

CLEAR LAKE CITY WATER AUTHORITY

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-35
REQUIRED SUPPLEMENTARY INFORMATION:	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	37
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to financial statements)	
SERVICES AND RATES	39-41
GENERAL FUND EXPENDITURES	42-43
INVESTMENTS	44
TAXES LEVIED AND RECEIVABLE	45-46
LONG-TERM DEBT SERVICE REQUIREMENTS	47-60
CHANGES IN LONG-TERM BOND DEBT	61-68
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL AND DEBT SERVICE FUNDS - FIVE YEARS	69-72
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	73-74

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Clear Lake City Water Authority (the "Authority"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Clear Lake City Water Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

March 16, 2021

CLEAR LAKE CITY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Management's discussion and analysis of Clear Lake City Water Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2020.

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, 2020**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the Authority's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the Authority and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities by \$119,389,603 as of September 30, 2020. This compares with assets and deferred outflows of resources exceeding liabilities by \$112,151,091 as of September 30, 2019. 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, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 82,356,373	\$ 85,462,216	\$ (3,105,843)
Capital Assets (Net of Accumulated Depreciation)	164,462,509	145,972,547	18,489,962
Total Assets	\$ 246,818,882	\$ 231,434,763	\$ 15,384,119
Deferred Outflows of Resources	\$ 377,203	\$ 252,566	\$ 124,637
Bonds Payable	\$ 119,041,107	\$ 111,530,647	\$ (7,510,460)
Other Liabilities	8,765,375	8,005,591	(759,784)
Total Liabilities	\$ 127,806,482	\$ 119,536,238	\$ (8,270,244)
Net Position:			
Net Investment in Capital Assets	\$ 96,151,498	\$ 87,619,375	\$ 8,532,123
Restricted	10,669,959	7,909,247	2,760,712
Unrestricted	12,568,146	16,622,469	(4,054,323)
Total Net Position	\$ 119,389,603	\$ 112,151,091	\$ 7,238,512

The following table provides a summary of the Authority's operations for the years ended September 30, 2020, and September 30, 2019. The Authority's net position increased by \$7,238,512 accounting for a 6.5% growth in net position. This compares with an increase of \$6,958,874 in the prior year. Comparative data is presented below from summary information in the Statement of Activities:

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 16,049,799	\$ 15,241,113	\$ 808,686
Charges for Services	12,266,662	11,835,059	431,603
Other Revenues	1,475,686	3,147,861	(1,672,175)
Total Revenues	\$ 29,792,147	\$ 30,224,033	\$ (431,886)
Expenses for Services	22,553,635	23,265,159	711,524
Change in Net Position	\$ 7,238,512	\$ 6,958,874	\$ 279,638
Net Position, Beginning of Year	112,151,091	105,192,217	6,958,874
Net Position, End of Year	\$ 119,389,603	\$ 112,151,091	\$ 7,238,512

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUNDS

The Authority's combined fund balances as of September 30, 2020, were \$73,079,408, a decrease of \$3,837,120 from the prior year.

The General Fund fund balance decreased by \$4,018,047, primarily due to operating and capital expenditures exceeding service, property tax, investment and other revenues.

The Debt Service Fund fund balance increased by \$2,752,943, primarily due to the structure of the Authority's outstanding debt and the impact of issuing the Series 2019A Refunding Bonds.

The Capital Projects Fund fund balance decreased by \$2,572,016, primarily due to capital expenditures paid in the current year from bond proceeds received in the current and prior fiscal years.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$912,138 less than budgeted revenues, actual expenditures were \$1,243,985 less than budgeted expenditures and transfers totaled \$177,341. The Authority had a positive budget variance of \$509,188 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, 2020, total \$164,462,509 (net of accumulated depreciation). Certain capital asset activity during the current fiscal year included the following:

- Water, sewer and drainage system rehabilitation
- Elevated Storage Tank no. 6
- Belt filter press building rehabilitation
- Authority's share of SEWPP rehabilitation costs
- 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, 2020**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 6,908,827	\$ 6,685,837	\$ 222,990
Sanitary Sewer Laterals and Trunks	63,470,146	60,981,344	2,488,802
Construction in Progress	22,565,587	15,052,286	7,513,301
Capital Assets, Net of Accumulated Depreciation:			
Buildings	1,121,941	868,208	253,733
Water System	31,368,548	22,860,426	8,508,122
Sanitary Sewer System	8,953,015	9,080,126	(127,111)
Drainage System	28,938,779	29,158,872	(220,093)
Equipment	1,135,666	1,285,448	(149,782)
Total Net Capital Assets	\$ 164,462,509	\$ 145,972,547	\$ 18,489,962

LONG-TERM DEBT ACTIVITY

As of September 30, 2020, the Authority had total bond debt payable of \$117,675,000. The changes in the debt position of the Authority during the fiscal year ended September 30, 2020, are summarized as follows:

Bond Debt Payable, October 1, 2019	\$ 111,000,000
Add: Bond Issued - Series 2019A Refunding	7,525,000
Add: Bond Issued - Series 2020	13,215,000
Less: Bond Principal Paid and Refunded	14,065,000
Bond Debt Payable, September 30, 2020	\$ 117,675,000

The Authority's bonds carry underlying ratings of "AA-" by Standard & Poor's or "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 "A2" (Moody's), "AA" (S&P) and "AA+" (Kroll) by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Clear Lake City Water Authority, 900 Bay Area Blvd., Houston, TX 77058-2604.

CLEAR LAKE CITY WATER AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 2,712,044	\$ 292,028
Investments	8,608,506	14,130,598
Receivables:		
Property Taxes	45,324	207,820
Penalty and Interest on Delinquent Taxes		
Service Accounts	1,470,454	
Other	252,944	
Due from Other Funds	3,951,317	53,137
Inventory	94,126	
Prepaid Costs	17,334	
Due from Other Governmental Units	103,090	
Prepaid Lease		
Land		
Sanitary Sewer Laterals and Trunks		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 17,255,139	\$ 14,683,583
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 17,255,139	\$ 14,683,583

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments*</u>	<u>Statement of Net Position</u>
\$ 4,204,337	\$ 7,208,409	\$	\$ 7,208,409
49,623,066	72,362,170		72,362,170
	253,144		253,144
		78,100	78,100
	1,470,454		1,470,454
	252,944		252,944
53,632	4,058,086	(4,058,086)	
	94,126		94,126
	17,334		17,334
	103,090		103,090
		516,602	516,602
		6,908,827	6,908,827
		63,470,146	63,470,146
		22,565,587	22,565,587
		71,517,949	71,517,949
<u>\$ 53,881,035</u>	<u>\$ 85,819,757</u>	<u>\$ 160,999,125</u>	<u>\$ 246,818,882</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 377,203</u>	<u>\$ 377,203</u>
<u>\$ 53,881,035</u>	<u>\$ 85,819,757</u>	<u>\$ 161,376,328</u>	<u>\$ 247,196,085</u>

