<u>\$ 9,541,209</u>	<u>\$ 31,201,996</u>	<u>\$ 55,708,583</u>	<u>\$ 86,910,579</u>

\* See Reconciliation on page 15 and Note 2

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, 2016**

Net Change in Fund Balances - Governmental Funds \$ (3,841,503)

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.	18,616
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.	6,255
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 Activities.	(2,782,164)
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.	6,945,890
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.	7,535,000
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.	149,694
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(5,645,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	<u>5,514,677</u>
Change in Net Position - Governmental Activities	<u>\$ 7,901,465</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, 2016**

**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 15,835 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 board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the 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, 2016**

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

Financial Statement Presentation (Continued)

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, 2016**

**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 governmental funds and considers them to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, maintenance taxes, customer service revenues, operating 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, 2016**

**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 other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2016, the Debt Service Fund owed the General Fund \$136,010 for operating expenses. The General Fund owed the Capital Projects Fund \$1,355,980 for impact fees.

Capital Assets

The accounting treatment of capital assets depends on whether the assets are reported in the government-wide or fund financial statements. Capital assets are not reported as assets in governmental funds but are reported as assets in the government-wide statement of net 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, 2016**

**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, 2016, was \$130,063.

Budgeting

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

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net 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, 2016**

**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 Authority. 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 Authority 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 Authority 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, 2016**

**NOTE 3. LONG-TERM DEBT**

	<u>Series 2008</u>	<u>Series 2009</u>
Amounts Outstanding - September 30, 2016	\$ 660,000	\$ 1,400,000
Interest Rates	3.30%	3.00% - 3.25%
Maturity Dates – Serially Beginning/Ending	March 1, 2017	March 1, 2017/2019
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2016*	March 1, 2017*
	<u>Refunding Series 2009</u>	<u>Refunding Series 2010</u>
Amounts Outstanding - September 30, 2016	\$ 3,065,000	\$ 2,445,000
Interest Rates	4.00%	4.00% - 4.25%
Maturity Dates – Serially Beginning/Ending	March 1, 2017/2021 and September 1, 2021	March 1, 2017/2021
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2019*	March 1, 2018*

\* 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.

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

	Series 2011	Series 2011A	Refunding Series 2012
Amounts Outstanding – September 30, 2016	\$ 6,690,000	\$ 6,280,000	\$ 6,705,000
Interest Rates	3.00% - 4.75%	3.00% - 4.75%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2017/2035	March 1, 2017/2035	March 1, 2017/2020
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2019*	March 1, 2019*	Non-Callable
	Series 2012	Refunding Series 2012A	Series 2013
Amounts Outstanding – September 30, 2016	\$ 5,580,000	\$ 3,815,000	\$ 4,075,000
Interest Rates	2.00% - 3.625%	2.00% - 3.625%	2.00% - 4.25%
Maturity Dates – Serially Beginning/Ending	March 1, 2017/2035	March 1, 2017/2035	March 1, 2017/2038
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2020*	March 1, 2020*	March 1, 2021*

\* 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. 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.

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

	Series 2013A	Refunding Series 2014	Refunding Series 2016
Amounts Outstanding – September 30, 2016	\$ 21,000,000	\$ 4,595,000	\$ 5,645,000
Interest Rates	4.00% - 5.25%	2.50% - 4.00%	1.45%
Maturity Dates – Serially Beginning/Ending	March 1, 2023/2038	March 1, 2017/2022	March 1, 2017/2022
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2022*	Non-Callable	Non-Callable

\* 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 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, 2016:

	October 1, 2015	Additions	Retirements	September 30, 2016
Bonds Payable	\$ 79,305,000	\$ 5,645,000	\$ 12,995,000	\$ 71,955,000
Unamortized Discounts	(1,258,286)		(154,891)	(1,103,395)
Unamortized Premiums	1,129,043		227,168	901,875
Bonds Payable, Net	<u>\$ 79,175,757</u>	<u>\$ 5,645,000</u>	<u>\$ 13,067,277</u>	<u>\$ 71,753,480</u>
		Amount Due Within One Year		\$ 7,665,000
		Amount Due After One Year		64,088,480
		Bonds Payable, Net		<u>\$ 71,753,480</u>

As of September 30, 2016, the Authority had authorized but unissued bonds in the amount of \$11,545,400 for utility facilities and \$50,322,483 for refunding bonds.

Subsequent to year-end, on November 8, 2016, the voters of the Authority authorized the issuance of bonds in the amount of \$88,000,000 for utility facilities and \$132,000,000 for refunding purposes.

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

As of September 30, 2016, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 7,665,000	\$ 2,554,105	\$ 10,219,105
2018	6,840,000	2,307,696	9,147,696
2019	4,130,000	2,123,339	6,253,339
2020	3,860,000	2,008,975	5,868,975
2021	4,485,000	1,904,059	6,389,059
2022-2026	12,250,000	8,062,112	20,312,112
2027-2031	13,530,000	5,466,478	18,996,478
2032-2036	15,140,000	2,287,325	17,427,325
2037-2038	4,055,000	165,457	4,220,457
	<u>\$ 71,955,000</u>	<u>\$ 26,879,546</u>	<u>\$ 98,834,546</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 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.

