

CLEAR LAKE CITY WATER AUTHORITY

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2014

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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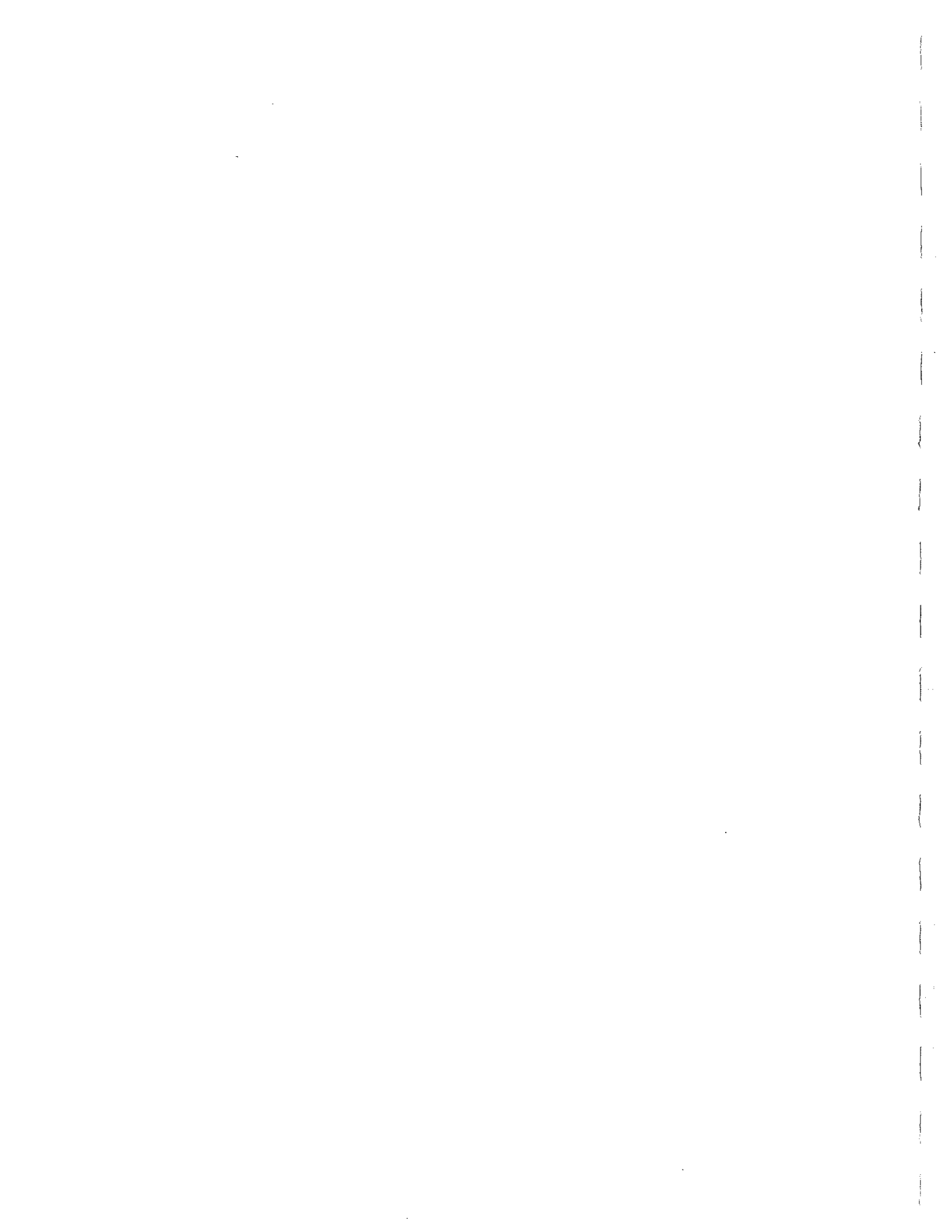


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INDEPENDENT AUDITOR'S REPORT

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, 2014, 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, 2014, 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 Management's Discussion and Analysis on pages 3 through 7 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 38 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

February 10, 2015



CLEAR LAKE CITY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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, 2014. Please read it in conjunction with the Authority's financial statements which begin on page 8.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Authority's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of the government-wide statements is the Statement of Net Position. This information is found in the Statement of Net Position column on pages 8 through 11. The Statement of Net Position is the Authority-wide statement of its financial position presenting information that includes all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall health of the Authority would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on pages 13 and 14 reports how the Authority's assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, maintenance taxes, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position on page 12 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 15 explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 36 in this report.

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$74,250,038 as of September 30, 2014. This compares with assets exceeding liabilities by \$71,819,592 as of September 30, 2013.