* See Reconciliation on page 12 and Note 2

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

CLEAR LAKE CITY WATER AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2020

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 1,878,913	\$ 48,663
Accrued Interest Payable		
Due to Other Governmental Units	1,873,305	
Due to Other Funds	106,769	3,706,805
Security Deposits	1,344,608	
Long-term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 5,203,595	\$ 3,755,468
DEFERRED INFLOWS OF RESOURCES		
Property Tax Revenues	\$ 45,324	\$ 207,820
FUND BALANCES		
Nonspendable:		
Inventory	\$ 94,126	\$
Prepaid Costs	17,334	
Restricted for Authorized Construction		
Restricted for Debt Service		10,720,295
Committed for Sick Leave Obligation	688,533	
Committed for Unbudgeted Major Repairs of Facilities	250,000	
Committed for Emergencies	1,653,744	
Unassigned	9,302,483	
TOTAL FUND BALANCES	\$ 12,006,220	\$ 10,720,295
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 17,255,139	\$ 14,683,583
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
\$ 3,283,630	\$ 5,211,206	\$	\$ 5,211,206
		336,256	336,256
	1,873,305		1,873,305
244,512	4,058,086	(4,058,086)	
	1,344,608		1,344,608
		7,195,000	7,195,000
		111,846,107	111,846,107
<u>\$ 3,528,142</u>	<u>\$ 12,487,205</u>	<u>\$ 115,319,277</u>	<u>\$ 127,806,482</u>
<u>\$ - 0 -</u>	<u>\$ 253,144</u>	<u>\$ (253,144)</u>	<u>\$ - 0 -</u>
\$	\$ 94,126	\$ (94,126)	\$
	17,334	(17,334)	
50,352,893	50,352,893	(50,352,893)	
	10,720,295	(10,720,295)	
	688,533	(688,533)	
	250,000	(250,000)	
	1,653,744	(1,653,744)	
	9,302,483	(9,302,483)	
<u>\$ 50,352,893</u>	<u>\$ 73,079,408</u>	<u>\$ (73,079,408)</u>	<u>\$ - 0 -</u>
<u>\$ 53,881,035</u>	<u>\$ 85,819,757</u>		
		\$ 96,151,498	\$ 96,151,498
		10,669,959	10,669,959
		12,568,146	12,568,146
		<u>\$ 119,389,603</u>	<u>\$ 119,389,603</u>

* See Reconciliation on page 12 and Note 2

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

**CLEAR LAKE CITY WATER AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Total Fund Balances - Governmental Funds \$ 73,079,408

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

Prepaid leases are recorded in the Statement of Net Position and amortized over the term of the lease. 516,602

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 377,203

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 164,462,509

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the Authority. 331,244

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	\$ (336,256)	
Bonds Payable	<u>(119,041,107)</u>	<u>(119,377,363)</u>

Total Net Position - Governmental Activities \$ 119,389,603

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, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 2,969,950	\$ 13,059,183
Water Service	7,316,197	
Wastewater Service	4,507,481	
Penalty and Interest	56,018	113,759
Tap Connection and Inspection Fees	263,801	
Insurance, Grant and FEMA Revenues	180,760	
Investment Revenues	141,190	125,192
Miscellaneous Revenues	557,971	23,928
TOTAL REVENUES	<u>\$ 15,993,368</u>	<u>\$ 13,322,062</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Bulk Water Purchases	\$ 2,651,025	\$
Payroll	5,634,914	278,362
Utilities	803,050	
Repairs and Maintenance	1,306,257	1,321
Professional Fees	969,967	176,991
Depreciation and Amortization		
Other	2,819,681	119,507
Capital Outlay	6,003,862	
Debt Service:		
Bond Issuance Costs		209,968
Bond Principal		6,230,000
Bond Interest		3,735,609
TOTAL EXPENDITURES/EXPENSES	<u>\$ 20,188,756</u>	<u>\$ 10,751,758</u>
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES/EXPENSES	<u>\$ (4,195,388)</u>	<u>\$ 2,570,304</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 177,341	\$
Proceeds from Issuance of Long-Term Debt		7,525,000
Transfer to Refunding Bond Escrow Agent		(7,936,962)
Bond Premium		594,601
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 177,341</u>	<u>\$ 182,639</u>
NET CHANGE IN FUND BALANCES	<u>\$ (4,018,047)</u>	<u>\$ 2,752,943</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
 OCTOBER 1, 2019, AS ADJUSTED	<u>16,024,267</u>	<u>7,967,352</u>
FUND BALANCES/NET POSITION -		
 SEPTEMBER 30, 2020	<u>\$ 12,006,220</u>	<u>\$ 10,720,295</u>

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

Capital Projects Fund	Total	Adjustments*	Statement of Activities
\$	\$ 16,029,133	\$ 20,666	\$ 16,049,799
	7,316,197		7,316,197
	4,507,481		4,507,481
	169,777	9,406	179,183
	263,801		263,801
	180,760		180,760
446,645	713,027		713,027
	581,899		581,899
<u>\$ 446,645</u>	<u>\$ 29,762,075</u>	<u>\$ 30,072</u>	<u>\$ 29,792,147</u>
\$	\$ 2,651,025	\$	\$ 2,651,025
	5,913,276		5,913,276
	803,050		803,050
	1,307,578		1,307,578
	1,146,958		1,146,958
		3,390,076	3,390,076
	2,939,188		2,939,188
16,089,483	22,093,345	(21,839,928)	253,417
330,798	540,766		540,766
	6,230,000	(6,230,000)	
	3,735,609	(127,308)	3,608,301
<u>\$ 16,420,281</u>	<u>\$ 47,360,795</u>	<u>\$ (24,807,160)</u>	<u>\$ 22,553,635</u>
<u>\$ (15,973,636)</u>	<u>\$ (17,598,720)</u>	<u>\$ 24,837,232</u>	<u>\$ 7,238,512</u>
\$ (177,341)	\$	\$	\$
13,215,000	20,740,000	(20,740,000)	
	(7,936,962)	7,936,962	
363,961	958,562	(958,562)	
<u>\$ 13,401,620</u>	<u>\$ 13,761,600</u>	<u>\$ (13,761,600)</u>	<u>\$ - 0 -</u>
\$ (2,572,016)	\$ (3,837,120)	\$ 3,837,120	\$
		7,238,512	7,238,512
<u>52,924,909</u>	<u>76,916,528</u>	<u>35,234,563</u>	<u>112,151,091</u>
<u>\$ 50,352,893</u>	<u>\$ 73,079,408</u>	<u>\$ 46,310,195</u>	<u>\$ 119,389,603</u>

* See Reconciliation on page 15 and Note 2

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

CLEAR LAKE CITY WATER AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net Change in Fund Balances - Governmental Funds \$ (3,837,120)

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. 20,666

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. 9,406

Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (3,390,076)

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. 21,839,928

Governmental funds report bond premiums as other financing sources in the year paid. However, in the Statement of Net Position, bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. (958,562)

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. 127,308

Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. (20,740,000)

Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position. 7,936,962

Change in Net Position - Governmental Activities \$ 7,238,512

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, 2020

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, 2020

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, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

As discussed above, the Authority's fund financial statements are combined with the government-wide 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, 2020

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, 2020, the Debt Service Fund owed the General Fund \$719,794 for operating expenses, \$2,979,381 for maintenance tax revenues, and \$7,630 for bond related costs; the Capital Projects Fund owed the General Fund \$244,512 for construction costs; the General Fund owed the Debt Service Fund \$53,137 to return excess proceeds received from the sale of bonds; and the General Fund owed the Capital Projects Fund \$53,632 for construction related costs. The Capital Projects Fund transferred \$177,341 to the General Fund to reimburse prior year engineering costs.

Capital Assets

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

	Years
Buildings	40
Water, Wastewater, Drainage Systems	10-45
All Other Equipment	3-20

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020, was \$94,126.

