

CLEAR LAKE CITY WATER AUTHORITY

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2023

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ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Correction of Error

As described in Note 15 to the financial statements, the District's General Fund fund balance and net position as of September 30, 2022, has been restated to correct certain misstatements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Board of Directors
Clear Lake City Water Authority

Supplementary 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 an 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
Certified Public Accountants
Houston, Texas

February 8, 2024

CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Management's discussion and analysis of the financial performance of Clear Lake City Water Authority (the "Authority") provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2023. Please read it in conjunction with the Authority's financial statements.

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 financial statements provide 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 Statement of Net Position includes 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 is improving or deteriorating. Evaluation of the overall health of the Authority would extend to other non-financial factors.

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 tax revenues, 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, 2023

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") and other supplementary information. 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 \$146,366,607 as of September 30, 2023. This compares with assets and deferred outflows of resources exceeding liabilities by \$132,809,813 as of September 30, 2022. A portion of the Authority's assets reflects its net investment in capital assets (buildings and equipment as well as the 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, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 83,770,194	\$ 67,304,671	\$ 16,465,523
Capital and Right-to-Use Assets (Net of Accumulated Depreciation)	<u>210,154,306</u>	<u>196,005,453</u>	<u>14,148,853</u>
Total Assets	<u>\$ 293,924,500</u>	<u>\$ 263,310,124</u>	<u>\$ 30,614,376</u>
Deferred Outflows of Resources	<u>\$ 1,027,595</u>	<u>\$ 1,124,021</u>	<u>\$ (96,426)</u>
Lease Payable	\$ 1,263,849	\$ 1,403,703	\$ 139,854
Bonds Payable	141,371,092	121,375,003	(19,996,089)
Other Liabilities	<u>5,950,547</u>	<u>8,845,626</u>	<u>2,895,079</u>
Total Liabilities	<u>\$ 148,585,488</u>	<u>\$ 131,624,332</u>	<u>\$ (16,961,156)</u>
Net Position:			
Net Investment in Capital Assets	\$ 116,393,423	\$ 110,715,364	\$ 5,678,059
Restricted	17,444,555	11,391,476	6,053,079
Unrestricted	<u>12,528,629</u>	<u>10,702,973</u>	<u>1,825,656</u>
Total Net Position	<u>\$ 146,366,607</u>	<u>\$ 132,809,813</u>	<u>\$ 13,556,794</u>

*

The following table provides a summary of the Authority's operations for the years ended September 30, 2023, and September 30, 2022. The Authority's net position increased by \$13,556,794. Summary information from the Statement of Activities is as follows:

	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 18,734,955	\$ 16,583,494	\$ 2,151,461
Charges for Services	16,224,379	11,850,423	4,373,956
Other Revenues	<u>4,071,313</u>	<u>2,065,471</u>	<u>2,005,842</u>
Total Revenues	<u>\$ 39,030,647</u>	<u>\$ 30,499,388</u>	<u>\$ 8,531,259</u>
Expenses for Services	<u>25,473,853</u>	<u>24,267,458</u>	<u>(1,206,395)</u>
Change in Net Position	\$ 13,556,794	\$ 6,231,930	\$ 7,324,864
Net Position, Beginning of Year	<u>132,809,813</u>	<u>126,577,883</u>	<u>6,231,930</u>
Net Position, End of Year	<u>\$ 146,366,607</u>	<u>\$ 132,809,813</u>	<u>\$ 13,556,794</u>

* As Adjusted, Note 15

*

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUNDS

The Authority's combined fund balances as of September 30, 2023, were \$77,862,707, an increase of \$19,408,261 from the prior year.

The General Fund fund balance increased by \$1,816,795, primarily due to service revenues, property tax revenues, and other revenues exceeding operating and capital expenditures.

The Debt Service Fund fund balance increased by \$6,109,599, primarily due to the structure of the Authority's outstanding debt.

The Capital Projects Fund fund balance increased by \$11,481,867, primarily due to capital expenditures paid in the current year from bond proceeds received and bond proceeds received from the Series 2023 bond sale.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$1,116,561 more than budgeted revenues and actual expenditures were \$319,847 more than budgeted expenditures, and a transfer of \$78,062 to the Debt Service Fund which resulted in a positive budget variance of \$718,652 for the current fiscal year. See the budget to actual comparison for more information.

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, 2023, total \$208,442,167 (net of accumulated depreciation). Capital asset activity during the current fiscal year included the following:

- Water, sewer and drainage system rehabilitation and improvements
- Meadowgreen Drainage Improvements, Section One
- Authority's share of SEWPP rehabilitation and improvements
- Authority's share of SETL and improvements
- Exploration Green, Phase V
- Vehicles, pumps, motors, electrical upgrades and various other equipment

CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			Change Positive (Negative)
	2023	2022	
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 6,928,027	\$ 6,908,827	\$ 19,200
Sanitary Sewer Laterals and Trunks	70,283,993	68,705,089	1,578,904
Construction in Progress	35,837,729	22,233,939	13,603,790
Capital Assets, Net of Accumulated Depreciation:			
Buildings	947,395	1,024,825	(77,430)
Water System	32,229,513	33,485,286	(1,255,773)
Sanitary Sewer System	7,949,425	8,336,342	(386,917)
Drainage System	53,240,042	52,541,536	698,506
Equipment	1,026,043	869,997	156,046
 Total Net Capital Assets	 <u>\$ 208,442,167</u>	 <u>\$ 194,105,841</u>	 <u>\$ 14,336,326</u>

The Authority also entered into a lease agreement for emergency generators which is recorded as a right-of-use asset in the government-wide financial statements in accordance with GASB Statement No. 87. See Note 13 for further disclosure.

LONG-TERM DEBT ACTIVITY

The Authority has total bond debt payable of \$138,245,000. The changes to bonds payable during the current fiscal year is summarized in the following table:

Bond Debt Payable, October 1, 2022	\$ 117,475,000
Add: Bond Issued - Series 2023	27,000,000
Less: Bond Principal Paid	<u>6,230,000</u>
Bond Debt Payable, September 30, 2023	<u>\$ 138,245,000</u>

The Authority's bonds carry underlying ratings of "Aa3" by Moody's. The Series 2017 bonds carried an insured rating of "Baa2" (Moody's) by virtue of bond insurance issued by National Public Finance Guarantee Corporation prior to the rating being withdrawn. The Series 2017A bonds carry an insured rating of "A1" (Moody's), "AA" (S&P) and "AA+" (Kroll) by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2023 bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes in the ratings of the insurers.

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

LONG-TERM DEBT ACTIVITY (Continued)

The Authority also entered into a lease agreement for emergency generators. The lease liability is recorded in the government-wide financial statements. See Note 13 for further disclosure.

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.

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CLEAR LAKE CITY WATER AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2023

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 973,136	\$ 18,079
Investments	6,528,978	22,005,444
Receivables:		
Property Taxes	56,594	243,720
Penalty and Interest on Delinquent Taxes		
Service Accounts	2,868,869	
Other	170,796	106,994
Due from Other Funds	4,485,255	
Inventory	441,292	
Prepaid Costs	21,869	
Due from Other Governmental Units	864,082	
Land		
Sanitary Sewer Laterals and Trunks		
Construction in Progress		
Right-of-Use Asset (Net of Accumulated Amortization)		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 16,410,871	\$ 22,374,237
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 16,410,871	\$ 22,374,237

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

Capital Projects Fund	Total	Adjustments*	Statement of Net Position
\$ 5,410,895	\$ 6,402,110	\$	\$ 6,402,110
43,959,790	72,494,212		72,494,212
	300,314		300,314
		99,656	99,656
	2,868,869		2,868,869
	277,790		277,790
53,632	4,538,887	(4,538,887)	
	441,292		441,292
	21,869		21,869
	864,082		864,082
		6,928,027	6,928,027
		70,283,993	70,283,993
		35,837,729	35,837,729
		1,712,139	1,712,139
		95,392,418	95,392,418
<u>\$ 49,424,317</u>	<u>\$ 88,209,425</u>	<u>\$ 205,715,075</u>	<u>\$ 293,924,500</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 1,027,595</u>	<u>\$ 1,027,595</u>
<u>\$ 49,424,317</u>	<u>\$ 88,209,425</u>	<u>\$ 206,742,670</u>	<u>\$ 294,952,095</u>