A portion of the Authority's assets reflects its net investment in capital assets (water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The Authority uses these assets to provide water, wastewater, and drainage services.

The following is a comparative analysis of government-wide changes in net position:

CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2014	2013	Change Positive (Negative)
Current and Other Assets	\$ 45,324,389	\$ 51,186,546	\$ (5,862,157)
Capital Assets (Net of Accumulated Depreciation)	118,800,068	117,066,694	1,733,374
Total Assets	<u>\$ 164,124,457</u>	<u>\$ 168,253,240</u>	<u>\$ (4,128,783)</u>
Long -Term Liabilities	\$ 79,298,830	\$ 86,343,522	\$ 7,044,692
Other Liabilities	10,575,589	10,090,126	(485,463)
Total Liabilities	<u>\$ 89,874,419</u>	<u>\$ 96,433,648</u>	<u>\$ 6,559,229</u>
Net Position:			
Net Investment in Capital Assets	\$ 55,431,942	\$ 52,534,978	\$ 2,896,964
Restricted	8,330,629	8,939,635	(609,006)
Unrestricted	10,487,467	10,344,979	142,488
Total Net Position	<u>\$ 74,250,038</u>	<u>\$ 71,819,592</u>	<u>\$ 2,430,446</u>

The following table provides a summary of the Authority's operations for the years ended September 30, 2014, and September 30, 2013. The Authority's net position increased by \$2,430,446 accounting for a 3.4% growth in net position. This compares with an increase of \$7,132,959 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		
	2014	2013	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 12,363,282	\$ 11,885,096	\$ 478,186
Charges for Services	10,781,569	11,044,882	(263,313)
Other Revenues	375,065	326,125	48,940
Total Revenues	<u>\$ 23,519,916</u>	<u>\$ 23,256,103</u>	<u>\$ 263,813</u>
Expenses for Services	21,089,470	16,123,144	(4,966,326)
Change in Net Position	\$ 2,430,446	\$ 7,132,959	\$ (4,702,513)
Net Position, Beginning of Year	71,819,592	64,686,633	7,132,959
Net Position, End of Year	<u>\$ 74,250,038</u>	<u>\$ 71,819,592</u>	<u>\$ 2,430,446</u>

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUNDS

The Authority's combined fund balances as of September 30, 2014, were \$41,183,516, a decrease of \$6,017,041 from the prior year.

The General Fund fund balance increased by \$176,720, primarily due to service and tax revenues exceeding operating expenditures.

The Debt Service Fund fund balance decreased by \$625,238, primarily due to the structure of the Authority's outstanding debt and the sale of Series 2014 Refunding bonds.

The Capital Projects Fund fund balance decreased by \$5,568,523, primarily due to the use of bond proceeds received in prior years on planned construction projects in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$1,605,253 less than budgeted revenues primarily due to lower service revenues than estimated and actual expenditures were \$1,455,304 less than budgeted expenditures primarily due to lower than expected bulk water expenditures and repairs and maintenance costs. See the budget to actual comparison on page 38.

CAPITAL ASSETS

Capital assets as of September 30, 2014, total \$118,800,068 (net of accumulated depreciation) and include water, sewer and drainage system rehabilitation, and the purchase of various vehicles and equipment.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2014	2013	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 6,639,514	\$ 6,639,514	\$ -0-
Sanitary Sewer Laterals and Trunks	50,308,065	46,925,502	3,382,563
Construction in Progress	1,548,143	2,229,373	(681,230)
Capital Assets, Net of Accumulated Depreciation:			
Buildings	440,111	455,219	(15,108)
Water System	25,048,154	25,366,175	(318,021)
Sanitary Sewer System	9,255,673	9,639,834	(384,161)
Drainage System	25,101,390	24,917,302	184,088
Equipment	459,018	893,775	(434,757)
Total Net Capital Assets	<u>\$ 118,800,068</u>	<u>\$ 117,066,694</u>	<u>\$ 1,733,374</u>

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

CAPITAL ASSETS (Continued)

The Authority manages its system of sanitary sewer laterals and trunks using a condition assessment methodology and accounts for these items using the modified approach. The system consists of sewer laterals and trunk lines. The system is rated on a numerical condition scale ranging from 1 (brand-new condition with 40 years of expected life) to 5 (a severe deficiency which needs immediate correction and the expected life is 0 years). It is the Authority's policy to keep 75 percent of the system at a level 3 or better. The most recent conditional assessment shows that the condition of the Authority's sanitary sewer lines is in accordance with the Authority's policy. Additional information on the Authority's capital assets can be found in Note 6 of this report.