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the Authority. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The Board has written policies committing the General Fund fund balance as follows - \$250,000 for unbudgeted major repairs of facilities and \$1,653,744 for emergencies. See 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 and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 3. LONG-TERM DEBT

	Series 2012	Refunding Series 2012A	Series 2013
Amounts Outstanding – September 30, 2020	\$ 235,000	\$ 160,000	\$ 3,575,000
Interest Rates	3.00%	3.00%	3.00% - 4.25%
Maturity Dates – Serially Beginning/Ending	March 1, 2021	March 1, 2021	March 1, 2021/2038
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2020*	March 1, 2020*	March 1, 2021*

	Series 2013A	Refunding Series 2014	Refunding Series 2016
Amounts Outstanding – September 30, 2020	\$ 21,000,000	\$ 2,000,000	\$ 2,735,000
Interest Rates	4.00% - 5.25%	3.00%	1.45%
Maturity Dates – Serially Beginning/Ending	March 1, 2023/2038	March 1, 2021/2022	March 1, 2021/2022
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2022*	Non-Callable	Non-Callable

* Or any date thereafter, as a whole or from time to time in part, at a price equal to the par value thereof, plus accrued interest to the date fixed for redemption. Series 2013 term bonds due March 1, 2023, March 1, 2025, March 1, 2029, March 1, 2031, March 1, 2033, March 1, 2035, and March 1, 2038, are subject to mandatory redemption beginning on March 1, 2022, March 1, 2024, March 1, 2026, March 1, 2030, March 1, 2032, March 1, 2034, and March 1, 2036, respectively. Series 2013A term bonds due March 1, 2033, and March 1, 2038, are subject to mandatory redemption beginning on March 1, 2032, and March 1, 2036, respectively.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 3. LONG-TERM DEBT (Continued)

	<u>Series 2017</u>	<u>Series 2017A</u>	<u>Series 2018</u>
Amounts Outstanding – September 30, 2020	\$ 10,395,000	\$ 12,260,000	\$ 14,865,000
Interest Rates	2.00% - 3.375%	2.00% - 3.125%	3.00% - 5.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2021/2038	March 1, 2021/2038	March 1, 2021/2038
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, 2020	\$ 23,600,000	\$ 6,110,000	\$ 7,525,000
Interest Rates	2.00% - 4.00%	4.00% - 4.25%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2021/2038	March 1, 2021/2029	March 1, 2021/2035
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*
	<u>Series 2020</u>		
Amounts Outstanding – September 30, 2020	\$ 13,215,000		
Interest Rates	2.00% - 4.00%		
Maturity Dates – Serially Beginning/Ending	March 1, 2021/2038		
Interest Payment Dates	March 1/ September 1		
Callable Dates	March 1, 2028*		

* 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, 2020

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2020:

	October 1, 2019	Additions	Retirements	September 30, 2020
Bonds Payable	\$ 111,000,000	\$ 20,740,000	\$ 14,065,000	\$ 117,675,000
Unamortized Discounts	(740,371)		(113,400)	(626,971)
Unamortized Premiums	1,271,018	958,562	236,502	1,993,078
Bonds Payable, Net	<u>\$ 111,530,647</u>	<u>\$ 21,698,562</u>	<u>\$ 14,188,102</u>	<u>\$ 119,041,107</u>
			Amount Due Within One Year	\$ 7,195,000
			Amount Due After One Year	<u>111,846,107</u>
			Bonds Payable, Net	<u>\$ 119,041,107</u>

As of September 30, 2020, the Authority had authorized but unissued bonds in the amount of \$20,063,394 for utility facilities and \$182,322,483 for refunding bonds. As of September 30, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 7,195,000	\$ 3,925,519	\$ 11,120,519
2022	7,005,000	3,705,916	10,710,916
2023	5,360,000	3,490,205	8,850,205
2024	5,550,000	3,272,232	8,822,232
2025	5,760,000	3,047,587	8,807,587
2026-2030	31,380,000	11,939,587	43,319,587
2031-2035	34,105,000	6,494,724	40,599,724
2036-2038	21,320,000	1,111,658	22,431,658
	<u>\$ 117,675,000</u>	<u>\$ 36,987,428</u>	<u>\$ 154,662,428</u>

The bonds of the Authority are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the Authority, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the Authority's waterworks and sanitary sewer system. The Bond Orders require that the Authority levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

Subsequent to year-end, on February 23, 2021, the Authority used available Debt Service Fund monies to retire \$2,105,000 of its Series 2013 Unlimited Tax and Revenue Bonds. The Series 2013 bonds had maturity dates of 2030 - 2038 and interest rates of 4.00%-4.25%.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended September 30, 2020, the Authority levied an ad valorem debt service tax and maintenance tax as follows:

	<u>2019 Appraised Valuation</u>	<u>Tax Rates Per \$100 Of Valuation</u>	<u>Tax Levy</u>
Debt Service Tax Levy		\$0.22	\$ 12,736,557
Maintenance Tax Levy		<u>\$0.05</u>	<u>2,894,672</u>
Totals	<u>\$ 5,789,344,179</u>	<u>\$0.27</u>	<u>\$ 15,631,229</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 the five-year anniversary of each issue.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 \$7,208,409 and the bank balance was \$8,115,563. The Authority was not exposed to custodial credit risk at year-end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2020, as listed below:

	Cash
GENERAL FUND	\$ 2,712,044
DEBT SERVICE FUND	292,028
CAPITAL PROJECTS FUND	4,204,337
TOTAL DEPOSITS	\$ 7,208,409

Investments

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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 Investors, 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, 2020, the Authority had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 8,608,506	\$ 8,608,506
<u>DEBT SERVICE FUND</u>		
TexPool	14,130,598	14,130,598
<u>CAPITAL PROJECTS FUND</u>		
TexPool	<u>49,623,066</u>	<u>49,623,066</u>
TOTAL INVESTMENTS	<u>\$ 72,362,170</u>	<u>\$ 72,362,170</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2020, 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, 2020

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 is as follows:

	October 1, 2019	Increases	Decreases	September 30, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 6,685,837	\$ 222,990	\$	\$ 6,908,827
Sanitary Sewer Laterals and Trunks	60,981,344	2,488,802		63,470,146
Construction in Progress	<u>15,052,286</u>	<u>19,128,136</u>	<u>11,614,835</u>	<u>22,565,587</u>
Total Capital Assets Not Being Depreciated	<u>\$ 82,719,467</u>	<u>\$ 21,839,928</u>	<u>\$ 11,614,835</u>	<u>\$ 92,944,560</u>
Capital Assets Subject to Depreciation				
Buildings	\$ 1,106,627	\$ 308,939	\$	\$ 1,415,566
Water System	54,290,996	9,878,543		64,169,539
Sanitary Sewer System	19,869,611	255,766		20,125,377
Drainage System	58,444,278	835,685		59,279,963
Equipment	<u>3,887,713</u>	<u>335,902</u>		<u>4,223,615</u>
Total Capital Assets Subject to Depreciation	<u>\$ 137,599,225</u>	<u>\$ 11,614,835</u>	<u>\$ - 0 -</u>	<u>\$ 149,214,060</u>
Less Accumulated Depreciation				
Buildings	\$ 238,419	\$ 55,206	\$	\$ 293,625
Water System	31,430,570	1,370,421		32,800,991
Sanitary Sewer System	10,789,485	382,877		11,172,362
Drainage System	29,285,406	1,055,778		30,341,184
Equipment	<u>2,602,265</u>	<u>485,684</u>		<u>3,087,949</u>
Total Accumulated Depreciation	<u>\$ 74,346,145</u>	<u>\$ 3,349,966</u>	<u>\$ - 0 -</u>	<u>\$ 77,696,111</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 63,253,080</u>	<u>\$ 8,264,869</u>	<u>\$ - 0 -</u>	<u>\$ 71,517,949</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 145,972,547</u>	<u>\$ 30,104,797</u>	<u>\$ 11,614,835</u>	<u>\$ 164,462,509</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, 2020, September 30, 2019, and September 30, 2018, were 2.26, 2.19, and 2.10, respectively.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020:

	Condition	<u>Sewer Laterals and Trunks in Linear Feet</u>
1.00-1.99	New Condition	561,800
2.00-2.99	Minor Deficiencies	326,555
3.00-3.99	Serious Deficiencies	92,422
4.00-4.99	Very Serious Deficiencies	24,869
5.00	Severe Deficiencies	<u>35,613</u>
TOTAL		<u>1,041,259</u>

Comparison of Estimated to Actual Maintenance/Preservation Costs

	Estimated	Actual
2020	\$ 1,001,044	\$ 1,783,869
2019	\$ 1,624,853	\$ 1,698,168
2018	\$ 1,498,022	\$ 2,127,225
2017	\$ 547,461	\$ 1,651,119
2016	\$ 1,443,396	\$ 2,259,914

NOTE 7. PENSION PLAN

On October 1, 1991, the Authority established a defined contribution plan (the “Plan”) for its eligible full-time employees. The Plan is a qualified pension plan under Section 401(a) of the Internal Revenue Code and is administered by International City Management Association (“ICMA”). Eligibility requirements include full-time employment status and completion of one year of service. The Plan requires the Authority to contribute, on behalf of each employee, 10.0% of the employee’s earnings, as defined in the Plan agreement.

NOTE 8. SICK LEAVE

The Authority has a sick leave policy whereby sick leave accrues at the rate of one day per month for each employee. Retiring employees and those terminated without cause may be paid for their unused sick leave upon termination of employment. The Authority has designated an investment account to cover the potential cost of this benefit to its employees; therefore, no liability has been recorded in the financial statements. Sick leave is recorded as an expenditure only when paid. As of the balance sheet date, \$688,533 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, 2020

NOTE 9. EXCLUSION CONTRACTS AND SERVICE AGREEMENTS

On May 12, 1999, the Authority executed two contracts, an Exclusion Contract and a Service Agreement, both with Harris County Water Control & Improvement District No. 156 (“District No. 156”). The contract was later amended on October 16, 2000, and December 9, 2010. On March 10, 1999, the Texas Commission on Environmental Quality (“the Commission”) entered an order creating District No. 156. On May 1, 1999, District No. 156 held elections confirming creation of District No. 156 and authorizing the Exclusion Contract. The Exclusion Contract provides for the exclusion of 142.368 acres of land from the Authority and for the payment of a pro rata share of the Authority’s debt service on the excluded land. The term of the Exclusion Contract is 40 years. The agreement calls for District No. 156 to account for monies derived from taxes and investment earnings in an account titled the Exclusion Contract Fund. The Authority assigned to District No. 156 all rights and duties with respect to the Bay Oaks Sales and Lease of Facilities Agreement and the Pine Brook Sales and Lease of Facilities Agreement that provide for development of utilities within District No. 156. The Authority further agreed to provide water and sanitary sewer utility service to District No. 156 at a cost not to exceed one and a half times the cost charged to customers in the Authority. On or before March 1 each year, District No. 156 is to pay the Authority from its tax proceeds based upon the following schedule unless altered by later refundings as provided for in the Exclusion Contract.

<u>Year</u>	<u>Allocable Debt</u>
2021	\$ 301
2022	<u>308</u>
TOTAL	<u>\$ 609</u>

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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>
2021	\$ 6,294
2022	5,137
2023	3,683
2024	3,689
2025	3,696
2026	3,704
2027	3,706
2028	3,717
2029	3,717
2030	3,720
2031	3,722
2032	3,734
2033	3,740
2034	3,758
2035	3,764
2036	2,051
2037	2,058
2038	<u>2,070</u>
TOTAL	<u>\$ 65,960</u>

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 9. EXCLUSION CONTRACTS AND SERVICE AGREEMENTS (Continued)

The Service Agreement has a term of 40 years. District No. 161 will provide for the construction of facilities that will connect to the Authority's facilities and the facilities will be fully integrated into the utility system of the Authority. Service personnel of the Authority will provide services to District No. 161 customers on the same basis as Authority customers. The Authority will bill and collect tap and other fees in accordance with District No. 161's rate order and the Authority will charge District No. 161 for those services at the cost of providing the services.

The Authority will provide service to District No. 161 customers on the same basis as Authority customers under the terms of the Authority's rate order. For the higher amount of \$500 or \$10 per connection billed, the Authority's service personnel will provide services to the customers of District No. 161 as spelled out in the contract. In addition, District No. 161 will pay for water and sanitary sewer service on a per-connection basis of 150% of the fees charged by the Authority based upon its rate order.

NOTE 10. COST SHARING WATER PROJECT CONTRACT

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

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

On April 28, 1998, the Authority executed a Water Capacity Purchase and Sale Agreement with the Gulf Coast Water Authority and the City of Galveston, Texas. In accordance with the terms of the agreement the City of Galveston's 16 mgpd of demand allocation per day capacity in the Plant was allocated to various parties, including the Authority, with the Authority's share being 5.0 mgpd. With this allocation the Authority's total capacity was 13.7 mgpd of demand allocation or 17.125% of the total capacity. The City of Galveston's pumping allocation was 18.4 mgpd. The Authority obtained 5.75 mgpd of this capacity, giving the Authority 20.75 mgpd of the pumping allocation of the Plant or 9.25% of the total pumping capacity.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 10. COST SHARING WATER PROJECT CONTRACT (Continued)

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

On March 31, 2016, and subsequently amended on July 11, 2019, the Authority executed a Replacement Water Line Capacity and Cost Sharing Agreement with the City of Houston and co-participants to replace an existing 42-inch line built in the early 1970s running along Old Galveston Road (State Highway 3). Various lines will provide participants with line capacity in the New Galveston Line Project. The agreement is for the preliminary design and after further amendments, construction through 2023 of a network of new water mains connecting the Southeast Water Purification Plant to the co-participant take points.

NOTE 11. RISK MANAGEMENT

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

NOTE 12. DRAINAGE PARTICIPATION AGREEMENT

Effective May 8, 2012, the Authority entered into a Drainage Participation Agreement with the City of Houston, Texas (the "City"). The Authority will at all times operate and maintain all existing and future drainage facilities constructed by the Authority. The Authority will also construct improvements to that portion of the drainage facilities it owns and which it normally and historically has maintained and operated as is necessary in the sole discretion of the Authority to provide adequate drainage within the Authority. The Authority will not be required to design and construct drainage facilities for service beyond the Authority's jurisdiction. The City agrees to continue to maintain, operate, and improve that portion of the drainage facilities it owns and which it normally and historically has maintained, operated, or controlled.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 12. DRAINAGE PARTICIPATION AGREEMENT (Continued)

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

NOTE 13. GENERATOR LEASE

The Authority executed an agreement with NRG Energy Services LLC ("NRG") dated November 10, 2011, for the lease of nine generators to service Water Pumping Station 3, Water Pumping Station 4, Lift Station 4 and the Wastewater Treatment Plant. The generators will remain the property of NRG throughout the 20-year term of the agreement. The Authority elected to make a buy down payment of \$800,000 to reduce the monthly service fees. Monthly service fees for the 1st, 2nd, 3rd, and 4th five-year terms of the agreement are \$20,880, \$18,630, \$14,130 and \$11,880, respectively. As of September 30, 2020, the prepaid lease balance was \$516,602 and the Authority recognized amortization expense of \$40,110.