During the year ended September 30, 2016, the Authority levied an ad valorem debt service tax and maintenance tax as follows:

	2015 Appraised Valuation	Debt Service Tax Rates Per \$100 Of Valuation	Debt Service Tax Levy
Clear Lake City Water Authority	\$ 4,864,104,590	\$0.22	\$ 10,701,032
Harris County Water Control and Improvement District No. 75	\$ 60,480,138	\$0.33	<u>199,585</u>
Total Debt Service Tax Levy			<u>\$ 10,900,617</u>

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

	Maintenance Tax Rates Per \$100 of Valuation	Maintenance Tax Levy
Clear Lake City Water Authority	\$0.05	\$ 2,432,053
Harris County Water Control and Improvement District No. 75	\$0.05	30,240
Total Maintenance Tax Levy		\$ 2,462,293

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 ("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. District No. 75 has paid off the bonds that existed prior to the merger with Clear Lake City Water Authority. The debt service tax rate will now be uniform throughout the Authority.

The Authority's tax calendar is as follows:

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

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

The Authority is required to provide to certain information repositories 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.

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.

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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 \$5,619,436 and the bank balance was \$6,009,869. The Authority was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2016, as listed below:

	Cash
GENERAL FUND	\$ 968,877
DEBT SERVICE FUND	438,656
CAPITAL PROJECTS FUND	4,211,903
TOTAL DEPOSITS	\$ 5,619,436

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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, (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 Authority's investment in TexPool is recorded at amortized cost. 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.

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

Investments (Continued)

As of September 30, 2016, the Authority had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 14,709,127	\$ 14,709,127
<u>DEBT SERVICE FUND</u>		
TexPool	7,883,268	7,883,268
<u>CAPITAL PROJECTS FUND</u>		
TexPool	<u>4,734,392</u>	<u>4,734,392</u>
TOTAL INVESTMENTS	<u>\$ 27,326,787</u>	<u>\$ 27,326,787</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2016, the Authority's investment in TexPool was rated AAAm by Standard and Poor's.

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

Restrictions

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



**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2016:

	October 1, 2015	Increases	Decreases	September 30, 2016
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 6,639,514	\$	\$	\$ 6,639,514
Sanitary Sewer Laterals and Trunks	52,967,481	2,630,916		55,598,397
Construction in Progress	3,057,894	6,945,890	5,744,466	4,259,318
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 62,664,889</b>	<b>\$ 9,576,806</b>	<b>\$ 5,744,466</b>	<b>\$ 66,497,229</b>
<b>Capital Assets Subject to Depreciation</b>				
Buildings	\$ 523,166	\$	\$	\$ 523,166
Water System	51,384,048	1,385,966		52,770,014
Sanitary Sewer System	18,177,277			18,177,277
Drainage System	50,261,877	1,335,849		51,597,726
Equipment	1,930,629	391,735		2,322,364
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 122,276,997</b>	<b>\$ 3,113,550</b>	<b>\$ - 0 -</b>	<b>\$ 125,390,547</b>
<b>Less Accumulated Depreciation</b>				
Buildings	\$ 98,163	\$ 15,150	\$	\$ 113,313
Water System	26,334,368	1,224,816		27,559,184
Sanitary Sewer System	9,288,286	384,737		9,673,023
Drainage System	25,453,354	910,015		26,363,369
Equipment	1,324,741	207,336		1,532,077
<b>Total Accumulated Depreciation</b>	<b>\$ 62,498,912</b>	<b>\$ 2,742,054</b>	<b>\$ - 0 -</b>	<b>\$ 65,240,966</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 59,778,085</b>	<b>\$ 371,496</b>	<b>\$ - 0 -</b>	<b>\$ 60,149,581</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 122,442,974</b>	<b>\$ 9,948,302</b>	<b>\$ 5,744,466</b>	<b>\$ 126,646,810</b>

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, 2016, September 30, 2015, and September 30, 2014, were 2.20, 2.18, and 2.00, respectively.

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

The following is a summary of the condition levels of the individual subdivision sanitary sewer laterals and trunks as of September 30, 2016:

	Condition	<u>Sewer Laterals and Trunks in Linear Feet</u>
1.00-1.99	New Condition	549,765
2.00-2.99	Minor Deficiencies	344,646
3.00-3.99	Serious Deficiencies	83,352
4.00-4.99	Very Serious Deficiencies	24,303
5.00	Severe Deficiencies	<u>38,301</u>
<b>TOTAL</b>		<u><u>1,040,367</u></u>

Comparison of Estimated to Actual Maintenance/Preservation Costs

	Estimated	Actual
2016	\$ 4,316,813	\$ 5,299,854
2015	\$ 3,425,636	\$ 4,226,380
2014	\$ 4,988,021	\$ 3,317,115
2013	\$ 5,514,797	\$ 4,828,688
2012	\$ 4,390,472	\$ 4,783,003

**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, 10.0% of the employee's earnings, as defined in the Plan agreement.

**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, \$540,795 of the General Fund fund balance has been committed for this future obligation.

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 9. EXCLUSION CONTRACTS AND SERVICE AGREEMENTS**

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. 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. 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.