* See Reconciliation on page 14 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, 2023

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 1,959,552	\$ 143,231
Accrued Interest Payable		
Due to Other Governmental Units	237,659	
Due to Other Funds	53,632	4,443,077
Security Deposits	1,631,399	
Long-term Liabilities:		
Lease Payable, Due Within One Year		
Lease Payable, Due After One Year		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 3,882,242	\$ 4,586,308
DEFERRED INFLOWS OF RESOURCES		
Property Tax Revenues	\$ 56,594	\$ 243,720
FUND BALANCES		
Nonspendable:		
Inventory	\$ 441,292	\$
Prepaid Costs	21,869	
Restricted for Authorized Construction		
Restricted for Debt Service		17,544,209
Committed for Sick Leave Obligation	352,512	
Committed for Unbudgeted Major Repairs of Facilities	250,000	
Committed for Emergencies	1,654,609	
Unassigned	9,751,753	
TOTAL FUND BALANCES	\$ 12,472,035	\$ 17,544,209
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 16,410,871	\$ 22,374,237
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments*	Statement of Net Position
\$ 1,535,676	\$ 3,638,459	\$ 443,030	\$ 3,638,459
	237,659		443,030
42,178	4,538,887	(4,538,887)	237,659
	1,631,399		1,631,399
		145,915	145,915
		1,117,934	1,117,934
		7,000,000	7,000,000
		134,371,092	134,371,092
<u>\$ 1,577,854</u>	<u>\$ 10,046,404</u>	<u>\$ 138,539,084</u>	<u>\$ 148,585,488</u>
<u>\$ - 0 -</u>	<u>\$ 300,314</u>	<u>\$ (300,314)</u>	<u>\$ - 0 -</u>
\$	\$ 441,292	\$ (441,292)	\$
	21,869	(21,869)	
47,846,463	47,846,463	(47,846,463)	
	17,544,209	(17,544,209)	
	352,512	(352,512)	
	250,000	(250,000)	
	1,654,609	(1,654,609)	
	9,751,753	(9,751,753)	
<u>\$ 47,846,463</u>	<u>\$ 77,862,707</u>	<u>\$ (77,862,707)</u>	<u>\$ - 0 -</u>
<u>\$ 49,424,317</u>	<u>\$ 88,209,425</u>		
		\$ 116,393,423	\$ 116,393,423
		17,444,555	17,444,555
		12,528,629	12,528,629
		<u>\$ 146,366,607</u>	<u>\$ 146,366,607</u>

* See Reconciliation on page 14 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, 2023**

Total Fund Balances - Governmental Funds \$ 77,862,707

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

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in 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. 1,027,595

Capital assets and right-of-use assets in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 210,154,306

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the Authority. 399,970

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	\$ (443,030)	
Lease Payable	(1,263,849)	
Bonds Payable	<u>(141,371,092)</u>	<u>(143,077,971)</u>

Total Net Position - Governmental Activities \$ 146,366,607

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, 2023

REVENUES	<u>General Fund</u>	<u>Debt Service Fund</u>
Property Taxes	\$ 3,591,017	\$ 15,098,162
Water Service	9,584,192	
Wastewater Service	6,243,424	
Penalty and Interest	188,585	148,902
Tap Connection and Inspection Fees	42,229	
Impact Fees		
Service Agreements and Lease Income	686,067	
Exclusion Contract Payments		428,910
Investment and Miscellaneous Revenues	432,358	1,060,133
TOTAL REVENUES	<u>\$ 20,767,872</u>	<u>\$ 16,736,107</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Bulk Water Purchases	\$ 2,846,485	\$
Payroll	6,704,823	319,843
Utilities	759,794	
Repairs and Maintenance	1,702,928	12,229
Professional Fees	674,836	207,365
Depreciation and Amortization		
Other	3,062,959	61,164
Capital Outlay	2,932,636	
Debt Service:		
Lease Principal	139,854	
Lease Interest	48,700	
Bond Issuance Costs		
Bond Principal		6,230,000
Bond Interest		3,873,969
TOTAL EXPENDITURES/EXPENSES	<u>\$ 18,873,015</u>	<u>\$ 10,704,570</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 1,894,857</u>	<u>\$ 6,031,537</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ (78,062)	\$ 78,062
Proceeds from Issuance of Long-Term Debt		
Bond Discount		
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (78,062)</u>	<u>\$ 78,062</u>
NET CHANGE IN FUND BALANCES	\$ 1,816,795	\$ 6,109,599
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
OCTOBER 1, 2022, AS ADJUSTED, NOTE 15	<u>10,655,240</u>	<u>11,434,610</u>
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2023	<u>\$ 12,472,035</u>	<u>\$ 17,544,209</u>

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

Capital Projects Fund	Total	Adjustments*	Statement of Activities
\$	\$ 18,689,179	\$ 45,776	\$ 18,734,955
	9,584,192		9,584,192
	6,243,424		6,243,424
	337,487	17,047	354,534
	42,229		42,229
33,100	33,100		33,100
	686,067		686,067
	428,910		428,910
1,430,745	2,923,236		2,923,236
<u>\$ 1,463,845</u>	<u>\$ 38,967,824</u>	<u>\$ 62,823</u>	<u>\$ 39,030,647</u>
\$	\$ 2,846,485	\$	\$ 2,846,485
	7,024,666		7,024,666
	759,794		759,794
	1,715,157	264,320	1,979,477
	882,201		882,201
		4,344,622	4,344,622
	3,124,123		3,124,123
15,825,159	18,757,795	(18,757,795)	
	139,854	(139,854)	
	48,700		48,700
706,318	706,318		706,318
	6,230,000	(6,230,000)	
	3,873,969	(116,502)	3,757,467
<u>\$ 16,531,477</u>	<u>\$ 46,109,062</u>	<u>\$ (20,635,209)</u>	<u>\$ 25,473,853</u>
<u>\$ (15,067,632)</u>	<u>\$ (7,141,238)</u>	<u>\$ 20,698,032</u>	<u>\$ 13,556,794</u>
\$	\$ 27,000,000	\$	\$
	27,000,000	(27,000,000)	
	(679,901)	679,901	
	229,400	(229,400)	
<u>\$ 26,549,499</u>	<u>\$ 26,549,499</u>	<u>\$ (26,549,499)</u>	<u>\$ - 0 -</u>
\$ 11,481,867	\$ 19,408,261	\$ (19,408,261)	\$
		13,556,794	13,556,794
<u>36,364,596</u>	<u>58,454,446</u>	<u>74,355,367</u>	<u>132,809,813</u>
<u>\$ 47,846,463</u>	<u>\$ 77,862,707</u>	<u>\$ 68,503,900</u>	<u>\$ 146,366,607</u>

* See Reconciliation on page 17 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, 2023

Net Change in Fund Balances - Governmental Funds	\$ 19,408,261
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.	45,776
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.	17,047
Governmental funds do not account for depreciation and amortization. However, amortization and depreciation expense of capital assets and right-of-use assets is recorded in the Statement of Activities.	(4,344,622)
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.	18,493,475
Governmental funds report bond premiums and discounts as other financing sources and uses. However, in the Statement of Net Position, bond premiums and bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	450,501
Governmental funds report the repayment of leases as expenditures. However, in the Statement of Net Position, lease principal payments decrease the related long-term liability.	139,854
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	6,230,000
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.	116,502
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	<u>(27,000,000)</u>
Change in Net Position - Governmental Activities	<u>\$ 13,556,794</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, 2023

NOTE 1. CREATION OF AUTHORITY

The Clear Lake City Water 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 15,650 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 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 ("GASB Codification").