NOTE 14. BOND SALE AND REFUNDING BOND SALE

On December 17, 2019, the Authority closed on the sale of its \$7,525,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2019A. Proceeds were used to refund: \$265,000 of the Series 2011 Bonds with interest rate of 3.50%, maturity date of 2021 and redemption date of December 17, 2019; \$4,495,000 of the Series 2012 Bonds with interest rates of 3.00% to 3.625%, maturity dates of 2022-2035 and redemption date of March 1, 2020; \$3,075,000 of the Series 2012A Refunding Bonds with interest rates of 3.00% to 3.625%, maturity dates of 2022-2035 and redemption date of March 1, 2020. The refunding resulted in a gross debt service savings of \$384,281 and net present value savings of \$313,475.

On June 11, 2020, the Authority issued its \$13,215,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2020. The proceeds are being used to pay for: water well facility rehabilitation; water plant building replacement; water transmission line capacity, water system upgrades; generator replacement; wastewater system rehabilitation; lift station rehabilitation; Exploration Green, Phase 3A, detention pond; drainage system improvements; contingencies; and engineering fees. Additional proceeds were used to pay issuance costs of the bonds.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 15. INTERLOCAL AGREEMENTS

The Authority has entered into an agreement with the Texas Parks and Wildlife Department (“TPWD”) for development of Exploration Green, Phase 3, to include the following facilities: pedestrian trail, benches, wetland plantings, native landscaping and irrigation. Under the agreement, the TPWD will fund up to \$500,000 over the term of the agreement, which begins September 24, 2018 and ends September 30, 2021. The Authority shall be required to match funds in the amount of \$500,000. The authority has recorded a receivable of \$126,028 in relation to this agreement.

The Authority has entered into an agreement with Harris County (the “County”) to jointly accomplish the construction of the Exploration Green, Phases 2, 3A and 4 Trail Systems. Under the agreement, the County will fund up to \$450,000 over the term of the agreement.

NOTE 16. USE OF SUPLUS FUNDS

On July 27, 2020, the Authority received emergency approval to repair leaks within the water reclamation facility site on the existing air header line that provides air to the aeration basins. The Commission approved a temporary replacement line and approved the use of approximately \$100,000. The Authority also submitted an application to the Commission for the use of \$384,350 in surplus Capital Projects Fund monies for wastewater treatment plant emergency aerator header repairs and aeration header replacement.

NOTE 17. PRIOR PERIOD ADJUSTMENT

The Authority increased its fiscal year ending 2019 Net Position balance of \$109,491,908 by \$2,659,183 for a total Net Position balance of \$112,151,091 in order to record as a capital asset the Authority’s share of payments to the City of Houston for the SEWPP True-up CIP costs for 2012 through 2018.

NOTE 18. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the Authority. The Authority is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

CLEAR LAKE CITY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2020

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, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 2,880,562	\$ 2,969,950	\$ 89,388
Water Service	7,117,907	7,316,197	198,290
Wastewater Service	4,563,437	4,507,481	(55,956)
Penalty and Interest	85,939	56,018	(29,921)
Tap Connection and Inspection Fees	566,626	263,801	(302,825)
Insurance and FEMA Revenues	434,695	180,760	(253,935)
Investment Revenues	240,000	141,190	(98,810)
Miscellaneous Revenues	<u>1,016,340</u>	<u>557,971</u>	<u>(458,369)</u>
TOTAL REVENUES	\$ 16,905,506	\$ 15,993,368	\$ (912,138)
EXPENDITURES			
Service Operations:			
Bulk Water Purchases	\$ 2,800,000	\$ 2,651,025	\$ 148,975
Payroll	5,998,907	5,634,914	363,993
Utilities	826,000	803,050	22,950
Repairs and Maintenance	2,161,515	1,306,257	855,258
Professional Fees	1,106,125	969,967	136,158
Other	2,782,687	2,819,681	(36,994)
Capital Outlay	<u>5,757,507</u>	<u>6,003,862</u>	<u>(246,355)</u>
TOTAL EXPENDITURES	\$ 21,432,741	\$ 20,188,756	\$ 1,243,985
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (4,527,235)	\$ (4,195,388)	\$ 331,847
OTHER FINANCING SOURCES(USES)			
Transfers In	<u>\$ -0-</u>	<u>\$ 177,341</u>	<u>\$ 177,341</u>
NET CHANGE IN FUND BALANCE	\$ (4,527,235)	\$ (4,018,047)	\$ 509,188
FUND BALANCE - OCTOBER 1, 2019	<u>16,024,267</u>	<u>16,024,267</u>	
FUND BALANCE - SEPTEMBER 30, 2020	\$ 11,497,032	\$ 12,006,220	\$ 509,188

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, 2020

CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective October 31, 2011.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 5.50	1,000	N	\$ 1.00 2.75 2.28	1,001 to 5,000 5,001 to 10,000 10,001 and up
WASTEWATER:	\$ 5.50	1,000	N	\$ 1.00 1.90*	1,001 to 5,000 5,001 and up

SURCHARGE: N/A

Authority employs winter averaging for wastewater usage?

 X
Yes No

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

Total monthly charges per 10,000 gallons usage: Water: \$23.25 Wastewater: \$17.58* Surcharge \$-0-

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

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>10,868</u>	<u>10,778</u>	x 1.0	<u>10,778</u>
1"	<u>6,248</u>	<u>6,217</u>	x 2.5	<u>15,542</u>
1½"	<u>293</u>	<u>287</u>	x 5.0	<u>1435</u>
2"	<u>472</u>	<u>448</u>	x 8.0	<u>3,584</u>
3"	<u>51</u>	<u>50</u>	x 15.0	<u>750</u>
4"	<u>29</u>	<u>29</u>	x 25.0	<u>725</u>
6"	<u>8</u>	<u>8</u>	x 50.0	<u>400</u>
8"	<u>10</u>	<u>9</u>	x 80.0	<u>720</u>
10"	<u>2</u>	<u>2</u>	x 115.0	<u>230</u>
Total Water Connections	<u><u>17,981</u></u>	<u><u>17,828</u></u>		<u><u>34,164</u></u>
Total Wastewater Connections	<u><u>17,606</u></u>	<u><u>17,444</u></u>	x 1.0	<u><u>17,444</u></u>

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

Gallons pumped into system:	2,808,114,000	Water Accountability Ratio: 91% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	2,364,142,000	
Gallons purchased:	3,387,682,000	From: <u>City of Houston, Texas and City of Pasadena, Texas</u>
Gallons sold:	189,688,000	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, 2020