LONG-TERM DEBT ACTIVITY

As of September 30, 2014, the Authority had total bond debt payable of \$86,525,000. The changes in the debt position of the Authority during the fiscal year ended September 30, 2014, are summarized as follows:

Bond Debt Payable, October 1, 2013	\$ 93,230,000
Add: Bond Issued - Series 2014	5,705,000
Less: Bond Principal Refunded	5,855,000
Less: Bond Principal Paid	<u>6,555,000</u>
Bond Debt Payable, September 30, 2014	<u>\$ 86,525,000</u>

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

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Clear Lake City Water Authority, 900 Bay Area Blvd., Houston, TX 77058-2691.

CLEAR LAKE CITY WATER AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2014

	General Fund	Debt Service Fund
ASSETS		
Cash, Note 5	\$ 984,731	\$ 100,422
Investments, Note 5	9,053,606	8,609,211
Receivables:		
Property Taxes	35,543	169,677
Penalty and Interest on Delinquent Taxes		98,600
Service Accounts	1,013,930	
Other	5,680	
Due from Other Funds, Note 2	322,682	
Inventory, Note 2	146,871	
Prepaid Lease		
Land, Note 6		
Sanitary Sewer Laterals and Trunks, Note 6		
Construction in Progress, Note 6		
Capital Assets (Net of Accumulated Depreciation), Note 6		
TOTAL ASSETS	\$ 11,563,043	\$ 8,977,910

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

Capital Projects Fund	Total	Adjustments*	Statement of Net Position
\$ 3,044,459	\$ 4,129,612	\$	\$ 4,129,612
21,304,837	38,967,654		38,967,654
	205,220		205,220
	98,600		98,600
	1,013,930		1,013,930
	5,680		5,680
137,428	460,110	(460,110)	
	146,871		146,871
		756,822	756,822
		6,639,514	6,639,514
		50,308,065	50,308,065
		1,548,143	1,548,143
		<u>60,304,346</u>	<u>60,304,346</u>
<u>\$ 24,486,724</u>	<u>\$ 45,027,677</u>	<u>\$ 119,096,780</u>	<u>\$ 164,124,457</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, 2014

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 823,219	\$ 49,241
Accrued Interest Payable		
Due to Other Funds, Note 2	137,428	322,682
Security Deposits	871,751	
Long-term Liabilities:		
Bonds Payable, Due Within One Year, Note 3		
Bonds Payable, Due After One Year, Note 3		
TOTAL LIABILITIES	<u>\$ 1,832,398</u>	<u>\$ 371,923</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Tax Revenues	\$ 35,543	\$ 169,677
Deferred Penalty and Interest on Delinquent Taxes		98,600
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 35,543</u>	<u>\$ 268,277</u>
FUND BALANCES		
Nonspendable:		
Inventory, Note 2	\$ 146,871	\$
Restricted for Authorized Construction		
Restricted for Debt Service		8,337,710
Committed for Sick Leave Obligation, Note 8	662,364	
Committed for Unbudgeted Major Repairs of Facilities, Note 2	250,000	
Committed for Emergencies, Note 2	820,000	
Unassigned	7,815,867	
TOTAL FUND BALANCES	<u>\$ 9,695,102</u>	<u>\$ 8,337,710</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 11,563,043</u>	<u>\$ 8,977,910</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments*	Statement of Net Position
\$ 1,336,020	\$ 2,208,480	\$	\$ 2,208,480
		275,358	275,358
	460,110	(460,110)	
	871,751		871,751
		7,220,000	7,220,000
		79,298,830	79,298,830
<u>\$ 1,336,020</u>	<u>\$ 3,540,341</u>	<u>\$ 86,334,078</u>	<u>\$ 89,874,419</u>
\$	\$ 205,220	\$ (205,220)	\$
	98,600	(98,600)	
<u>\$ -0-</u>	<u>\$ 303,820</u>	<u>\$ (303,820)</u>	<u>\$ -0-</u>
\$	\$ 146,871	\$ (146,871)	\$
23,150,704	23,150,704	(23,150,704)	
	8,337,710	(8,337,710)	
	662,364	(662,364)	
	250,000	(250,000)	
	820,000	(820,000)	
	7,815,867	(7,815,867)	
<u>\$ 23,150,704</u>	<u>\$ 41,183,516</u>	<u>\$ (41,183,516)</u>	<u>\$ - 0 -</u>
<u>\$ 24,486,724</u>	<u>\$ 45,027,677</u>		
		\$ 55,431,942	\$ 55,431,942
		8,330,629	8,330,629
		10,487,467	10,487,467
		<u>\$ 74,250,038</u>	<u>\$ 74,250,038</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, 2014**