<u>Year</u>	<u>Allocable Debt</u>
2017	\$ 1,867
2018	1,880
2019	608
2020	296
2021	301
2022	<u>308</u>
TOTAL	<u>\$ 5,260</u>

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

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 9. EXCLUSION CONTRACTS AND SERVICE AGREEMENTS (Continued)**

On December 24, 2014, the Authority executed two contracts, an Exclusion Contract and a Service Agreement, both with Harris County Water Control & Improvement District No. 161 ("District No. 161"). On November 4, 2014, District No. 161 held elections confirming creation of District No. 161 and authorizing the Exclusion Contract. The Exclusion Contract provides for the exclusion of approximately 411 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. The agreement calls for District No. 161 to account for monies derived from taxes and investment earnings in an account titled the Exclusion Contract Fund. The Authority further agreed to provide water and sanitary sewer utility service to District No. 161 at a cost not to exceed one and a half times the cost charged to customers in the Authority. On or before March 1 each year, District No. 161 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.

<u>Year</u>	<u>Allocable Debt</u>
2017	\$ 10,037
2018	8,993
2019	6,158
2020	5,782
2021	6,294
2022	5,137
2023	3,683
2024	3,689
2025	3,696
2026	3,704
2027	3,706
2028	3,717
2029	3,717
2030	3,720
2031	3,722
2032	3,734
2033	3,740
2034	3,758
2035	3,764
2036	2,051
2037	2,058
2038	<u>2,070</u>
TOTAL	<u>\$ 96,930</u>

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 9. EXCLUSION CONTRACTS AND SERVICE AGREEMENTS (Continued)**

The Service Agreement has a term of 40 years. District No. 161 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. 161 customers on the same basis as Authority customers. The Authority will bill and collect tap and other fees in accordance with District No. 161's rate order and the Authority will charge District No. 161 for those services at the cost of providing the services.

The Authority will provide service to District No. 161 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. 161 as spelled out in the contract. In addition, District No. 161 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"). 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 5.0 mgpd. With this allocation the Authority's total capacity was 13.7 mgpd of demand allocation or 17.125% of the total capacity. The City of Galveston's pumping allocation was 18.4 mgpd. The Authority obtained 5.75 mgpd of this capacity, giving the Authority 20.75 mgpd of the pumping allocation of the Plant or 9.25% of the total pumping capacity.

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

The initial construction, phase 1, was completed in 1987 with total plant capacity being 80 mgpd. In 2001, phase 2 was completed, increasing plant capacity from 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.

On March 31, 2016, the Authority executed a Replacement Water Line Capacity and Cost Sharing Agreement with the City of Houston and co-participants to replace an existing 42-inch line built in the early 1970s running along Old Galveston Road (State Highway 3). Various lines will provide participants with line capacity in the New Galveston Line Project. The agreement is for the preliminary design and after further amendments, construction through 2021 of a network of new water mains connecting the Southeast Water Purification Plant to the co-participant take points.

**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. 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.

**CLEAR LAKE CITY WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 12. DRAINAGE PARTICIPATION AGREEMENT (Continued)**

In return for the Authority's maintenance, operation and improvement of that portion of the drainage facilities it owns and which it normally and historically has maintained, operated, or controlled, the City agrees that it will neither bill nor collect the annual drainage revenue for so long as the Authority's annual allocable costs, calculated on the basis of the anticipated allocable costs for the ensuing billing year, or averaged over a five-year period, beginning in billing year 2012-2013 and calculated for each successive billing year thereafter, offset the annual drainage revenue for the same year. The term of this agreement is ten years from the effective date.

**NOTE 13. 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 buy down 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.

**NOTE 14. REFUNDING BOND SALE**

On March 17, 2016, the District closed on the sale of its \$5,645,000 Series 2016 Unlimited Tax and Revenue Refunding Bonds. Proceeds were used to refund Series 2008 bonds totaling \$3,835,000 with maturities of 2018 - 2022, interest rates of 3.40% - 3.70% and a redemption date of March 17, 2016 and Series 2009 bonds totaling \$1,625,000, with maturities of 2020 - 2022, interest rates of 3.375% - 3.50%, and a redemption date of March 1, 2017. The refunding resulted in gross debt service savings of \$298,097 and net present value savings of \$278,146.

**NOTE 15. SUBSEQUENT EVENT - BOND SALE**

Subsequent to year-end, on February 9, 2017, the District issued its \$11,545,000 Unlimited Tax Bonds, Series 2017. The proceeds will be used to pay for Water Plant No. 1 modifications, Water Well No. 2 ground storage tank and Elevated Storage Tank No. 1 recoating, Elevated Storage Tank No. 6 construction, water line phases 16 and 17 rehabilitation, Lift Stations No. 5 and 11 rehabilitation, sanitary sewer phases 79 through 82 television inspections and rehabilitation, wastewater treatment plant modifications, storm sewer phases 35 through 37 television inspections and rehabilitation and detention pond phase 1C expansion. Additionally, proceeds from the bonds will be used to pay certain costs of issuance of the bonds.