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

The Authority's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a 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, 2023

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 inflows of resources related to property 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, 2023, the Debt Service Fund owed the General Fund \$1,330,799 for operating expenses, \$3,092,888 for maintenance tax revenues, and \$19,390 for bond related costs; the Capital Projects Fund owed the General Fund \$42,178 for construction costs; and the General Fund owed the Capital Projects Fund \$53,632 for construction related costs. The General Fund transferred \$78,062 to the Debt Service Fund to reimburse for bond issuance costs paid in the prior fiscal year.

Capital and Right-of Use 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 using the straight-line method over the estimated useful lives ranging from 3 to 45 years.

In accordance with GASB Statement No. 87, the Authority has recorded its leased emergency generators as a right-of-use asset (see Note 13). The right-of-use asset is being amortized over 20 years using the straight-line method of amortization.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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, 2023, was \$441,292.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the Authority's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current 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 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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Fund balances in governmental funds are classified using the following hierarchy:

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

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the 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 committed the year-end General Fund fund balance as follows - \$250,000 for unbudgeted major repairs of facilities, and \$1,654,609 for emergencies. See also Note 8 for information related to the sick leave fund balance commitment.

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. The Authority 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, 2023

NOTE 3. LONG-TERM DEBT

	<u>Series 2017</u>	<u>Series 2017A</u>	<u>Series 2018</u>
Amounts Outstanding – September 30, 2023	\$ 9,110,000	\$ 10,680,000	\$ 13,030,000
Interest Rates	2.00% - 3.375%	3.00% - 3.125%	3.00% - 5.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2024/2038	March 1, 2024/2038	March 1, 2024/2038
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2025*	March 1, 2025*	March 1, 2023*

	<u>Series 2019</u>	<u>Refunding Series 2019</u>	<u>Refunding Series 2019A</u>
Amounts Outstanding – September 30, 2023	\$ 20,685,000	\$ 3,840,000	\$ 6,530,000
Interest Rates	2.00% - 4.00%	4.00%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2024/2038	March 1, 2024/2029	March 1, 2024/2035
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2024*	Non-Callable	March 1, 2029*

* 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 2019 term bonds due March 1, 2035, are subject to mandatory redemption beginning on March 1, 2034.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2020	Refunding Series 2021
Amounts Outstanding – September 30, 2023	\$ 11,015,000	\$ 18,045,000
Interest Rates	2.00% - 4.00%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2024/2038	March 1, 2024/2037
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2028*	March 1, 2029*
	Series 2022	Series 2023
Amounts Outstanding – September 30, 2023	\$ 18,310,000	\$ 27,000,000
Interest Rates	4.00% - 5.00%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2024/2038	March 1, 2024/2048
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2029*	March 1, 2030*

* 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 2023 term bonds due March 1, 2045 and March 1, 2048, are subject to mandatory redemption beginning on March 1, 2044 and March 1, 2046, respectively.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2023:

	October 1, 2022	Additions	Retirements	September 30, 2023
Bonds Payable	\$ 117,475,000	\$ 27,000,000	\$ 6,230,000	\$ 138,245,000
Unamortized Discounts	(131,185)	(679,901)	(11,999)	(799,087)
Unamortized Premiums	4,031,188	229,400	335,409	3,925,179
Bonds Payable, Net	\$ 121,375,003	\$ 26,549,499	\$ 6,553,410	\$ 141,371,092
		Amount Due Within One Year		\$ 7,000,000
		Amount Due After One Year		134,371,092
		Bonds Payable, Net		\$ 141,371,092

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.

On May 7, 2022, voters in the Authority approved the issuance of an additional \$138,098,728 for utility facilities. As of September 30, 2023, the Authority had authorized but unissued bonds in the amount of \$111,496,625 for utility facilities and \$182,322,483 for refunding bonds.

The debt service requirements on the outstanding bonds at year end are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 7,000,000	\$ 4,701,037	\$ 11,701,037
2025	7,325,000	4,382,806	11,707,806
2026	7,580,000	4,114,932	11,694,932
2027	7,865,000	3,839,982	11,704,982
2028	8,165,000	3,544,506	11,709,506
2029-2033	41,490,000	13,540,290	55,030,290
2034-2038	44,500,000	6,495,308	50,995,308
2039-2043	6,405,000	2,239,225	8,644,225
2044-2048	7,915,000	818,500	8,733,500
	\$ 138,245,000	\$ 43,676,586	\$ 181,921,586

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended September 30, 2023, the Authority levied an ad valorem debt service tax and maintenance tax as follows:

	<u>2022 Appraised Valuation</u>	<u>Tax Rates Per \$100 Of Valuation</u>	<u>Tax Levy</u>
Debt Service Tax Levy		\$0.21	\$ 15,270,211
Maintenance Tax Levy		<u>\$0.05</u>	<u>3,635,764</u>
Totals	<u>\$ 7,271,528,886</u>	<u>\$0.26</u>	<u>\$ 18,905,975</u>

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. 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.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

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.

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 each five-year anniversary of the bonds.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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 \$6,402,110 and the bank balance was \$6,819,566. The District 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, 2023, as listed below:

	Cash
GENERAL FUND	\$ 973,136
DEBT SERVICE FUND	18,079
CAPITAL PROJECTS FUND	5,410,895
TOTAL DEPOSITS	\$ 6,402,110

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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. The Authority has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The Authority's investment policy may be more restrictive than the Public Funds Investment Act.

The Authority invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. As a result, the Authority also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of September 30, 2023, the Authority had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 6,528,978	\$ 6,528,978
<u>DEBT SERVICE FUND</u>		
TexPool	22,005,444	22,005,444
<u>CAPITAL PROJECTS FUND</u>		
TexPool	<u>43,959,790</u>	<u>43,959,790</u>
TOTAL INVESTMENTS	<u>\$ 72,494,212</u>	<u>\$ 72,494,212</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2023, 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, 2023

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 is as follows:

	October 1, 2022	Increases	Decreases	September 30, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 6,908,827	\$ 19,200	\$	\$ 6,928,027
Sanitary Sewer Laterals and Trunks	68,705,089	1,578,904		70,283,993
Construction in Progress	<u>22,233,939</u>	<u>18,493,475</u>	<u>4,889,685</u>	<u>35,837,729</u>
Total Capital Assets Not Being Depreciated	<u>\$ 97,847,855</u>	<u>\$ 20,091,579</u>	<u>\$ 4,889,685</u>	<u>\$ 113,049,749</u>
Capital Assets Subject to Depreciation				
Buildings	\$ 1,457,773	\$	\$	\$ 1,457,773
Water System	69,611,619	438,334		70,049,953
Sanitary Sewer System	20,280,582			20,280,582
Drainage System	85,459,708	2,309,815		87,769,523
Equipment	<u>4,882,282</u>	<u>543,432</u>		<u>5,425,714</u>
Total Capital Assets Subject to Depreciation	<u>\$ 181,691,964</u>	<u>\$ 3,291,581</u>	<u>\$ - 0 -</u>	<u>\$ 184,983,545</u>
Less Accumulated Depreciation				
Buildings	\$ 432,948	\$ 77,430	\$	\$ 510,378
Water System	36,126,333	1,694,107		37,820,440
Sanitary Sewer System	11,944,240	386,917		12,331,157
Drainage System	32,918,172	1,611,309		34,529,481
Equipment	<u>4,012,285</u>	<u>387,386</u>		<u>4,399,671</u>
Total Accumulated Depreciation	<u>\$ 85,433,978</u>	<u>\$ 4,157,149</u>	<u>\$ - 0 -</u>	<u>\$ 89,591,127</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 96,257,986</u>	<u>\$ (865,568)</u>	<u>\$ - 0 -</u>	<u>\$ 95,392,418</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 194,105,841</u>	<u>\$ 19,226,011</u>	<u>\$ 4,889,685</u>	<u>\$ 208,442,167</u>

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, 2023, September 30, 2022, and September 30, 2021, were 2.47, 2.38, and 2.29, respectively.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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, 2023:

	Condition	Sewer Laterals and Trunks in Linear Feet
1.00-1.99	New Condition	379,695
2.00-2.99	Minor Deficiencies	421,823
3.00-3.99	Serious Deficiencies	143,566
4.00-4.99	Very Serious Deficiencies	47,057
5.00	Severe Deficiencies	47,777
TOTAL		1,039,918

Comparison of Estimated to Actual Maintenance/Preservation Costs

	Estimated	Actual
2023	\$ 1,244,090	\$ 1,634,051
2022	\$ 1,441,263	\$ 2,250,972
2021	\$ 1,120,849	\$ 2,366,899
2020	\$ 1,001,044	\$ 1,783,869
2019	\$ 1,624,853	\$ 1,698,168

NOTE 7. RETIREMENT 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 MissionSquare Retirement. 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, \$352,512 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, 2023

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. District No. 156’s share of the allocable debt has been paid in full.