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, 2020

PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 5,634,914</u>
PROFESSIONAL FEES:	
Auditing	\$ 33,375
Engineering	735,726
Legal	110,433
Other Professional Fees	<u>90,433</u>
TOTAL PROFESSIONAL FEES	<u>\$ 969,967</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 2,651,025</u>
UTILITIES:	
Electricity	\$ 576,207
Gas	1,283
Telephone	<u>225,560</u>
TOTAL UTILITIES	<u>\$ 803,050</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,306,257</u>
ADMINISTRATIVE EXPENDITURES:	
Billing Costs	\$ 113,327
Director Fees	17,025
Election Costs	53,239
Insurance	268,198
Office Supplies and Postage	93,074
Regulatory Assessment	44,057
Travel and Meetings	12,530
Municipal Payment	787,896
Other	<u>294,865</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 1,684,211</u>
CAPITAL OUTLAY	<u>\$ 6,003,862</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

OTHER EXPENDITURES:

Chemicals	\$ 65,290
Generator Lease	223,560
Inspection and Permit Fees	152,914
Janitorial Service	8,945
Laboratory Fees	110,897
Parts and Supplies	147,423
Safety Items	34,546
Sludge Hauling	225,764
Uniforms	25,278
Vehicle Supplies and Maintenance	115,878
Water Conservation	<u>24,975</u>
TOTAL OTHER EXPENDITURES	<u>\$ 1,135,470</u>
TOTAL EXPENDITURES	<u>\$ 20,188,756</u>

Number of persons employed by Authority 67 Full-Time -0- Part-Time

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
INVESTMENTS
SEPTEMBER 30, 2020

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 7,888,163	\$
TexPool	XXXX0003	Varies	Daily	<u>720,343</u>	<u> </u>
TOTAL GENERAL FUND				<u>\$ 8,608,506</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0004	Varies	Daily	\$ 14,130,597	\$
TexPool	XXXX0005	Varies	Daily	<u>1</u>	<u> </u>
TOTAL DEBT SERVICE FUND				<u>\$ 14,130,598</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0014	Varies	Daily	\$ 72,209	\$
TexPool	XXXX0037	Varies	Daily	434,719	
TexPool	XXXX0040	Varies	Daily	1,997,269	
TexPool	XXXX0041	Varies	Daily	2,481,150	
TexPool	XXXX0042	Varies	Daily	5,060,392	
TexPool	XXXX0043	Varies	Daily	9,841,979	
TexPool	XXXX0044	Varies	Daily	18,705,660	
TexPool	XXXX0045	Varies	Daily	<u>11,029,688</u>	<u> </u>
TOTAL CAPITAL PROJECTS FUND				<u>\$ 49,623,066</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 72,362,170</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, 2020

	Maintenance Taxes	Debt Service Taxes
TAXES RECEIVABLE -		
OCTOBER 1, 2019	\$ 41,490	\$ 190,988
Adjustments to and collections of prior tax levies	2,087	9,739
2019 Tax Levy	2,894,672	12,736,557
Tax Collections for current and prior tax levies	(2,892,925)	(12,729,464)
TAXES RECEIVABLE -		
SEPTEMBER 30, 2020	\$ 45,324	\$ 207,820
 TAXES RECEIVABLE BY YEAR:		
2019	\$ 15,568	\$ 68,501
2018	4,585	20,176
2017	2,865	12,604
2016	1,739	7,650
2015	1,138	5,008
2014	1,031	4,744
2013	925	4,255
2012	909	4,182
2011	850	3,910
2010	2,021	9,297
2009 and prior	13,693	67,493
TOTAL	\$ 45,324	\$ 207,820

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2019	2018	2017	2016
PROPERTY VALUATIONS:				
Land	\$ 1,954,332,607	\$ 1,808,047,005	\$ 1,716,772,200	\$ 1,565,575,103
Improvements	5,364,692,022	5,209,944,738	5,121,650,667	4,969,706,859
Personal Property	557,504,628	600,853,556	636,571,128	560,820,829
Exemptions	<u>(2,087,185,078)</u>	<u>(1,957,654,345)</u>	<u>(1,918,407,634)</u>	<u>(1,845,639,877)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 5,789,344,179</u>	<u>\$ 5,661,190,954</u>	<u>\$ 5,556,586,361</u>	<u>\$ 5,250,462,914</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.22	\$ 0.22	\$ 0.22	\$ 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>\$ 0.27</u>	<u>\$ 0.27</u>	<u>\$ 0.27</u>	<u>\$ 0.27</u>
ADJUSTED TAX LEVY*	<u>\$ 15,631,229</u>	<u>\$ 15,285,216</u>	<u>\$ 15,002,783</u>	<u>\$ 14,176,252</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	<u>99.46 %</u>	<u>99.84 %</u>	<u>99.90 %</u>	<u>99.93 %</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, 2020

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

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1/ September 1</u>	<u>Total</u>
2021	\$ 235,000	\$ 3,525	\$ 238,525
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
	<u>\$ 235,000</u>	<u>\$ 3,525</u>	<u>\$ 238,525</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 160,000	\$ 2,400	\$ 162,400
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
	<u>\$ 160,000</u>	<u>\$ 2,400</u>	<u>\$ 162,400</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 140,000	\$ 136,744	\$ 276,744
2022	145,000	132,469	277,469
2023	150,000	128,044	278,044
2024	155,000	123,275	278,275
2025	160,000	118,156	278,156
2026	170,000	112,156	282,156
2027	175,000	105,256	280,256
2028	185,000	98,056	283,056
2029	190,000	90,556	280,556
2030	200,000	82,756	282,756
2031	205,000	74,656	279,656
2032	215,000	66,256	281,256
2033	225,000	57,456	282,456
2034	235,000	48,109	283,109
2035	240,000	38,312	278,312
2036	250,000	28,050	278,050
2037	260,000	17,213	277,213
2038	275,000	5,844	280,844
	<u>\$ 3,575,000</u>	<u>\$ 1,463,364</u>	<u>\$ 5,038,364</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$	\$ 944,138	\$ 944,138
2022		944,138	944,138
2023	915,000	920,119	1,835,119
2024	960,000	870,900	1,830,900
2025	1,005,000	820,575	1,825,575
2026	1,050,000	769,200	1,819,200
2027	1,095,000	715,575	1,810,575
2028	1,150,000	659,450	1,809,450
2029	1,200,000	600,700	1,800,700
2030	1,255,000	539,325	1,794,325
2031	1,315,000	475,075	1,790,075
2032	1,375,000	414,700	1,789,700
2033	1,435,000	358,500	1,793,500
2034	1,505,000	299,700	1,804,700
2035	1,575,000	238,100	1,813,100
2036	1,645,000	173,700	1,818,700
2037	1,720,000	106,400	1,826,400
2038	1,800,000	36,000	1,836,000
	<u>\$ 21,000,000</u>	<u>\$ 9,886,295</u>	<u>\$ 30,886,295</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 1,065,000	\$ 44,025	\$ 1,109,025
2022	935,000	14,025	949,025
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
	<u>\$ 2,000,000</u>	<u>\$ 58,050</u>	<u>\$ 2,058,050</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 1,345,000	\$ 29,907	\$ 1,374,907
2022	1,390,000	10,077	1,400,077
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
	<u>\$ 2,735,000</u>	<u>\$ 39,984</u>	<u>\$ 2,774,984</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

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
2021	\$ 410,000	\$ 301,231	\$ 711,231
2022	430,000	292,831	722,831
2023	445,000	284,081	729,081
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
	<u>\$ 10,395,000</u>	<u>\$ 3,255,866</u>	<u>\$ 13,650,866</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

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
2021	\$ 510,000	\$ 359,775	\$ 869,775
2022	525,000	346,800	871,800
2023	545,000	330,750	875,750
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
	<u>\$ 12,260,000</u>	<u>\$ 3,664,144</u>	<u>\$ 15,924,144</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