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**CLEAR LAKE CITY WATER AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2016**

**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, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Property Taxes	\$ 2,310,011	\$ 2,453,923	\$ 143,912
Water Service	6,020,953	6,656,052	635,099
Wastewater Service	4,206,049	4,595,664	389,615
Penalty and Interest	115,211	97,089	(18,122)
Tap Connection and Inspection Fees	513,588	394,993	(118,595)
Miscellaneous Revenues	<u>233,993</u>	<u>331,664</u>	<u>97,671</u>
<b>TOTAL REVENUES</b>	<b>\$ 13,399,805</b>	<b>\$ 14,529,385</b>	<b>\$ 1,129,580</b>
<b>EXPENDITURES</b>			
Services Operations:			
Bulk Water Purchases	\$ 2,400,000	\$ 2,591,386	\$ (191,386)
Payroll	4,661,319	4,229,916	431,403
Utilities	924,515	926,870	(2,355)
Repairs and Maintenance	879,325	807,749	71,576
Professional Fees	815,375	891,593	(76,218)
Other	2,363,073	2,415,706	(52,633)
Capital Outlay	<u>298,184</u>	<u>391,735</u>	<u>(93,551)</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 12,341,791</b>	<b>\$ 12,254,955</b>	<b>\$ 86,836</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 1,058,014</b>	<b>\$ 2,274,430</b>	<b>\$ 1,216,416</b>
<b>FUND BALANCE - OCTOBER 1, 2015</b>	<u>11,249,393</u>	<u>11,249,393</u>	<u>                    </u>
<b>FUND BALANCE - SEPTEMBER 30, 2016</b>	<b><u>\$ 12,307,407</u></b>	<b><u>\$ 13,523,823</u></b>	<b><u>\$ 1,216,416</u></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, 2016**

**CLEAR LAKE CITY WATER AUTHORITY  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**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.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 5.50	1,000	N	\$ 1.00 2.75 2.28	1,001 to 5,000 5,001 to 10,000 10,001 and up
WASTEWATER:	\$ 5.50	1,000	N	\$ 1.00 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: \$23.25 Wastewater: \$17.58\* 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, 2016**

**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"	10,857	10,794	x 1.0	10,794
1"	6,241	6,222	x 2.5	15,555
1½"	284	280	x 5.0	1,400
2"	456	437	x 8.0	3,496
3"	46	45	x 15.0	675
4"	29	28	x 25.0	700
6"	7	7	x 50.0	350
8"	8	7	x 80.0	560
10"	1	1	x 115.0	115
Total Water Connections	<u>17,929</u>	<u>17,821</u>		<u>33,645</u>
Total Wastewater Connections	<u>17,554</u>	<u>17,394</u>	x 1.0	<u>17,394</u>

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

Gallons pumped into system:	2,877,597,000	Water Accountability Ratio: 91% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	2,525,496,000	
Gallons purchased:	3,430,417,000	From: <u>City of Houston, Texas and City of Pasadena, Texas</u>
Gallons sold:	92,507,000	To: <u>Harris County Water Control and Improvement District No. 156 and Harris County Water Control and Improvement District No. 161</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

Does the Authority have Debt Service standby fees? Yes  No

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

**5. LOCATION OF AUTHORITY:**

Is the Authority located entirely within one county?

Yes  No

Counties in which Authority is located:

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

Is the Authority located within a city?

Entirely  Partly  Not at all

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, 2016**

**5. LOCATION OF AUTHORITY: (Continued)**

Is the Authority located within a city's extraterritorial 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, 2016**

	<u>General Fund</u>
PERSONNEL EXPENDITURES (Including Benefits)	\$ 4,229,916
PROFESSIONAL FEES:	
Auditing	\$ 30,375
Engineering	695,144
Legal	<u>166,074</u>
TOTAL PROFESSIONAL FEES	\$ 891,593
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 2,591,386</u>
UTILITIES:	
Electricity	\$ 844,746
Gas	1,616
Telephone	<u>80,508</u>
TOTAL UTILITIES	\$ 926,870
REPAIRS AND MAINTENANCE	<u>\$ 807,749</u>
ADMINISTRATIVE EXPENDITURES:	
Billing Costs	\$ 57,802
Director Fees	15,600
Insurance	171,048
Office Supplies and Postage	80,575
Regulatory Assessment	43,959
Travel and Meetings	34,785
Municipal Payment	654,484
Other	<u>92,703</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ 1,150,956
CAPITAL OUTLAY	<u>\$ 391,735</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

OTHER EXPENDITURES:	
Chemicals	\$ 99,199
Equipment Rental	5,934
Generator Lease	253,751
Inspection and Permit Fees	104,876
Janitorial Service	7,609
Laboratory Fees	66,069
Parts and Supplies	392,604
Sludge Hauling	166,389
Uniforms	27,869
Vehicle Supplies and Maintenance	101,591
Water Conservation	22,119
Other	<u>16,740</u>
TOTAL OTHER EXPENDITURES	<u>\$ 1,264,750</u>
TOTAL EXPENDITURES	<u>\$ 12,254,955</u>