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, 2023

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>
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>\$ 50,846</u>

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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 9. EXCLUSION CONTRACTS AND SERVICE AGREEMENTS (Continued)

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.

On December 27, 2018, Kaneka North America LLC and its affiliated entities ("Kaneka") filed a petition with the Authority to exclude its land from the Authority. On February 20, 2019, the Authority entered into an order with Kaneka providing for the exclusion of the land (approximately 193 acres) and for Kaneka's payment of its share of the Authority's outstanding debt. In accordance with HB 1324, landowners who de-annex from the Authority, including Kaneka, remain responsible for their pro-rata share of the then outstanding share of the Authority's tax supported debt (including debt to refund Authority debt outstanding on the exclusion date) as of the effective date of their exclusion. Pursuant to the provisions of HB 1324, any exclusion of land from the boundaries of the Authority under such provision does not invalidate any bonds authorized by the voters of the Authority. Kaneka's exclusion payment totaled \$418,770 for the current fiscal year.

NOTE 10. WATER SUPPLY CONTRACT

The Authority and the City of Houston entered into a Cost Sharing Water Project Contract (the "Contract") wherein the Authority, certain other municipal utility districts, the Galveston County Water District and the Cities of Nassau Bay, Pasadena, Webster, Friendswood, La Porte, and Houston agreed to jointly finance the construction and operation of the Southeast Water Treatment Plant to be constructed and operated by the City of Houston. Under the terms of the Contract, the Authority purchased an additional 12.95 MGD peak daily capacity for a total of 20.45 MGD capacity in the Southeast Water Treatment Plant. The Southeast Water Treatment Plant is the primary source of potable water for the Authority, and the Authority has the right to purchase additional capacity in future plant expansions or unused capacity from other participants. Other municipalities and governmental entities have entered into similar contracts to participate in the financing of the construction and operation of the Southeast Water Treatment Plant. It is agreed in the Contract that up to 20.45 MGD of potable water will be delivered by the Southeast Water Treatment Plant to the Authority at the current rate of \$0.8834 per 1,000 gallons. This rate may be annually adjusted based upon changes in the operation and maintenance.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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.

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. Effective May 8, 2022, this agreement was extended for ten more years.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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. Originally, the lease payments were treated as an operating lease. With the implementation of GASB Statement No. 87 in the current fiscal year, the Authority recorded a right-of-use asset and related lease liability on its books for the generators. The lease liability was measured using the remaining lease term and discount rate (4.25%) as of the beginning of the current period and the right-of-use asset was measured based on the lease liability at that date which resulted in no restatement of the beginning net position since both amounts were the same (\$1,622,200). At the time the agreement was executed, the Authority elected to make a buy down payment of \$800,000 to reduce the monthly lease payments. This amount, plus the beginning of period right-of-use assets of \$1,622,200, are included in the right-of-use assets in the schedule below and being amortized over 20 years. Current year activity is summarized below:

	October 1, 2022	Increases	Decreases	September 30, 2023
Right-of-use Asset Subject to Amortization				
Generators	\$ 2,422,200	\$ - 0 -	\$ - 0 -	\$ 2,422,200
Less Accumulated Amortization				
Generators	\$ 522,588	\$ 187,473	\$ - 0 -	\$ 710,061
Right-of-use Asset, Net of Accumulated Amortization	<u>\$ 1,899,612</u>	<u>\$ (187,473)</u>	<u>\$ - 0 -</u>	<u>\$ 1,712,139</u>

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. The Authority made 12 lease payments during the current fiscal year totaling \$188,554, of which \$139,854 was principal and \$48,700 was interest. The changes in lease liability during the current fiscal year are summarized as follows:

Lease Payable, October 1, 2022	\$ 1,403,703
Less: Lease Principal Paid	<u>139,854</u>
Lease Payable, September 30, 2023	<u>\$ 1,263,849</u>

Future lease payments, are summarized in the following table:

Fiscal Year	Principal	Interest	Total
2024	\$ 145,915	\$ 23,645	\$ 169,560
2025	152,239	17,321	169,560
2026	158,837	10,723	169,560
2027	165,720	3,840	169,560
2028	117,585	24,975	142,560
2029-2032	<u>523,553</u>	<u>46,687</u>	<u>570,240</u>
	<u>\$ 1,263,849</u>	<u>\$ 127,191</u>	<u>\$ 1,391,040</u>

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 14. BOND SALE

On August 15, 2023, the Authority issued its \$27,000,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2023. The proceeds are being used to pay for: improvements to the Authority’s water supply, wastewater, and drainage systems; contingencies; and engineering fees. Additional proceeds were used to pay issuance costs of the bonds.

NOTE 15. PRIOR PERIOD ADJUSTMENT

The District adjusted its beginning Net Position and General Fund fund balance as a result of a change to the prior year’s inventory balance, as well as a change in the amounts owed to the City of Houston for the SEWPP true-up. The effect of these changes is as follows:

General Fund Balance - October 1, 2022	\$	9,514,196
Effect of Adjustment		<u>1,141,044</u>
General Fund Balance - October 1, 2022, As Adjusted	\$	<u><u>10,655,240</u></u>
Net Position - October 1, 2022	\$	131,668,769
Effect of Adjustment		<u>1,141,044</u>
Net Position - October 1, 2022, As Adjusted	\$	<u><u>132,809,813</u></u>

CLEAR LAKE CITY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2023

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, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 3,280,229	\$ 3,591,017	\$ 310,788
Water Service	8,501,162	9,584,192	1,083,030
Wastewater Service	6,118,938	6,243,424	124,486
Penalty and Interest	83,820	188,585	104,765
Tap Connection and Inspection Fees	39,802	42,229	2,427
Insurance, FEMA and Grant Revenues	970,000		(970,000)
Service Agreements and Lease Income	601,120	686,067	84,947
Investment and Miscellaneous Revenues	56,240	432,358	376,118
TOTAL REVENUES	<u>\$ 19,651,311</u>	<u>\$ 20,767,872</u>	<u>\$ 1,116,561</u>
EXPENDITURES			
Service Operations:			
Bulk Water Purchases	\$ 2,468,762	\$ 2,846,485	\$ (377,723)
Payroll	6,826,113	6,704,823	121,290
Utilities	774,575	759,794	14,781
Repairs and Maintenance	2,276,707	1,702,928	573,779
Professional Fees	981,005	674,836	306,169
Other	2,882,636	3,062,959	(180,323)
Capital Outlay	2,164,810	2,932,636	(767,826)
Lease Principal and Interest	178,560	188,554	(9,994)
TOTAL EXPENDITURES	<u>\$ 18,553,168</u>	<u>\$ 18,873,015</u>	<u>\$ (319,847)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,098,143</u>	<u>\$ 1,894,857</u>	<u>\$ 796,714</u>
OTHER FINANCING SOURCES(USES)			
Transfers In(Out)	<u>\$ -0-</u>	<u>\$ (78,062)</u>	<u>\$ (78,062)</u>
NET CHANGE IN FUND BALANCE	\$ 1,098,143	\$ 1,816,795	\$ 718,652
FUND BALANCE - OCTOBER 1, 2022, AS ADJUSTED	<u>10,655,240</u>	<u>10,655,240</u>	
FUND BALANCE - SEPTEMBER 30, 2023	<u>\$ 11,753,383</u>	<u>\$ 12,472,035</u>	<u>\$ 718,652</u>

See accompanying independent auditor's report.