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
2021	\$ 590,000	\$ 550,387	\$ 1,140,387
2022	610,000	526,388	1,136,388
2023	635,000	501,487	1,136,487
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
	<u>\$ 14,865,000</u>	<u>\$ 5,516,456</u>	<u>\$ 20,381,456</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

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
2021	\$ 935,000	\$ 677,712	\$ 1,612,712
2022	970,000	639,613	1,609,613
2023	1,010,000	600,012	1,610,012
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
	<u>\$ 23,600,000</u>	<u>\$ 6,790,957</u>	<u>\$ 30,390,957</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 850,000	\$ 228,725	\$ 1,078,725
2022	890,000	193,925	1,083,925
2023	530,000	164,862	694,862
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			
	<u>\$ 6,110,000</u>	<u>\$ 1,071,112</u>	<u>\$ 7,181,112</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 225,000	\$ 265,150	\$ 490,150
2022	375,000	253,150	628,150
2023	395,000	237,750	632,750
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			
	<u>\$ 7,525,000</u>	<u>\$ 2,157,875</u>	<u>\$ 9,682,875</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

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
2021	\$ 730,000	\$ 381,800	\$ 1,111,800
2022	735,000	352,500	1,087,500
2023	735,000	323,100	1,058,100
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
	<u>\$ 13,215,000</u>	<u>\$ 3,077,400</u>	<u>\$ 16,292,400</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal Interest Due
2021	\$ 7,195,000	\$ 3,925,519	\$ 11,120,519
2022	7,005,000	3,705,916	10,710,916
2023	5,360,000	3,490,205	8,850,205
2024	5,550,000	3,272,232	8,822,232
2025	5,760,000	3,047,587	8,807,587
2026	5,965,000	2,831,038	8,796,038
2027	6,190,000	2,614,913	8,804,913
2028	6,420,000	2,386,887	8,806,887
2029	6,660,000	2,160,031	8,820,031
2030	6,145,000	1,946,718	8,091,718
2031	6,355,000	1,736,685	8,091,685
2032	6,590,000	1,523,880	8,113,880
2033	6,810,000	1,307,544	8,117,544
2034	7,055,000	1,081,222	8,136,222
2035	7,295,000	845,393	8,140,393
2036	6,860,000	610,182	7,470,182
2037	7,100,000	374,604	7,474,604
2038	7,360,000	126,872	7,486,872
	<u>\$ 117,675,000</u>	<u>\$ 36,987,428</u>	<u>\$ 154,662,428</u>

See accompanying independent auditor's report.

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CLEAR LAKE CITY WATER AUTHORITY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Description	Original Bonds Issued	Bonds Outstanding October 1, 2019
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2009	\$ 11,645,000	\$ 345,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2010	8,815,000	270,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011	7,620,000	515,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011A	7,130,000	235,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012	11,105,000	370,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2012	6,300,000	4,955,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012A	4,305,000	3,390,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013	4,380,000	3,710,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013A	21,000,000	21,000,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2014	5,705,000	2,565,000

See accompanying independent auditor's report.

Current Year Transactions			Bonds Outstanding September 30, 2020	Paying Agent
Bonds Sold	Retirements			
	Principal	Interest		
\$	\$ 345,000	\$ 6,900	\$ -0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	270,000	5,738	-0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	515,000	3,750	-0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	235,000	3,525	-0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	370,000	5,550	-0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	4,720,000	10,425	235,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	3,230,000	7,125	160,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	135,000	140,869	3,575,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		944,138	21,000,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	565,000	67,063	2,000,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Description	Original Bonds Issued	Bonds Outstanding October 1, 2019
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2016	\$ 5,645,000	\$ 4,045,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2017	11,545,000	10,790,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2017A	13,800,000	12,755,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2018	16,150,000	15,435,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2019	24,500,000	24,500,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2019	6,120,000	6,120,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2019A	7,525,000	
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2020	<u>13,215,000</u>	
TOTAL	<u><u>\$ 186,505,000</u></u>	<u><u>\$ 111,000,000</u></u>

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

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding September 30, 2020	Paying Agent
	Principal	Interest		
\$	\$ 1,310,000	\$ 49,155	\$ 2,735,000	Trustmark National Bank Houston, TX
	395,000	309,281	10,395,000	Branch Banking and Trust Company, Dallas, TX
	495,000	369,825	12,260,000	Branch Banking and Trust Company, Dallas, TX
	570,000	573,588	14,865,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	900,000	714,413	23,600,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	10,000	245,925	6,110,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
7,525,000		190,251	7,525,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>13,215,000</u>		<u>88,088</u>	<u>13,215,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 20,740,000</u>	<u>\$ 14,065,000</u>	<u>\$ 3,735,609</u>	<u>\$ 117,675,000</u>	

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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
Clear Lake City Water Authority	Series 2006	5,500,000
Clear Lake City Water Authority	Refunding Series 2006	4,255,000

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY
 CHANGES IN LONG-TERM BOND DEBT
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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 2008	8,730,000
Clear Lake City Water Authority	Series 2009	<u>5,270,000</u>
TOTAL BOND ISSUES RETIRED IN PREVIOUS FISCAL YEARS		\$ 236,085,000
Original Bonds as listed on pages 61-64		<u>186,505,000</u>
TOTAL BONDS ISSUED		<u>\$ 422,590,000</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Tax Bonds		
	Clear Lake City Water Authority	HC MUD No. 181	HC WCID No. 75
Bond Authority:			
Amount Authorized by Voters	\$ 299,390,400	\$ 5,000,000	\$ 3,005,000
Amount Issued	<u>279,327,006</u>	<u>1,740,000</u>	<u>3,005,000</u>
Remaining to be Issued	<u>\$ 20,063,394</u>	<u>\$ 3,260,000</u>	<u>\$ -0-</u>
Debt Service Fund cash and investment balances as of September 30, 2020			<u>\$ 14,422,626</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 8,592,357</u>

See accompanying independent auditor's report.