Number of persons employed by the Authority    59 Full-Time    -0- Part-Time

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**INVESTMENTS**  
**SEPTEMBER 30, 2016**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<b><u>GENERAL FUND</u></b>					
TexPool	XXXX0001	Varies	Daily	\$ 14,026,965	\$
TexPool	XXXX0003	Varies	Daily	<u>682,162</u>	<u>                    </u>
<b>TOTAL GENERAL FUND</b>				<b><u>\$ 14,709,127</u></b>	<b><u>\$ - 0 -</u></b>
<b><u>DEBT SERVICE FUND</u></b>					
TexPool	XXXX0004	Varies	Daily	\$ 7,862,116	\$
TexPool	XXXX0005	Varies	Daily	1	<u>                    </u>
TexPool	XXXX0009	Varies	Daily	<u>21,151</u>	<u>                    </u>
<b>TOTAL DEBT SERVICE FUND</b>				<b><u>\$ 7,883,268</u></b>	<b><u>\$ - 0 -</u></b>
<b><u>CAPITAL PROJECTS FUND</u></b>					
TexPool	XXXX0014	Varies	Daily	\$ 148,875	\$
TexPool	XXXX0032	Varies	Daily	216,341	<u>                    </u>
TexPool	XXXX0039	Varies	Daily	3,917,071	<u>                    </u>
TexPool	XXXX0037	Varies	Daily	<u>452,105</u>	<u>                    </u>
<b>TOTAL CAPITAL PROJECTS FUND</b>				<b><u>\$ 4,734,392</u></b>	<b><u>\$ - 0 -</u></b>
<b>TOTAL - ALL FUNDS</b>				<b><u>\$ 27,326,787</u></b>	<b><u>\$ - 0 -</u></b>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Maintenance Taxes	Debt Service Taxes
TAXES RECEIVABLE -		
OCTOBER 1, 2015	\$ 29,121	\$ 137,945
Adjustments to and collections		
of prior tax levies	(5,127)	(20,825)
2015 Tax Levy	2,462,293	10,900,617
Tax Collections for current and prior tax levies	(2,454,291)	(10,864,051)
TAXES RECEIVABLE -		
SEPTEMBER 30, 2016	\$ 31,996	\$ 153,686
TAXES RECEIVABLE BY		
YEAR:		
2015	\$ 7,682	\$ 37,855
2014	2,974	13,682
2013	2,132	9,808
2012	1,278	5,877
2011	1,169	5,378
2010	2,803	12,894
2009	1,810	8,325
2008	2,261	10,399
2007	875	4,027
2006	1,327	6,102
2005	1,454	6,981
2004	1,515	7,272
2003	1,059	5,084
2002	1,197	6,223
2001	1,226	6,868
2000	540	3,024
1999	568	3,180
1998	126	707
TOTAL	\$ 31,996	\$ 153,686

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**Clear Lake City Water Authority:**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 1,474,597,548	\$ 1,434,766,969	\$ 1,374,001,801	\$ 1,276,690,479
Improvements	4,626,530,252	4,237,877,750	3,997,927,372	3,898,939,242
Personal Property	534,962,240	559,961,076	515,740,290	456,819,399
Exemptions	<u>(1,771,985,450)</u>	<u>(1,669,285,648)</u>	<u>(1,555,412,325)</u>	<u>(1,471,397,108)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u>\$ 4,864,104,590</u>	<u>\$ 4,563,320,147</u>	<u>\$ 4,332,257,138</u>	<u>\$ 4,161,052,012</u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.22	\$ 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>\$ 0.27</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>
<b>ADJUSTED TAX LEVY*</b>	<u>\$ 13,133,082</u>	<u>\$ 12,777,296</u>	<u>\$ 12,130,320</u>	<u>\$ 11,650,947</u>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<u>99.68 %</u>	<u>99.87 %</u>	<u>99.90 %</u>	<u>99.94 %</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, 2016**

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 22,915,529	\$ 22,966,572	\$ 22,957,659	\$ 21,304,043
Improvements	39,807,368	36,509,438	31,820,305	31,749,208
Personal Property	506,050	567,960	623,081	327,466
Exemptions	<u>(2,748,809)</u>	<u>(3,039,992)</u>	<u>(1,628,503)</u>	<u>(470,723)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u>\$ 60,480,138</u>	<u>\$ 57,003,978</u>	<u>\$ 53,772,542</u>	<u>\$ 52,909,994</u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.33	\$ 0.405	\$ 0.46	\$ 0.47
Maintenance	<u>0.05</u>	<u>0.050</u>	<u>0.05</u>	<u>0.05</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u>\$ 0.38</u>	<u>\$ 0.455</u>	<u>\$ 0.51</u>	<u>\$ 0.52</u>
<b>ADJUSTED TAX LEVY*</b>	<u>\$ 229,824</u>	<u>\$ 259,368</u>	<u>\$ 274,240</u>	<u>\$ 275,130</u>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<u>97.96 %</u>	<u>100.00 %</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, 2016**

S E R I E S - \$ 8 , 7 3 0 , 0 0 0 - 2 0 0 8

<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>
2017	\$ 660,000	\$ 10,890	\$ 670,890
2018			
2019			
2020			
2021			
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2038			
	<u>\$ 660,000</u>	<u>\$ 10,890</u>	<u>\$ 670,890</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2016**

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

Due During Fiscal Years Ending September 30	Principal Due March 1*	Interest Due March 1/ September 1	Total
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
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	<u>\$ 3,065,000</u>	<u>\$ 296,300</u>	<u>\$ 3,361,300</u>

\* Final principal payment is due September 1, 2021. All other principal payments are due March 1.

See accompanying independent auditor's report.