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CLEAR LAKE CITY WATER AUTHORITY
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2023

CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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 November 1, 2022.

	<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:	\$ 15.95	2,000	N	\$ 1.45	2,001 to 3,000
				1.45	3,001 to 4,000
				1.45	4,001 to 5,000
				1.45	5,001 to 6,000
				1.45	6,001 to 7,000
				1.45	7,001 to 8,000
				1.45	8,001 to 9,000
				1.45	9,001 to 10,000
				3.99	10,001 to 20,000
				3.31	20,001 and up
WASTEWATER:	\$ 15.95	2,000	N	\$ 1.45	2,001 to 3,000
				1.45	3,001 to 4,000
				1.45	4,001 to 5,000
				1.45	5,001 to 6,000
				1.45	6,001 to 7,000
				1.45	7,001 to 8,000
				1.45	8,001 to 9,000
				1.45	9,001 to 10,000
				3.99	10,001 to 20,000
				3.31	20,001 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: \$27.55 Wastewater: \$27.55* 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, 2023

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	<u>3</u>	<u>3</u>	x 1.0	<u>3</u>
≤ ³ / ₄ "	<u>10,873</u>	<u>10,787</u>	x 1.0	<u>10,787</u>
1"	<u>6,253</u>	<u>6,229</u>	x 2.5	<u>15,573</u>
1½"	<u>295</u>	<u>292</u>	x 5.0	<u>1,460</u>
2"	<u>464</u>	<u>454</u>	x 8.0	<u>3,632</u>
3"	<u>49</u>	<u>47</u>	x 15.0	<u>705</u>
4"	<u>30</u>	<u>30</u>	x 25.0	<u>750</u>
6"	<u>7</u>	<u>7</u>	x 50.0	<u>350</u>
8"	<u>10</u>	<u>10</u>	x 80.0	<u>800</u>
10"	<u>3</u>	<u>3</u>	x 115.0	<u>345</u>
Total Water Connections	<u><u>17,987</u></u>	<u><u>17,862</u></u>		<u><u>34,405</u></u>
Total Wastewater Connections	<u><u>17,611</u></u>	<u><u>17,367</u></u>	x 1.0	<u><u>17,367</u></u>

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

Gallons pumped into system:	3,289,187,000	Water Accountability Ratio: 84.7% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	2,582,263,000	
Gallons purchased:	3,835,604,000	From: <u>City of Houston, Texas and City of Pasadena, Texas</u>
Gallons sold:	203,693,000	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, 2023**

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.

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

Entirely Partly 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

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>6,704,823</u>
PROFESSIONAL FEES:	
Auditing	\$ 48,075
Engineering	474,730
Legal	83,412
Other Professional Fees	<u>68,619</u>
TOTAL PROFESSIONAL FEES	\$ <u>674,836</u>
BULK WATER PURCHASES	\$ <u>2,846,485</u>
UTILITIES:	
Electricity	\$ 705,486
Gas	3,638
Telephone	<u>50,670</u>
TOTAL UTILITIES	\$ <u>759,794</u>
REPAIRS AND MAINTENANCE	\$ <u>1,702,928</u>
ADMINISTRATIVE EXPENDITURES:	
Bank Charges	\$ 10,174
Billing Costs	76,629
Director Fees	16,200
Dues	4,905
Insurance	357,565
Office Supplies and Postage	55,885
Payroll Service	20,589
Regulatory Assessment	69,833
Travel and Meetings	20,804
Municipal Payment	914,007
Other	<u>85,845</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>1,632,436</u>
CAPITAL OUTLAY	\$ <u>2,932,636</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

OTHER EXPENDITURES:	
Chemicals	\$ 124,137
Computers, Radios and Mobile Telephones	75,778
FEMA Reimbursement	64,015
Inspection and Permit Fees	115,000
Laboratory Fees	96,249
Parts, Supplies and Uniforms	351,193
Safety Items	31,190
Sludge Hauling	367,604
Vehicle Supplies and Maintenance	<u>205,357</u>
TOTAL OTHER EXPENDITURES	<u>\$ 1,430,523</u>
DEBT SERVICE:	
Lease Principal	\$ 139,854
Lease Interest	<u>48,700</u>
TOTAL DEBT SERVICE	<u>\$ 188,554</u>
TOTAL EXPENDITURES	<u><u>\$ 18,873,015</u></u>

Number of persons employed by Authority 72 Full-Time -0- Part-Time

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
INVESTMENTS
SEPTEMBER 30, 2023

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 5,769,571	\$
TexPool	XXXX0003	Varies	Daily	<u>759,407</u>	<u> </u>
TOTAL GENERAL FUND				\$ 6,528,978	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0004	Varies	Daily	\$ 22,004,894	\$
TexPool	XXXX0005	Varies	Daily	<u>550</u>	<u> </u>
TOTAL DEBT SERVICE FUND				\$ 22,005,444	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0014	Varies	Daily	\$ 21,932	\$
TexPool	XXXX0040	Varies	Daily	69	
TexPool	XXXX0041	Varies	Daily	2,835,875	
TexPool	XXXX0042	Varies	Daily	1,142,375	
TexPool	XXXX0043	Varies	Daily	2,513,146	
TexPool	XXXX0044	Varies	Daily	1,104,994	
TexPool	XXXX0045	Varies	Daily	826,266	
TexPool	XXXX0046	Varies	Daily	9,480,016	
TexPool	XXXX0047	Varies	Daily	<u>26,035,117</u>	<u> </u>
TOTAL CAPITAL PROJECTS FUND				\$ 43,959,790	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 72,494,212</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Maintenance Taxes	Debt Service Taxes
TAXES RECEIVABLE -		
OCTOBER 1, 2022	\$ 47,733	\$ 206,805
Adjustments to prior tax levies	(35,886)	(135,134)
2022 Tax Levy	3,635,764	15,270,211
Tax Collections for current and prior tax levies	(3,591,017)	(15,098,162)
TAXES RECEIVABLE -		
SEPTEMBER 30, 2023	\$ 56,594	\$ 243,720
 TAXES RECEIVABLE BY YEAR:		
2022	\$ 24,933	\$ 104,717
2021	7,516	31,565
2020	4,604	19,337
2019	3,512	15,452
2018	2,645	11,636
2017	2,235	9,835
2016	1,453	6,394
2015	951	4,183
2014	955	4,395
2013	856	3,937
2012 and prior	6,934	32,269
TOTAL	\$ 56,594	\$ 243,720

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2022	2021	2020	2019
PROPERTY VALUATIONS:				
Land	\$ 2,471,314,370	\$ 2,244,978,022	\$ 2,159,207,739	\$ 1,954,332,607
Improvements	6,677,191,015	5,860,943,970	5,508,332,785	5,364,692,022
Personal Property	722,585,426	584,337,519	612,858,159	557,504,628
Exemptions	<u>(2,599,561,925)</u>	<u>(2,214,099,817)</u>	<u>(2,150,326,999)</u>	<u>(2,087,185,078)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 7,271,528,886</u>	<u>\$ 6,476,159,694</u>	<u>\$ 6,130,071,684</u>	<u>\$ 5,789,344,179</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.22
Maintenance	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.26</u>	<u>\$ 0.26</u>	<u>\$ 0.26</u>	<u>\$ 0.27</u>
ADJUSTED TAX LEVY*	<u>\$ 18,905,975</u>	<u>\$ 16,838,015</u>	<u>\$ 15,938,187</u>	<u>\$ 15,631,229</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.31 %</u>	<u>99.77 %</u>	<u>99.85 %</u>	<u>99.88 %</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
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