Total Fund Balances - Governmental Funds \$ 41,183,516

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. 756,822

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 118,800,068

Deferred tax revenues and deferred penalty and interest revenues on delinquent taxes for the 2013 and prior tax levies became part of recognized revenue in the governmental activities of the District. 303,820

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	\$ (275,358)	
Bonds Payable Within One Year	(7,220,000)	
Bonds Payable After One Year	<u>(79,298,830)</u>	<u>(86,794,188)</u>
Total Net Position - Governmental Activities		<u>\$ 74,250,038</u>

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

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CLEAR LAKE CITY WATER AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 2,178,090	\$ 10,142,276
Water Service	6,137,415	
Wastewater Service	4,315,069	
Penalty and Interest	112,760	106,146
Tap Connection and Inspection Fees	87,029	
Impact Fees		
Groundwater Credits	9,363	
Investment Revenues	3,065	4,092
Miscellaneous Revenues	204,923	3,999
TOTAL REVENUES	\$ 13,047,714	\$ 10,256,513
EXPENDITURES/EXPENSES		
Service Operations:		
Bulk Water Purchases	\$ 1,775,078	\$
Payroll	3,947,077	267,475
Utilities	891,641	
Repairs and Maintenance	382,678	7,577
Professional Fees	768,657	192,465
Depreciation and Amortization		
Other	2,403,178	92,388
Capital Outlay	2,702,685	
Debt Service:		
Transfer to Refunding Bond Escrow Agent		70,000
Bond Issuance Costs		129,950
Bond Principal		6,555,000
Bond Interest		3,716,083
TOTAL EXPENDITURES/EXPENSES	\$ 12,870,994	\$ 11,030,938
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 176,720	\$ (774,425)
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued, Note 12	\$	\$ 5,705,000
Transfer to Refunding Bond Escrow Agent		(5,899,649)
Bond Premium		343,836
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 149,187
NET CHANGE IN FUND BALANCES	\$ 176,720	\$ (625,238)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2013	9,518,382	8,962,948
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2014	\$ 9,695,102	\$ 8,337,710

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

Capital Projects Fund	Total	Adjustments*	Statement of Activities
\$	\$ 12,320,366	\$ 42,916	\$ 12,363,282
	6,137,415		6,137,415
	4,315,069		4,315,069
	218,906	23,150	242,056
	87,029		87,029
137,428	137,428		137,428
	9,363		9,363
12,195	19,352		19,352
	208,922		208,922
<u>\$ 149,623</u>	<u>\$ 23,453,850</u>	<u>\$ 66,066</u>	<u>\$ 23,519,916</u>
	\$ 1,775,078	\$	\$ 1,775,078
	4,214,552		4,214,552
	891,641		891,641
	390,255	4,064,865	4,455,120
	961,122		961,122
		2,577,951	2,577,951
85,991	2,581,557		2,581,557
5,631,739	8,334,424	(8,334,424)	
	70,000	(70,000)	
416	130,366		130,366
	6,555,000	(6,555,000)	
	3,716,083	(214,000)	3,502,083
<u>\$ 5,718,146</u>	<u>\$ 29,620,078</u>	<u>\$ (8,530,608)</u>	<u>\$ 21,089,470</u>
<u>\$ (5,568,523)</u>	<u>\$ (6,166,228)</u>	<u>\$ 8,596,674</u>	<u>\$ 2,430,446</u>
\$	\$ 5,705,000	\$ (5,705,000)	\$
	(5,899,649)	5,899,649	
	343,836	(343,836)	
<u>\$ -0-</u>	<u>\$ 149,187</u>	<u>\$ (149,187)</u>	<u>\$ -0-</u>
\$ (5,568,523)	\$ (6,017,041)	\$ 6,017,041	\$
		2,430,446	2,430,446
28,719,227	47,200,557	24,619,035	71,819,592
<u>\$ 23,150,704</u>	<u>\$ 41,183,516</u>	<u>\$ 33,066,522</u>	<u>\$ 74,250,038</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, 2014

Net Change in Fund Balances - Governmental Funds	\$ (6,017,041)
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.	42,916
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.	23,150
Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(2,577,951)
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.	4,269,559
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.	(343,836)
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.	6,555,000
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.	214,000
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(5,705,000)
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.	5,969,649
Change in Net Position - Governmental Activities	<u>\$ 2,430,446</u>

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1. CREATION OF AUTHORITY

The Clear Lake City Water Authority (the "Authority") was created May 6, 1963, by Statute 8280-280, 58th Legislature of the State of Texas.

Pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code, among other powers, the Authority is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service and storm sewer drainage. Although the Authority is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the Authority and to provide irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the Authority, to date it has chosen not to exercise any of these powers. The Authority comprises approximately 16,000 acres in Harris County, Texas, located in the area of NASA's Johnson Space Center and owns approximately two acres in Houston County, Texas. The Authority is under the oversight of the Texas Commission on Environmental Quality (the "Commission").

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the Authority are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

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

Financial Statement Presentation

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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, 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

As discussed above, the Authority's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The Authority has three governmental funds and considers them to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, maintenance taxes, customer service revenues, 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, 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the Authority and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the Authority does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as another financing source or use. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2014, the Debt Service Fund owed the General Fund \$322,682 for operating expenses. The General Fund owed the Capital Projects Fund \$137,428 for impact fees.

Capital Assets

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

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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, 2014, was \$146,871.

Budgeting

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

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 3. LONG-TERM DEBT

		Harris County Water Control and Improvement District No. 75 Series 1998-B	Series 2008
Amounts Outstanding - September 30, 2014		\$ 505,000	\$ 5,715,000
Interest Rates		5.30% - 5.50%	3.25% - 3.70%
Maturity Dates – Serially Beginning/Ending		March 1, 2015/2016	March 1, 2015/2022
Interest Payment Dates		March 1/ September 1	March 1/ September 1
Callable Dates		March 1, 2007*	March 1, 2016*
		Refunding Series 2009	Refunding Series 2010
	Series 2009		
Amounts Outstanding - September 30, 2014	\$ 3,845,000	\$ 6,235,000	\$ 5,060,000
Interest Rates	3.00%-3.50%	4.00%	3.00% - 4.25%
Maturity Dates – Serially Beginning/Ending	March 1, 2015/2022	March 1, 2015/2021 and September 1, 2021	March 1, 2015/2021
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2017*	March 1, 2019*	March 1, 2018*

* Subject to redemption as a whole, or from time to time in part, in integral multiples of \$5,000, upon payment of a redemption price equal to the principal amount thereof together with interest, if any, accrued thereon, from the most recent interest payment date to the redemption date.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2011	Series 2011A	Refunding Series 2012
Amounts Outstanding – September 30, 2014	\$ 7,090,000	\$ 6,660,000	\$ 10,385,000
Interest Rates	2.50% - 4.75%	2.50%-4.75%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2015/2035	March 1, 2015/2035	March 1, 2015/2020
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1,2019*	March 1, 2019*	Non-Callable
	Series 2012	Refunding Series 2012A	Series 2013
Amounts Outstanding – September 30, 2014	\$ 5,955,000	\$ 4,070,000	\$ 4,300,000
Interest Rates	2.00%-3.625%	2.00% - 3.625%	2.00% - 4.25%
Maturity Dates – Serially Beginning/Ending	March 1, 2015/2035	March 1, 2015/2035	March 1, 2015/2038
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2020*	March 1,2020*	March 1, 2021*

* Or any date thereafter, as a whole or from time to time in part, at a price equal to the par value thereof, plus accrued interest to the date fixed for redemption. Series 2011 term bonds due March 1, 2035, are subject to mandatory redemption beginning on March 1, 2034. Series 2011A term bonds due March 1, 2035, are subject to mandatory redemption beginning March 1, 2034. Series 2012 term bonds due March 1, 2025, are subject to mandatory redemption beginning on March 1, 2024. Series 2012A Refunding term bonds due March 1, 2026, March 1, 2028, March 1, 2030, March 1, 2032, and March 1, 2035, are subject to mandatory redemption beginning on March 1, 2024, March 1, 2027, March 1, 2029, March 1, 2031, and March 1, 2033, respectively. Series 2013 term bonds due March 1, 2023, March 1, 2025, March 1, 2029, March 1, 2031, March 1, 2033, March 1, 2035, and March 1, 2038, are subject to mandatory redemption beginning on March 1, 2022, March 1, 2024, March 1, 2026, March 1, 2030, March 1, 2032, March 1, 2034, and March 1, 2036, respectively.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2013A	Refunding Series 2014
Amounts Outstanding – September 30, 2014	\$ 21,000,000	\$ 5,705,000
Interest Rates	4.00% - 5.25%	2.50% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2023/2038	March 1, 2015/2022
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2022*	Non-Callable

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

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2014:

	October 1, 2013	Additions	Retirements	September 30, 2014
Bonds Payable	\$ 93,230,000	\$ 5,705,000	\$ 12,410,000	\$ 86,525,000
Unamortized Discounts	(1,548,113)		(192,194)	(1,355,919)
Unamortized Premiums	1,216,635	343,836	210,722	1,349,749
Bonds Payable, Net	\$ 92,898,522	\$ 6,048,836	\$ 12,428,528	\$ 86,518,830
		Amount Due Within One Year		\$ 7,220,000
		Amount Due After One Year		79,298,830
		Bonds Payable, Net		\$ 86,518,830