**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2016**

SERIES - \$5,270,000 - 2009

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1/ September 1</u>	<u>Total</u>
2017	\$ 445,000	\$ 36,550	\$ 481,550
2018	465,000	22,900	487,900
2019	490,000	7,963	497,963
2020			
2021			
2022			
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2038			
	<u>\$ 1,400,000</u>	<u>\$ 67,413</u>	<u>\$ 1,467,413</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2016**

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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
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2038			
	<u>\$ 2,445,000</u>	<u>\$ 160,287</u>	<u>\$ 2,605,287</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2016**

SERIES - \$7,620,000 - 2011

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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>\$ 6,690,000</u>	<u>\$ 3,255,926</u>	<u>\$ 9,945,926</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2016**

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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>\$ 6,280,000</u>	<u>\$ 2,961,725</u>	<u>\$ 9,241,725</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2016**

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

<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>
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			
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2038			
	<u>\$ 6,705,000</u>	<u>\$ 293,250</u>	<u>\$ 6,998,250</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2016**

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
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>\$ 5,580,000</u>	<u>\$ 1,971,471</u>	<u>\$ 7,551,471</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2016**

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
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>\$ 3,815,000</u>	<u>\$ 1,360,268</u>	<u>\$ 5,175,268</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2016**

S E R I E S - \$ 4,380,000 - 2 0 1 3

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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>\$ 4,075,000</u>	<u>\$ 2,047,090</u>	<u>\$ 6,122,090</u>

See accompanying independent auditor's report.



**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2016**

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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>\$ 13,662,847</u>	<u>\$ 34,662,847</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2016**

REFUNDING SERIES - \$5,705,000 - 2014

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2017	\$ 655,000	\$ 142,225	\$ 797,225
2018	405,000	121,025	526,025
2019	970,000	93,525	1,063,525
2020	565,000	67,063	632,063
2021	1,065,000	44,025	1,109,025
2022	935,000	14,025	949,025
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2038			
	<u>\$ 4,595,000</u>	<u>\$ 481,888</u>	<u>\$ 5,076,888</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2016**

REFUNDING SERIES - \$5,645,000 - 2016

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2017	\$ 70,000	\$ 81,345	\$ 151,345
2018	750,000	75,400	825,400
2019	780,000	64,307	844,307
2020	1,310,000	49,155	1,359,155
2021	1,345,000	29,907	1,374,907
2022	1,390,000	10,077	1,400,077
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2038			
	<u>\$ 5,645,000</u>	<u>\$ 310,191</u>	<u>\$ 5,955,191</u>

See accompanying independent auditor's report.

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**CLEAR LAKE CITY WATER AUTHORITY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2016**

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

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal Interest Due
2017	\$ 7,665,000	\$ 2,554,105	\$ 10,219,105
2018	6,840,000	2,307,696	9,147,696
2019	4,130,000	2,123,339	6,253,339
2020	3,860,000	2,008,975	5,868,975
2021	4,485,000	1,904,059	6,389,059
2022	3,420,000	1,790,873	5,210,873
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>\$ 71,955,000</u>	<u>\$ 26,879,546</u>	<u>\$ 98,834,546</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2015
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	\$ 265,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2008	8,730,000	5,120,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2009	11,645,000	4,685,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2009	5,270,000	3,445,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2010	8,815,000	3,770,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011	7,620,000	6,895,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011A	7,130,000	6,475,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012	11,105,000	8,775,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2012	6,300,000	5,770,000

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding September 30, 2016	Paying Agent
	Principal	Interest		
\$	\$ 265,000	\$ 7,287	\$ - 0 -	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	4,460,000	100,592	660,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,620,000	155,000	3,065,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	2,045,000	77,303	1,400,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,325,000	125,625	2,445,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	205,000	281,495	6,690,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	195,000	254,800	6,280,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	2,070,000	273,300	6,705,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	190,000	178,830	5,580,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2015
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012A	\$ 4,305,000	\$ 3,945,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013	4,380,000	4,190,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013A	21,000,000	21,000,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2014	5,705,000	4,970,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2016	<u>5,645,000</u>	
<b>TOTAL</b>	<u>\$ 109,810,000</u>	<u>\$ 79,305,000</u>

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

See accompanying independent auditor's report.



<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2016</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 130,000	\$ 122,950	\$ 3,815,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	115,000	152,594	4,075,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		944,138	21,000,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	375,000	160,950	4,595,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>5,645,000</u>		<u>37,288</u>	<u>5,645,000</u>	Trustmark National Bank Houston, TX
<u>\$ 5,645,000</u>	<u>\$ 12,995,000</u>	<u>\$ 2,872,152</u>	<u>\$ 71,955,000</u>	

See accompanying independent auditor's report.

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**CLEAR LAKE CITY WATER AUTHORITY**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**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	Series 1997	5,705,000
Clear Lake City Water Authority	Refunding Series 1999	6,065,000
Clear Lake City Water Authority	Refunding 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	7,885,000
Clear Lake City Water Authority	Refunding Series 2003-A	9,155,000
Clear Lake City Water Authority	Refunding Series 2003-B	7,125,000
Clear Lake City Water Authority	Series 2005	9,600,000
Clear Lake City Water Authority	Series 2006	5,500,000
Clear Lake City Water Authority	Refunding Series 2006	<u>4,255,000</u>
<b>TOTAL BOND ISSUES RETIRED IN PREVIOUS FISCAL YEARS</b>		<b>\$ 219,925,000</b>
Original Bonds as listed on pages 64-67		<u>109,810,000</u>
<b>TOTAL BONDS ISSUED</b>		<b><u>\$ 329,735,000</u></b>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Bond Authority:	Tax Bonds		
	Clear Lake City Water Authority	HC MUD No. 181	HC WCID No. 75
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, 2016: \$ 8,321,924

Average annual debt service payment (principal and interest) for remaining term  
of all debt: \$ 4,492,479

Subsequent to year-end, on November 8, 2016, the voters of the Authority authorized the issuance of bonds in the amount of \$88,000,000 for utility facilities and \$132,000,000 for refunding purposes.