S E R I E S - \$11,545,000 - 2 0 1 7

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2024	\$ 460,000	\$ 275,031	\$ 735,031
2025	480,000	263,231	743,231
2026	495,000	248,607	743,607
2027	515,000	233,456	748,456
2028	535,000	217,706	752,706
2029	555,000	201,356	756,356
2030	580,000	184,331	764,331
2031	600,000	166,632	766,632
2032	625,000	148,256	773,256
2033	645,000	128,804	773,804
2034	670,000	108,256	778,256
2035	695,000	86,494	781,494
2036	725,000	63,419	788,419
2037	750,000	38,981	788,981
2038	780,000	13,163	793,163
2039			
2040			
2041			
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2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 9,110,000</u>	<u>\$ 2,377,723</u>	<u>\$ 11,487,723</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

S E R I E S - \$13,800,000 - 2 0 1 7 A

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2024	\$ 560,000	\$ 314,175	\$ 874,175
2025	580,000	297,075	877,075
2026	600,000	279,375	879,375
2027	620,000	261,075	881,075
2028	640,000	242,175	882,175
2029	660,000	222,675	882,675
2030	685,000	202,500	887,500
2031	705,000	181,650	886,650
2032	730,000	160,125	890,125
2033	750,000	137,925	887,925
2034	775,000	115,050	890,050
2035	805,000	91,350	896,350
2036	830,000	66,825	896,825
2037	855,000	41,016	896,016
2038	885,000	13,828	898,828
2039			
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2041			
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2046			
2047			
2048			
	<u>\$ 10,680,000</u>	<u>\$ 2,626,819</u>	<u>\$ 13,306,819</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

S E R I E S - \$16,150,000 - 2 0 1 8

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2024	\$ 660,000	\$ 472,288	\$ 1,132,288
2025	685,000	438,662	1,123,662
2026	710,000	410,888	1,120,888
2027	740,000	385,438	1,125,438
2028	765,000	355,337	1,120,337
2029	795,000	328,113	1,123,113
2030	825,000	302,781	1,127,781
2031	855,000	274,947	1,129,947
2032	890,000	244,943	1,134,943
2033	925,000	212,603	1,137,603
2034	960,000	178,438	1,138,438
2035	995,000	142,381	1,137,381
2036	1,035,000	104,319	1,139,319
2037	1,075,000	64,756	1,139,756
2038	1,115,000	22,300	1,137,300
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 13,030,000</u>	<u>\$ 3,938,194</u>	<u>\$ 16,968,194</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

S E R I E S - \$24,500,000 - 2 0 1 9

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2024	\$ 1,045,000	\$ 558,913	\$ 1,603,913
2025	1,085,000	521,738	1,606,738
2026	1,130,000	494,162	1,624,162
2027	1,170,000	471,163	1,641,163
2028	1,215,000	447,313	1,662,313
2029	1,265,000	420,931	1,685,931
2030	1,310,000	390,325	1,700,325
2031	1,360,000	353,550	1,713,550
2032	1,415,000	311,925	1,726,925
2033	1,470,000	268,650	1,738,650
2034	1,525,000	223,725	1,748,725
2035	1,580,000	177,150	1,757,150
2036	1,640,000	128,850	1,768,850
2037	1,705,000	78,675	1,783,675
2038	1,770,000	26,550	1,796,550
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 20,685,000</u>	<u>\$ 4,873,620</u>	<u>\$ 25,558,620</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

REFUNDING SERIES - \$6,120,000 - 2019

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2024	\$ 560,000	\$ 142,400	\$ 702,400
2025	590,000	119,400	709,400
2026	625,000	95,100	720,100
2027	655,000	69,500	724,500
2028	685,000	42,700	727,700
2029	725,000	14,500	739,500
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
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2040			
2041			
2042			
2043			
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2045			
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2047			
2048			
	<u>\$ 3,840,000</u>	<u>\$ 483,600</u>	<u>\$ 4,323,600</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

REFUNDING SERIES - \$7,525,000 - 2019A

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2024	\$ 415,000	\$ 221,550	\$ 636,550
2025	440,000	204,450	644,450
2026	455,000	186,550	641,550
2027	485,000	167,750	652,750
2028	510,000	147,850	657,850
2029	535,000	126,950	661,950
2030	555,000	105,150	660,150
2031	585,000	85,275	670,275
2032	605,000	67,425	672,425
2033	625,000	48,975	673,975
2034	650,000	29,850	679,850
2035	670,000	10,050	680,050
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 6,530,000</u>	<u>\$ 1,401,825</u>	<u>\$ 7,931,825</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

S E R I E S - \$13,215,000 - 2 0 2 0

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2024	\$ 735,000	\$ 293,700	\$ 1,028,700
2025	735,000	264,300	999,300
2026	730,000	235,000	965,000
2027	735,000	205,700	940,700
2028	735,000	176,300	911,300
2029	735,000	154,250	889,250
2030	735,000	139,550	874,550
2031	730,000	124,900	854,900
2032	735,000	110,250	845,250
2033	735,000	94,631	829,631
2034	735,000	78,094	813,094
2035	735,000	61,556	796,556
2036	735,000	45,019	780,019
2037	735,000	27,563	762,563
2038	735,000	9,187	744,187
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 11,015,000</u>	<u>\$ 2,020,000</u>	<u>\$ 13,035,000</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

REFUNDING SERIES - \$19,160,000 - 2021

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2024	\$ 1,145,000	\$ 574,625	\$ 1,719,625
2025	1,175,000	539,825	1,714,825
2026	1,205,000	504,125	1,709,125
2027	1,240,000	461,250	1,701,250
2028	1,290,000	410,650	1,700,650
2029	1,330,000	358,250	1,688,250
2030	1,185,000	307,950	1,492,950
2031	1,220,000	265,950	1,485,950
2032	1,255,000	228,825	1,483,825
2033	1,300,000	190,500	1,490,500
2034	1,350,000	150,750	1,500,750
2035	1,400,000	109,500	1,509,500
2036	1,450,000	66,750	1,516,750
2037	1,500,000	22,500	1,522,500
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 18,045,000</u>	<u>\$ 4,191,450</u>	<u>\$ 22,236,450</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

S E R I E S - \$19,130,000 - 2 0 2 2

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2024	\$ 865,000	\$ 781,275	\$ 1,646,275
2025	905,000	737,025	1,642,025
2026	955,000	690,525	1,645,525
2027	1,000,000	641,650	1,641,650
2028	1,055,000	590,275	1,645,275
2029	1,105,000	536,275	1,641,275
2030	1,165,000	479,525	1,644,525
2031	1,220,000	426,000	1,646,000
2032	1,265,000	376,300	1,641,300
2033	1,320,000	324,600	1,644,600
2034	1,375,000	270,700	1,645,700
2035	1,430,000	214,600	1,644,600
2036	1,490,000	156,200	1,646,200
2037	1,550,000	95,400	1,645,400
2038	1,610,000	32,200	1,642,200
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 18,310,000</u>	<u>\$ 6,352,550</u>	<u>\$ 24,662,550</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