As of September 30, 2014, the Authority had authorized but unissued bonds in the amount of \$11,545,400 for utility facilities and \$61,581,592 for refunding bonds.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 3. LONG-TERM DEBT (Continued)

As of September 30, 2014, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2015	\$ 7,220,000	\$ 3,187,549	\$ 10,407,549
2016	7,535,000	2,931,139	10,466,139
2017	7,595,000	2,665,312	10,260,312
2018	6,780,000	2,413,119	9,193,119
2019	4,080,000	2,215,349	6,295,349
2020-2024	15,975,000	9,157,546	25,132,546
2025-2029	12,365,000	6,587,923	18,952,923
2030-2034	15,490,000	3,600,816	19,090,816
2035-2038	9,485,000	680,588	10,165,588
	<u>\$ 86,525,000</u>	<u>\$ 33,439,341</u>	<u>\$ 119,964,341</u>

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

During the year ended September 30, 2014, the Authority levied an ad valorem debt service tax and maintenance tax as follows:

	2013 Appraised Valuation	Debt Service Tax Rates Per \$100 Of Valuation	Debt Service Tax Levy
Clear Lake City Water Authority	\$ 4,332,257,138	\$0.23	\$ 9,964,196
Harris County Water Control and Improvement District No. 75	\$ 53,772,542	\$0.46	<u>247,354</u>
Total Debt Service Tax Levy			<u>\$ 10,211,550</u>

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 3. LONG-TERM DEBT (Continued)

	Maintenance Tax Rates Per \$100 of <u>Valuation</u>	<u>Maintenance Tax Levy</u>
Clear Lake City Water Authority	\$0.05	\$ 2,166,124
Harris County Water Control and Improvement District No. 75	\$0.05	<u>26,886</u>
Total Maintenance Tax Levy		<u>\$ 2,193,010</u>

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

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

The Authority's tax calendar is as follows:

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. The Authority is required to provide to the state information depository continuing disclosure of annual financial information and operating data with respect to the Authority. The information is of the general type included in the annual financial report and must be filed within six months after the end of each fiscal year of the Authority.
- B. The bond orders state that so long as any of the bonds or coupons remain outstanding, the Authority covenants that it will at all times keep insured such parts of the system as are customarily insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risks, accidents or casualties against which and to the extent insurance is customarily carried by such municipal corporations and political subdivisions.
- C. The Authority has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the Authority's deposits was \$4,129,612 and the bank balance was \$4,139,528. Of the bank balance, \$359,299 was covered by federal depository insurance and the remainder was collateralized with securities held in a third-party depository in the Authority's name.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2014, as listed below:

GENERAL FUND	\$	984,731
DEBT SERVICE FUND		100,422
CAPITAL PROJECTS FUND		<u>3,044,459</u>
TOTAL DEPOSITS	\$	<u>4,129,612</u>

Investments

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

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

(10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The Authority invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. The fair value of the Authority's position in the pool is the same as the value of pool shares.

As of September 30, 2014, the Authority had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 9,053,606	\$ 9,053,606	\$	\$	\$
<u>DEBT SERVICE FUND</u>					
TexPool	8,609,211	8,609,211			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	<u>21,304,837</u>	<u>21,304,837</u>			
TOTAL INVESTMENTS	<u>\$38,967,654</u>	<u>\$38,967,654</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2014, the Authority's investment in TexPool was rated AAAM by Standard and Poor's.

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014:

	October 1, 2013	Increases	Decreases	September 30, 2014
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 6,639,514	\$	\$	\$ 6,639,514
Sanitary Sewer Laterals and Trunks	46,925,502	3,382,563		50,308,065
Construction in Progress	<u>2,229,373</u>	<u>4,703,948</u>	<u>5,385,178</u>	<u>1,548,143</u>
Total Capital Assets Not Being Depreciated	<u>\$ 55,794,389</u>	<u>\$ 8,086,511</u>	<u>\$ 5,385,178</u>	<u>\$ 58,495,722</u>
Capital Assets Subject to Depreciation				
Buildings	\$ 523,166	\$	\$	\$ 523,166
Water System	49,416,506	814,556		50,231,062
Sanitary Sewer System	18,159,257			18,159,257
Drainage System	48,603,604	1,060,961		49,664,565
Equipment	<u>1,963,933</u>	<u>127,098</u>	<u>448,055</u>	<u>1,642,976</u>
Total Capital Assets Subject to Depreciation	<u>\$ 118,666,466</u>	<u>\$ 2,002,615</u>	<u>\$ 448,055</u>	<u>\$ 120,221,026</u>
Less Accumulated Depreciation				
Buildings	\$ 67,947	\$ 15,108	\$	\$ 83,055
Water System	24,050,331	1,132,577		25,182,908
Sanitary Sewer System	8,519,423	384,161		8,903,584
Drainage System	23,686,302	876,873		24,563,175
Equipment	<u>1,070,158</u>	<u>127,466</u>	<u>13,666</u>	<u>1,183,958</u>
Total Accumulated Depreciation	<u>\$ 57,394,161</u>	<u>\$ 2,536,185</u>	<u>\$ 13,666</u>	<u>\$ 59,916,680</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 61,272,305</u>	<u>\$ (533,570)</u>	<u>\$ 434,389</u>	<u>\$ 60,304,346</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 117,066,694</u>	<u>\$ 7,552,941</u>	<u>\$ 5,819,567</u>	<u>\$ 118,800,068</u>