See accompanying independent auditor's report.

Refunding Bonds			
Total	Clear Lake City Water Authority	HC MUD No. 181	Total
\$ 219,395,400	\$ 111,323,100	\$ 5,000,000	\$116,323,100
<u>204,590,000</u>	<u>61,000,617</u>	<u>2,745,000</u>	<u>63,745,617</u>
<u>\$ 14,805,400</u>	<u>\$ 50,322,483</u>	<u>\$ 2,255,000</u>	<u>\$ 52,577,483</u>

See accompanying independent auditor's report.

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

	Amount		
	2016	2015	2014
<b>REVENUES</b>			
Property Taxes	\$ 2,453,923	\$ 2,296,725	\$ 2,178,090
Water Service	6,656,052	6,232,072	6,137,415
Wastewater Service	4,595,664	4,416,166	4,315,069
Penalty and Interest	97,089	121,405	112,760
Tap Connection and Inspection Fees	394,993	281,965	87,029
Groundwater Credits	25,620	5,705	9,363
Miscellaneous Revenues	306,044	321,604	207,988
<b>TOTAL REVENUES</b>	<u>\$ 14,529,385</u>	<u>\$ 13,675,642</u>	<u>\$ 13,047,714</u>
<b>EXPENDITURES</b>			
Payroll	\$ 4,229,916	\$ 4,059,932	\$ 3,947,077
Bulk Water Purchases	2,591,386	2,021,735	1,775,078
Professional Fees	891,593	713,918	768,657
Utilities	926,870	833,780	891,641
Repairs and Maintenance	807,749	485,497	382,678
Other	2,415,706	2,510,257	2,403,178
Capital Outlay	391,735	1,847,660	2,702,685
<b>TOTAL EXPENDITURES</b>	<u>\$ 12,254,955</u>	<u>\$ 12,472,779</u>	<u>\$ 12,870,994</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 2,274,430	\$ 1,202,863	\$ 176,720
<b>BEGINNING FUND BALANCE</b>	<u>11,249,393</u>	<u>10,046,530</u>	<u>9,518,382</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 13,523,823</u>	<u>\$ 11,249,393</u>	<u>\$ 9,695,102</u>

\*

\* As Adjusted

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
\$ 2,110,164	\$ 2,214,100	16.9 %	16.7 %	16.6 %	15.8 %	17.4 %
6,614,667	6,189,253	45.8	45.6	47.0	49.5	48.2
4,182,587	3,931,335	31.6	32.3	33.1	31.3	30.6
121,072	107,843	0.7	0.9	0.9	0.9	0.8
32,121	20,024	2.7	2.1	0.7	0.2	0.2
90,358	162,770	0.2		0.1	0.7	1.3
209,296	204,266	2.1	2.4	1.6	1.6	1.5
<u>\$ 13,360,265</u>	<u>\$ 12,829,591</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 3,634,919	\$ 3,867,603	29.1 %	29.7 %	30.3 %	27.2 %	30.1 %
2,259,030	2,485,940	17.8	14.8	13.6	16.9	19.4
668,172	585,670	6.1	5.2	5.9	5.0	4.6
816,942	890,346	6.4	6.1	6.8	6.1	6.9
862,402	1,032,029	5.6	3.6	2.9	6.5	8.0
2,237,004	2,155,000	16.6	18.4	18.4	16.7	16.9
720,739	131,867	2.7	13.5	20.7	5.4	1.0
<u>\$ 11,199,208</u>	<u>\$ 11,148,455</u>	<u>84.3 %</u>	<u>91.3 %</u>	<u>98.6 %</u>	<u>83.8 %</u>	<u>86.9 %</u>
\$ 2,161,057	\$ 1,681,136	15.7 %	8.7 %	1.4 %	16.2 %	13.1 %
<u>7,357,325</u>	<u>5,676,189</u>					
<u>\$ 9,518,382</u>	<u>\$ 7,357,325</u>					

See accompanying independent auditor's report.