S E R I E S - \$27,000,000 - 2 0 2 3

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2024	\$ 555,000	\$ 1,067,080	\$ 1,622,080
2025	650,000	997,100	1,647,100
2026	675,000	970,600	1,645,600
2027	705,000	943,000	1,648,000
2028	735,000	914,200	1,649,200
2029	765,000	884,200	1,649,200
2030	800,000	852,900	1,652,900
2031	835,000	824,375	1,659,375
2032	870,000	798,800	1,668,800
2033	910,000	770,962	1,680,962
2034	950,000	740,738	1,690,738
2035	990,000	707,975	1,697,975
2036	1,035,000	669,950	1,704,950
2037	1,080,000	627,650	1,707,650
2038	1,125,000	583,550	1,708,550
2039	1,175,000	543,425	1,718,425
2040	1,225,000	501,300	1,726,300
2041	1,280,000	451,200	1,731,200
2042	1,335,000	398,900	1,733,900
2043	1,390,000	344,400	1,734,400
2044	1,450,000	287,600	1,737,600
2045	1,515,000	228,300	1,743,300
2046	1,580,000	166,400	1,746,400
2047	1,650,000	101,800	1,751,800
2048	1,720,000	34,400	1,754,400
	<u>\$ 27,000,000</u>	<u>\$ 15,410,805</u>	<u>\$ 42,410,805</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal Interest Due
2024	\$ 7,000,000	\$ 4,701,037	\$ 11,701,037
2025	7,325,000	4,382,806	11,707,806
2026	7,580,000	4,114,932	11,694,932
2027	7,865,000	3,839,982	11,704,982
2028	8,165,000	3,544,506	11,709,506
2029	8,470,000	3,247,500	11,717,500
2030	7,840,000	2,965,012	10,805,012
2031	8,110,000	2,703,279	10,813,279
2032	8,390,000	2,446,849	10,836,849
2033	8,680,000	2,177,650	10,857,650
2034	8,990,000	1,895,601	10,885,601
2035	9,300,000	1,601,056	10,901,056
2036	8,940,000	1,301,332	10,241,332
2037	9,250,000	996,541	10,246,541
2038	8,020,000	700,778	8,720,778
2039	1,175,000	543,425	1,718,425
2040	1,225,000	501,300	1,726,300
2041	1,280,000	451,200	1,731,200
2042	1,335,000	398,900	1,733,900
2043	1,390,000	344,400	1,734,400
2044	1,450,000	287,600	1,737,600
2045	1,515,000	228,300	1,743,300
2046	1,580,000	166,400	1,746,400
2047	1,650,000	101,800	1,751,800
2048	1,720,000	34,400	1,754,400
	<u>\$ 138,245,000</u>	<u>\$ 43,676,586</u>	<u>\$ 181,921,586</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Description	Original Bonds Issued	Bonds Outstanding October 1, 2022
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2017	\$ 11,545,000	\$ 9,555,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2017A	13,800,000	11,225,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2018	16,150,000	13,665,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2019	24,500,000	21,695,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2019	6,120,000	4,370,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2019A	7,525,000	6,925,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2020	13,215,000	11,750,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2021	19,160,000	19,160,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2022	19,130,000	19,130,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2023	<u>27,000,000</u>	
TOTAL	<u><u>\$ 158,145,000</u></u>	<u><u>\$ 117,475,000</u></u>

See accompanying independent auditor's report.

Current Year Transactions			Bonds Outstanding September 30, 2023	Paying Agent
Bonds Sold	Retirements			
	Principal	Interest		
\$	\$ 445,000	\$ 284,081	\$ 9,110,000	Branch Banking and Trust Company, Dallas, TX
	545,000	330,750	10,680,000	Branch Banking and Trust Company, Dallas, TX
	635,000	501,488	13,030,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,010,000	600,012	20,685,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	530,000	164,863	3,840,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	395,000	237,750	6,530,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	735,000	323,100	11,015,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,115,000	608,525	18,045,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	820,000	823,400	18,310,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>27,000,000</u>			<u>27,000,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 27,000,000</u>	<u>\$ 6,230,000</u>	<u>\$ 3,873,969</u>	<u>\$ 138,245,000</u>	

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

RECONCILIATION OF BONDS ISSUED:

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

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 1977-A	2,100,000
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 1987-A	7,000,000
Clear Lake City Water Authority	Series 1988	4,700,000
Clear Lake City Water Authority	Series 1989	3,350,000
Clear Lake City Water Authority	Refunding Series 1990	1,440,000
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 1998-A	1,305,000
Harris County Water Control & Improvement District No. 75	Refunding Series 1998-B	2,160,000
Clear Lake City Water Authority	Series 1998	5,410,000
Clear Lake City Water Authority	Refunding 1998	10,655,000
Clear Lake City Water Authority	Series 1999	6,900,000
Clear Lake City Water Authority	Refunding Series 1999	6,065,000
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

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

RECONCILIATION OF BONDS ISSUED: (Continued)

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

Clear Lake City Water Authority	Series 2006	5,500,000
Clear Lake City Water Authority	Refunding Series 2006	4,255,000
Clear Lake City Water Authority	Series 2008	8,730,000
Clear Lake City Water Authority	Series 2009	5,270,000
Clear Lake City Water Authority	Refunding Series 2009	11,645,000
Clear Lake City Water Authority	Refunding Series 2010	8,815,000
Clear Lake City Water Authority	Series 2011	7,620,000
Clear Lake City Water Authority	Series 2011A	7,130,000
Clear Lake City Water Authority	Refunding Series 2012	11,105,000
Clear Lake City Water Authority	Series 2012	6,300,000
Clear Lake City Water Authority	Refunding Series 2012A	4,305,000
Clear Lake City Water Authority	Series 2013	4,380,000
Clear Lake City Water Authority	Series 2013A	21,000,000
Clear Lake City Water Authority	Refunding Series 2014	5,705,000
Clear Lake City Water Authority	Refunding Series 2016	5,645,000
		<hr/>
TOTAL BOND ISSUES RETIRED IN PREVIOUS FISCAL YEARS		\$ 329,735,000
Original Bonds as listed on pages 60-61		158,145,000
		<hr/>
TOTAL BONDS ISSUED		<u>\$ 487,880,000</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Tax Bonds		
Bond Authority:	Clear Lake City Water Authority	HC MUD No. 181	HC WCID No. 75
Amount Authorized by Voters	\$ 437,489,128	\$ 5,000,000	\$ 3,005,000
Amount Issued	<u>325,992,503</u>	<u>1,740,000</u>	<u>3,005,000</u>
Remaining to be Issued	<u>\$ 111,496,625</u>	<u>\$ 3,260,000</u>	<u>\$ -0-</u>
Debt Service Fund cash and investment balances as of September 30, 2023:			<u>\$ 22,023,523</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 7,276,863</u>

See accompanying independent auditor's report.

<u>Total</u>	<u>Refunding Bonds</u>		<u>Total</u>
	<u>Clear Lake City Water Authority</u>	<u>HC MUD No. 181</u>	
\$ 445,494,128	\$ 243,323,100	\$ 5,000,000	\$248,323,100
<u>330,737,503</u>	<u>61,000,617</u>	<u>2,745,000</u>	<u>63,745,617</u>
<u>\$ 114,756,625</u>	<u>\$ 182,322,483</u>	<u>\$ 2,255,000</u>	<u>\$ 184,577,483</u>

See accompanying independent auditor's report.