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6. CAPITAL ASSETS (Continued)

The sanitary sewer laterals and trunk lines are accounted for using the modified approach. The condition of the Authority's sanitary sewer lateral and trunk system is determined using a condition assessment methodology. The Authority uses a numerical condition scale ranging from 1.00 (new) to 5.00 (severe deficiency with no useful life remaining). It is the Authority's policy to keep 75% of the system in level 3.00 or better condition. The condition assessments as of September 30, 2014, September 30, 2013, and September 30, 2012, were 2.00, 2.11, and 2.17, respectively. The following is a summary of the condition levels of the individual subdivision sanitary sewer laterals and trunks as of September 30, 2014:

	Condition	<u>Sewer Laterals and Trunks in Linear Feet</u>
1.00-1.99	New Condition	620,238
2.00-2.99	Minor Deficiencies	233,407
3.00-3.99	Serious Deficiency	149,232
4.00-4.99	Very Serious Deficiency	26,661
5.00	Severe Deficiency	<u>13,356</u>
TOTAL		<u>1,042,894</u>

Comparison of Estimated to Actual Maintenance/Preservation Costs

	Estimated	Actual
2014	\$ 4,988,021	\$ 3,317,115
2013	\$ 5,514,797	\$ 4,828,688
2012	\$ 4,390,472	\$ 4,783,003
2011	\$ 3,676,055	\$ 3,660,171
2010	\$ 2,095,851	\$ 1,938,345

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, 9.0% of the employee's earnings, as defined in the Plan agreement. During the current fiscal year, the Authority recorded \$202,994 as its contribution to the Plan.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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, \$662,364 of the General Fund fund balance has been committed for this future obligation.

NOTE 9. EXCLUSION CONTRACT AND SERVICE AGREEMENT

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

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 9. EXCLUSION CONTRACT AND SERVICE AGREEMENT (Continued)

<u>Year</u>	<u>Allocable Debt</u>
2015	\$ 2,649
2016	2,320
2017	1,867
2018	1,880
2019	608
2020	296
2021	301
2022	<u>308</u>
TOTAL	<u>\$ 10,229</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.

NOTE 10. COST SHARING WATER PROJECT CONTRACT

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 10. COST SHARING WATER PROJECT CONTRACT (Continued)

This agreement provided for the Authority to purchase additional capacity in the Plant from the City of Galveston and the termination of the Second Amendment Agreement should the parties to the agreement fail to secure additional capacity in the Plant from the City of Galveston. The Authority's and City of Nassau Bay's capacity in the Plant were then as follows:

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

On April 28, 1998, the Authority executed a Water Capacity Purchase and Sale Agreement with the Gulf Coast Water Authority and the City of Galveston, Texas. In accordance with the terms of the agreement the City of Galveston's 16 mgpd of demand allocation per day capacity in the Plant was allocated to various parties, including the Authority, with the Authority's share being 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.

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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 11. RISK MANAGEMENT

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

NOTE 12. BOND SALE

On January 22, 2014, the Authority issued \$5,705,000 of Series 2014 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, to refund \$460,000 of Series 1997 bonds, \$1,355,000 of Series 2006 Bonds and \$4,040,000 of Series 2006 Refunding bonds. The effect of the refunding was to decrease total debt service by \$434,684 and obtain net present value savings of \$387,414.