	Refunding Bonds		
Total	Clear Lake City Water Authority	HC MUD No. 181	Total
\$ 307,395,400	\$ 243,323,100	\$ 5,000,000	\$248,323,100
<u>284,072,006</u>	<u>61,000,617</u>	<u>2,745,000</u>	<u>63,745,617</u>
<u>\$ 23,323,394</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		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 2,969,950	\$ 2,821,041	\$ 2,757,138
Water Service	7,316,197	6,556,114	6,839,175
Wastewater Service	4,507,481	4,398,995	4,601,452
Penalty and Interest	56,018	88,182	86,818
Tap Connection and Inspection Fees	263,801	698,468	804,315
Insurance, FEMA and Grant Revenues	180,760	800,658	454,819
Investment Revenues	141,190	331,096	222,906
Miscellaneous Revenues	557,971	506,284	490,314
TOTAL REVENUES	<u>\$ 15,993,368</u>	<u>\$ 16,200,838</u>	<u>\$ 16,256,937</u>
EXPENDITURES			
Payroll	\$ 5,634,914	\$ 5,216,121	\$ 4,708,596
Bulk Water Purchases	2,651,025	2,216,560	1,928,777
Professional Fees	969,967	762,329	1,139,488
Utilities	803,050	758,827	865,579
Repairs and Maintenance	1,306,257	785,856	867,551
Other	2,819,681	2,844,832	2,673,104
Capital Outlay	6,003,862	2,542,292	3,812,522
TOTAL EXPENDITURES	<u>\$ 20,188,756</u>	<u>\$ 15,126,817</u>	<u>\$ 15,995,617</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (4,195,388)</u>	<u>\$ 1,074,021</u>	<u>\$ 261,320</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	<u>\$ 177,341</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (4,018,047)	\$ 1,074,021	\$ 261,320
BEGINNING FUND BALANCE	<u>16,024,267</u>	<u>14,950,246</u>	<u>14,688,926</u>
ENDING FUND BALANCE	<u>\$ 12,006,220</u>	<u>\$ 16,024,267</u>	<u>\$ 14,950,246</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 2,614,780	\$ 2,453,923	18.6 %	17.5 %	17.0 %	17.8 %	16.9 %
6,454,504	6,656,052	45.7	40.5	42.1	44.0	45.8
4,510,080	4,595,664	28.2	27.2	28.3	30.8	31.6
83,632	97,089	0.4	0.5	0.5	0.6	0.7
524,161	394,993	1.6	4.3	4.9	3.6	2.7
96,670	34,284	1.1	4.9	2.8		
373,865	297,380	0.9	2.0	1.4	0.7	0.2
<u>14,657,692</u>	<u>14,529,385</u>	<u>3.5</u>	<u>3.1</u>	<u>3.0</u>	<u>2.5</u>	<u>2.1</u>
\$ 14,657,692	\$ 14,529,385	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 4,740,899	\$ 4,229,916	35.2 %	32.2 %	29.0 %	32.3 %	29.1 %
3,169,801	2,591,386	16.6	13.7	11.9	21.6	17.8
798,725	891,593	6.1	4.7	7.0	5.4	6.1
921,634	926,870	5.0	4.7	5.3	6.3	6.4
469,417	807,749	8.2	4.9	5.3	3.2	5.6
2,648,109	2,415,706	17.6	17.6	16.4	18.1	16.6
744,004	391,735	37.5	15.7	23.5	5.1	2.7
<u>13,492,589</u>	<u>12,254,955</u>	<u>126.2</u>	<u>93.5</u>	<u>98.4</u>	<u>92.0</u>	<u>84.3</u>
\$ 13,492,589	\$ 12,254,955	126.2 %	93.5 %	98.4 %	92.0 %	84.3 %
\$ 1,165,103	\$ 2,274,430	(26.2) %	6.5 %	1.6 %	8.0 %	15.7 %
\$ - 0 -	\$ - 0 -					
\$ 1,165,103	\$ 2,274,430					
<u>13,523,823</u>	<u>11,249,393</u>					
<u>\$ 14,688,926</u>	<u>\$ 13,523,823</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 13,059,183	\$ 12,414,590	\$ 12,138,971
Penalty and Interest	113,759	104,606	110,811
Miscellaneous Revenues	149,120	279,054	137,224
TOTAL REVENUES	\$ 13,322,062	\$ 12,798,250	\$ 12,387,006
EXPENDITURES			
Payroll	\$ 278,362	\$ 286,802	\$ 279,188
Debt Service Principal	6,230,000	5,705,000	13,260,000
Debt Service Interest and Fees	3,912,600	3,304,535	3,073,628
Tax Collection Expenditures	120,828	104,412	108,522
Payment to Refunding Bonds Escrow Agent			
Bond Issuance Costs	209,968	180,360	
TOTAL EXPENDITURES	\$ 10,751,758	\$ 9,581,109	\$ 16,721,338
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 2,570,304	\$ 3,217,141	\$ (4,334,332)
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued-Refunding	\$ 7,525,000	\$ 6,120,000	\$
Premium on Bonds Issued	594,601	580,216	
Transfer to Refunding Bonds Escrow Agent	(7,936,962)	(6,488,297)	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 182,639	\$ 211,919	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 2,752,943	\$ 3,429,060	\$ (4,334,332)
BEGINNING FUND BALANCE	7,967,352	4,538,292	8,872,624
ENDING FUND BALANCE	\$ 10,720,295	\$ 7,967,352	\$ 4,538,292
TOTAL ACTIVE RETAIL WATER CONNECTIONS	17,828	17,825	17,800
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	17,444	17,481	17,426

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 11,505,105	\$ 10,866,413	98.0 %	97.0 %	98.0 %	98.5 %	98.6 %
85,925	78,837	0.9	0.8	0.9	0.7	0.7
97,910	73,772	1.1	2.2	1.1	0.8	0.7
<u>\$ 11,688,940</u>	<u>\$ 11,019,022</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 279,027	\$ 321,405	2.1 %	2.2 %	2.3 %	2.4 %	2.9 %
7,665,000	7,535,000	46.8	44.6	107.0	65.6	68.4
2,900,015	3,053,537	29.4	25.8	24.8	24.8	27.7
109,238	91,668	0.9	0.8	0.9	0.9	0.8
	17,000					0.2
	119,920	1.6	1.4			1.1
<u>\$ 10,953,280</u>	<u>\$ 11,138,530</u>	<u>80.8 %</u>	<u>74.8 %</u>	<u>135.0 %</u>	<u>93.7 %</u>	<u>101.1 %</u>
<u>\$ 735,660</u>	<u>\$ (119,508)</u>	<u>19.2 %</u>	<u>25.2 %</u>	<u>(35.0) %</u>	<u>6.3 %</u>	<u>(1.1) %</u>
\$	\$ 5,645,000					
	(5,497,677)					
<u>\$ - 0 -</u>	<u>\$ 147,323</u>					
\$ 735,660	\$ 27,815					
8,136,964	8,109,149					
<u>\$ 8,872,624</u>	<u>\$ 8,136,964</u>					
<u>17,809</u>	<u>17,821</u>					
<u>17,337</u>	<u>17,394</u>					

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2020**

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, 2020	Expense Reimbursements for the year ended September 30, 2020	Title
John B. Branch	11/2020 05/2024 (Elected)	\$ 2,200	\$ -0-	President/ Investment Officer
Robert T. Savely	11/2020 05/2024 (Elected)	\$ 4,500	\$ -0-	Vice President
Thomas Morrow	05/2018 05/2022 (Elected)	\$ 6,400	\$ -0-	Secretary
Gordon Johnson	05/2018 05/2022 (Elected)	\$ 4,600	\$ -0-	Director
John Graf	11/2020 05/2024 (Elected)	\$ 4,400	\$ -0-	Director

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

Submission date of most recent Registration Form: November 17, 2020

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.

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2020

Key Administrative Personnel:	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ending September 30, 2020</u>	<u>Title</u>
Jennifer Morrow	05/17/98		General Manager/ Treasurer
Curtis Rodgers	01/16/86		Director of Utilities
Mary Ann Schatz	11/18/77		Capital Projects Bookkeeper
Rachael Crider	07/25/18		Tax Assessor/Collector
Gilda Mendoza	06/10/19		Accounts Manager
Consultants:			
Coats Rose, P.C.	08/13/15	\$ 105,101	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/31/96	\$ 44,500	Audit Related
		\$ 3,000	Bond Related
Sanford Kuhl Hagan Kugle Parker Kahn LLP	02/11/10	\$ 83,544	Bond Counsel
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	06/28/01	\$ 31,632	Delinquent Tax Attorney
Lockwood, Andrews & Newman, Inc.	12/18/97	\$ 3,878,647	Engineer
Robert W. Baird & Co.	02/12/15	\$ 169,825	Financial Advisor

See accompanying independent auditor's report.