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

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 3,591,017	\$ 3,184,016	\$ 3,052,567
Water Service	9,584,192	7,066,657	6,502,209
Wastewater Service	6,243,424	4,518,275	4,472,399
Penalty and Interest	188,585	103,267	93,716
Tap Connection and Inspection Fees	42,229	40,858	179,996
Insurance, FEMA and Grant Revenues		494,105	513,014
Service Agreements and Lease Income	686,067	530,699	579,111
Investment and Miscellaneous Revenues	<u>432,358</u>	<u>83,090</u>	<u>132,551</u>
TOTAL REVENUES	<u>\$ 20,767,872</u>	<u>\$ 16,020,967</u>	<u>\$ 15,525,563</u>
EXPENDITURES			
Payroll	\$ 6,704,823	\$ 6,560,599	\$ 6,176,469
Bulk Water Purchases	2,846,485	2,833,566	2,641,553
Professional Fees	674,836	807,850	831,005
Utilities	759,794	1,076,438	959,572
Repairs and Maintenance	1,702,928	1,257,454	1,291,523
Other	3,062,959	2,553,990	2,584,757
Capital Outlay	2,932,636	1,153,044	2,910,094
Lease Principal and Interest	<u>188,554</u>	<u>247,144</u>	<u>231,558</u>
TOTAL EXPENDITURES	<u>\$ 18,873,015</u>	<u>\$ 16,490,085</u>	<u>\$ 17,626,531</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,894,857</u>	<u>\$ (469,118)</u>	<u>\$ (2,100,968)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	<u>\$ (78,062)</u>	<u>\$ 78,062</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 1,816,795	\$ (391,056)	\$ (2,100,968)
PRIOR PERIOD ADJUSTMENT	1,141,044		
BEGINNING FUND BALANCE	<u>9,514,196</u>	<u>9,905,252</u>	<u>12,006,220</u>
ENDING FUND BALANCE	<u>\$ 12,472,035</u>	<u>\$ 9,514,196</u>	<u>\$ 9,905,252</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 2,969,950	\$ 2,821,041	17.3 %	19.9 %	19.6 %	18.6 %	17.4 %
7,316,197	6,556,114	46.1	44.1	41.9	45.7	40.5
4,507,481	4,398,995	30.1	28.2	28.8	28.2	27.2
56,018	88,182	0.9	0.6	0.6	0.4	0.5
263,801	698,468	0.2	0.3	1.2	1.6	4.3
180,760	800,658		3.1	3.3	1.1	4.9
473,602	407,792	3.3	3.3	3.7	3.0	2.5
225,559	429,588	2.1	0.5	0.9	1.4	2.7
<u>\$ 15,993,368</u>	<u>\$ 16,200,838</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 5,634,914	\$ 5,216,121	32.3 %	41.0 %	39.8 %	35.2 %	32.2 %
2,651,025	2,216,560	13.7	17.7	17.0	16.6	13.7
969,967	762,329	3.2	5.0	5.4	6.1	4.7
803,050	758,827	3.7	6.7	6.2	5.0	4.7
1,306,257	785,856	8.2	7.8	8.3	8.2	4.9
2,596,121	2,613,401	14.7	15.9	16.6	16.2	16.1
6,003,862	2,542,292	14.1	7.2	18.7	37.5	15.7
223,560	231,431	0.9	1.5	1.5	1.4	1.5
<u>\$ 20,188,756</u>	<u>\$ 15,126,817</u>	<u>90.8 %</u>	<u>102.8 %</u>	<u>113.5 %</u>	<u>126.2 %</u>	<u>93.5 %</u>
\$ (4,195,388)	\$ 1,074,021	<u>9.2 %</u>	<u>(2.8) %</u>	<u>(13.5) %</u>	<u>(26.2) %</u>	<u>6.5 %</u>
\$ 177,341	\$ - 0 -					
\$ (4,018,047)	\$ 1,074,021					
<u>16,024,267</u>	<u>14,950,246</u>					
<u>\$ 12,006,220</u>	<u>\$ 16,024,267</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 15,098,162	\$ 13,368,238	\$ 12,867,598
Penalty and Interest	148,902	121,678	119,141
Exclusion Contract Payments and Other Revenues	<u>1,489,043</u>	<u>553,470</u>	<u>459,719</u>
TOTAL REVENUES	<u>\$ 16,736,107</u>	<u>\$ 14,043,386</u>	<u>\$ 13,446,458</u>
EXPENDITURES			
Payroll	\$ 319,843	\$ 285,811	\$ 305,442
Debt Service Principal	6,230,000	8,805,000	9,300,000
Debt Service Interest and Fees	4,081,334	3,487,666	4,056,469
Tax Collection Expenditures	73,393	181,358	114,282
Payment to Refunding Bonds Escrow Agent		230,000	
Bond Issuance Costs		<u>368,294</u>	
TOTAL EXPENDITURES	<u>\$ 10,704,570</u>	<u>\$ 13,358,129</u>	<u>\$ 13,776,193</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 6,031,537</u>	<u>\$ 685,257</u>	<u>\$ (329,735)</u>
OTHER FINANCING SOURCES (USES)			
Transfer Out	\$ 78,062	\$ (78,062)	\$
Proceeds from Issuance of Long-term Debt		19,160,000	
Premium on Bonds Issued		1,879,776	
Payment to Refunding Bonds Escrow Agent		<u>(20,602,921)</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 78,062</u>	<u>\$ 358,793</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 6,109,599	\$ 1,044,050	\$ (329,735)
BEGINNING FUND BALANCE	<u>11,434,610</u>	<u>10,390,560</u>	<u>10,720,295</u>
ENDING FUND BALANCE	<u>\$ 17,544,209</u>	<u>\$ 11,434,610</u>	<u>\$ 10,390,560</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>17,862</u>	<u>17,861</u>	<u>17,849</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>17,367</u>	<u>17,366</u>	<u>17,353</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2020</u>	<u>2019</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
\$ 13,059,183	\$ 12,414,590	90.2 %	95.2 %	95.7 %	98.0 %	97.0 %
113,759	104,606	0.9	0.9	0.9	0.9	0.8
149,120	279,054	8.9	3.9	3.4	1.1	2.2
<u>\$ 13,322,062</u>	<u>\$ 12,798,250</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 278,362	\$ 286,802	1.9 %	2.0 %	2.3 %	2.1 %	2.2 %
6,230,000	5,705,000	37.2	62.7	69.2	46.8	44.6
3,912,600	3,304,535	24.4	24.8	30.2	29.4	25.8
120,828	104,412	0.4	1.3	0.8	0.9	0.8
			1.6			
209,968	180,360		2.6		1.6	1.4
<u>\$ 10,751,758</u>	<u>\$ 9,581,109</u>	<u>63.9 %</u>	<u>95.0 %</u>	<u>102.5 %</u>	<u>80.8 %</u>	<u>74.8 %</u>
\$ 2,570,304	\$ 3,217,141	<u>36.1 %</u>	<u>5.0 %</u>	<u>(2.5) %</u>	<u>19.2 %</u>	<u>25.2 %</u>
\$ 7,525,000	\$ 6,120,000					
594,601	580,216					
<u>(7,936,962)</u>	<u>(6,488,297)</u>					
<u>\$ 182,639</u>	<u>\$ 211,919</u>					
\$ 2,752,943	\$ 3,429,060					
<u>7,967,352</u>	<u>4,538,292</u>					
<u>\$ 10,720,295</u>	<u>\$ 7,967,352</u>					
<u>17,828</u>	<u>17,825</u>					
<u>17,444</u>	<u>17,481</u>					

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2023

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

Authority Telephone Number - (281) 488-1164

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2023	Expense Reimbursements for the year ended September 30, 2023	Title
John B. Branch	11/2020 05/2024 (Elected)	\$ 2,400	\$ -0-	President/ Investment Officer
Robert T. Savely	11/2020 05/2024 (Elected)	\$ 4,600	\$ -0-	Vice President
Thomas Morrow	05/2022 05/2026 (Elected)	\$ 4,800	\$ -0-	Secretary
Anthea Guest	05/2022 05/2026 (Elected)	\$ 5,100	\$ -0-	Director
John Graf	11/2020 05/2024 (Elected)	\$ 4,700	\$ -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. 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 on February 10, 2011. Fees of Office are the amounts actually paid to a Director during the Authority’s current fiscal year.

Submission date of most recent Registration Form: June 27, 2022

See accompanying independent auditor’s report.

CLEAR LAKE CITY WATER AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2023

Key Administrative Personnel:	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ending September 30, 2023</u>	<u>Title</u>
Jennifer Morrow	05/17/98		General Manager/ Treasurer
Curtis Rodgers	01/16/86		Director of Utilities
Yazmin Garay	03/06/17		Tax Assessor/ Collector
Dean McGee	01/01/21		Finance Director
Consultants:			
Coats Rose, P.C.	08/13/15	\$ 76,392	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/31/96	\$ 64,146	Audit and Bond Related
Sanford Kuhl Hagan Kugle Parker Kahn LLP	02/11/10	\$ 51,848	Bond Counsel
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	06/28/01	\$ 39,849	Delinquent Tax Attorney
Lockwood, Andrews & Newman, Inc.	12/18/97	\$ 3,058,895	Engineer
Robert W. Baird & Co.	02/12/15	\$ 161,675	Financial Advisor

See accompanying independent auditor's report.