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

	Amount		
	2016	2015	2014
<b>REVENUES</b>			
Property Taxes	\$ 10,866,413	\$ 10,666,625	\$ 10,142,276
Penalty and Interest	78,837	72,136	106,146
Miscellaneous Revenues	73,772	10,966	8,091
<b>TOTAL REVENUES</b>	<b>\$ 11,019,022</b>	<b>\$ 10,749,727</b>	<b>\$ 10,256,513</b>
<b>EXPENDITURES</b>			
Payroll	\$ 321,405	\$ 269,534	\$ 267,475
Debt Service Principal	7,535,000	7,220,000	6,555,000
Debt Service Interest and Fees	3,053,537	3,406,299	3,908,548
Tax Collection Expenditures	91,668	82,455	99,965
Payment to Refunding Bonds Escrow Agent	17,000		70,000
Bond Issuance Costs	119,920		129,950
<b>TOTAL EXPENDITURES</b>	<b>\$ 11,138,530</b>	<b>\$ 10,978,288</b>	<b>\$ 11,030,938</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (119,508)</b>	<b>\$ (228,561)</b>	<b>\$ (774,425)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer Out	\$	\$	\$
Long-Term Debt Issued-Refunding	5,645,000		5,705,000
Premium on Bonds Issued			343,836
Transfer to Refunding Bonds Escrow Agent	(5,497,677)		(5,899,649)
Bond Discount			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 147,323</b>	<b>\$ - 0 -</b>	<b>\$ 149,187</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 27,815</b>	<b>\$ (228,561)</b>	<b>\$ (625,238)</b>
<b>BEGINNING FUND BALANCE</b>	<b>8,109,149</b>	<b>8,337,710</b>	<b>8,962,948</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 8,136,964</b>	<b>\$ 8,109,149</b>	<b>\$ 8,337,710</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>17,821</b>	<b>17,649</b>	<b>17,684</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>17,394</b>	<b>17,197</b>	<b>17,228</b>

See accompanying independent auditor's report.



		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
\$ 9,835,022	\$ 10,333,288	98.6 %	99.2 %	99.0 %	98.9 %	99.1 %
87,685	86,463	0.7	0.7	1.0	0.9	0.8
16,576	16,780	0.7	0.1		0.2	0.1
<u>\$ 9,939,283</u>	<u>\$ 10,436,531</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 256,819	\$ 256,443	2.9 %	2.5 %	2.6 %	2.6 %	2.5 %
6,625,000	5,790,000	68.4	67.2	63.9	66.7	55.5
2,748,706	3,197,169	27.7	31.7	38.1	27.7	30.6
95,091	52,335	0.8	0.8	1.0	1.0	0.5
	189,521	0.2		0.7		
		1.1		1.3		1.8
<u>\$ 9,725,616</u>	<u>\$ 9,485,468</u>	<u>101.1 %</u>	<u>102.2 %</u>	<u>107.6 %</u>	<u>98.0 %</u>	<u>90.9 %</u>
<u>\$ 213,667</u>	<u>\$ 951,063</u>	<u>(1.1) %</u>	<u>(2.2) %</u>	<u>(7.6) %</u>	<u>2.0 %</u>	<u>9.1 %</u>
\$	\$ (4,052,786)					
	15,410,000					
	1,061,191					
	(12,007,810)					
	(113,956)					
<u>\$ - 0 -</u>	<u>\$ 296,639</u>					
\$ 213,667	\$ 1,247,702					
8,749,281	7,501,579					
<u>\$ 8,962,948</u>	<u>\$ 8,749,281</u>					
<u>17,655</u>	<u>17,719</u>					
<u>17,193</u>	<u>17,273</u>					

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**SEPTEMBER 30, 2016**

Authority Mailing Address - Clear Lake City Water Authority  
 900 Bay Area Blvd.  
 Houston, TX 77058-2604

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, 2016	Expense Reimbursements for the year ended September 30, 2016	Title
John B. Branch	05/2016 05/2020 (Elected)	\$ 2,400	\$ -0-	President/ Investment Officer
Robert T. Savely	05/2016 05/2020 (Elected)	\$ 4,800	\$ -0-	Vice President
Thomas Morrow	05/2014 05/2018 (Elected)	\$ 4,800	\$ -0-	Secretary
Gordon Johnson	05/2014 05/2018 (Elected)	\$ 4,800	\$ -0-	Director
John Graf	05/2016 05/2020 (Elected)	\$ 3,600	\$ -0-	Director






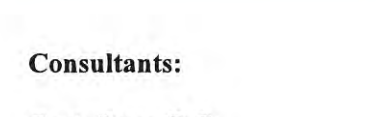
Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the Authority, with the Authority's developers or with any of the Authority's consultants.

Submission Date of most recent Registration Form (TWC Sections 36.054 and 49.054 May 17, 2016.

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, 2016**

<b>Key Administrative Personnel:</b>	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ending September 30, 2016</u>	<u>Title</u>
	05/17/98	\$ 97,527	General Manager/ Treasurer
	01/16/86	\$ 88,612	Director of Utilities
	11/18/77	\$ 91,268	Capital Projects Bookkeeper
	08/10/88	\$ 61,706	Tax Assessor/Collector
	06/01/15	\$ 68,739	Accounts Manager
	10/19/98	\$ 112,152	Prior Tax Assessor/ Collector
<b>Consultants:</b>			
Coats Rose, P.C.	08/13/15	\$ 144,429	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/31/96	\$ 40,500	Auditor
Sanford Kuhl Hagan Kugle Parker Kahn LLP	02/11/10	\$ 68,638	Bond Counsel
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	06/28/01	\$ 18,312	Delinquent Tax Attorney
Lockwood, Andrews & Newnam, Inc.	12/18/97	\$ 2,852,974	Engineer
Robert W. Baird & Co.	02/12/15	\$ 56,561	Financial Advisor

See accompanying independent auditor's report.