Series	Interest Rates	Maturities	Callable Date	Callable at September 30, 2014
1997	4.50%	2022	1/22/2014	\$ -0-
2006R	4.00%	2015-2021	3/1/2014	-0-
2006	4.00%, 3.75%	2015, 2022	3/1/2014	-0-
Total				<u>\$ -0-</u>

NOTE 13. DRAINAGE PARTICIPATION AGREEMENT

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 13. DRAINAGE PARTICIPATION AGREEMENT (Continued)

agrees that it will neither bill nor collect the annual drainage revenue for so long as the Authority's annual allocable costs, calculated on the basis of the anticipated allocable costs for the ensuing billing year, or averaged over a five-year period, beginning in billing year 2012-2013 and calculated for each successive billing year thereafter, offset the annual drainage revenue for the same year. The term of this agreement is ten years from the effective date.

NOTE 14. GENERATOR LEASE

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

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CLEAR LAKE CITY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2014



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, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,816,145	\$ 2,178,090	\$ 361,945
Water Service	7,247,850	6,137,415	(1,110,435)
Wastewater Service	5,112,950	4,315,069	(797,881)
Penalty and Interest	93,910	112,760	18,850
Tap Connection and Inspection Fees	112,210	87,029	(25,181)
Investment Revenues	5,000	3,065	(1,935)
Miscellaneous Revenues	<u>264,902</u>	<u>214,286</u>	<u>(50,616)</u>
TOTAL REVENUES	\$ 14,652,967	\$ 13,047,714	\$ (1,605,253)
EXPENDITURES			
Services Operations:			
Bulk Water Purchases	\$ 2,743,985	\$ 1,775,078	\$ 968,907
Payroll	4,057,689	3,947,077	110,612
Utilities	800,575	891,641	(91,066)
Repairs and Maintenance	951,025	382,678	568,347
Professional Fees	1,037,875	768,657	269,218
Other	2,033,474	2,403,178	(369,704)
Capital Outlay	<u>2,701,675</u>	<u>2,702,685</u>	<u>(1,010)</u>
TOTAL EXPENDITURES	\$ 14,326,298	\$ 12,870,994	\$ 1,455,304
NET CHANGE IN FUND BALANCE	\$ 326,669	\$ 176,720	\$ (149,949)
FUND BALANCE - OCTOBER 1, 2013	<u>9,518,382</u>	<u>9,518,382</u>	<u> </u>
FUND BALANCE - SEPTEMBER 30, 2014	<u>\$ 9,845,051</u>	<u>\$ 9,695,102</u>	<u>\$ (149,949)</u>

See accompanying independent auditor's report.

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CLEAR LAKE CITY WATER AUTHORITY
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2014



CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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, 2014

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>10,846</u>	<u>10,716</u>	x 1.0	<u>10,716</u>
1"	<u>6,235</u>	<u>6,219</u>	x 2.5	<u>15,548</u>
1½"	<u>256</u>	<u>248</u>	x 5.0	<u>1,240</u>
2"	<u>426</u>	<u>422</u>	x 8.0	<u>3,376</u>
3"	<u>40</u>	<u>40</u>	x 15.0	<u>600</u>
4"	<u>28</u>	<u>28</u>	x 25.0	<u>700</u>
6"	<u>3</u>	<u>3</u>	x 50.0	<u>150</u>
8"	<u>8</u>	<u>7</u>	x 80.0	<u>560</u>
10"	<u>1</u>	<u>1</u>	x 115.0	<u>115</u>
Total Water Connections	<u><u>17,843</u></u>	<u><u>17,684</u></u>		<u><u>33,005</u></u>
Total Wastewater Connections	<u><u>17,395</u></u>	<u><u>17,228</u></u>	x 1.0	<u><u>17,228</u></u>

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

Gallons pumped into system:	2,846,450,000	Water Accountability Ratio: 90.35% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	2,502,544,000	
Gallons purchased:	3,409,705,000	From: <u>City of Houston, Texas</u>
Gallons sold:	69,149,000	To: <u>Harris County Water Control and Improvement District No. 156</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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

Does the Authority have Debt Service standby fees? Yes No

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

5. LOCATION OF AUTHORITY:

Is the Authority located entirely within one county?

Yes No

Counties in which Authority is located:

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

Is the Authority located within a city?

Entirely Partly Not at all

Cities in which Authority is located:

City of Pasadena, Texas; City of Houston, Texas; City of Webster, Texas; City of Taylor Lake Village, Texas and City of La Porte, Texas.

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

5. LOCATION OF AUTHORITY: (Continued)

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

Entirely _____ Partly X Not at all _____

ETJ's in which Authority is located:

City of Webster, Texas and City of Pasadena, Texas.

Are Board Members appointed by an office outside the Authority?

Yes _____ No X

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 3,947,077</u>
PROFESSIONAL FEES:	
Auditing	\$ 31,275
Engineering	539,872
Legal	<u>197,510</u>
TOTAL PROFESSIONAL FEES	<u>\$ 768,657</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 1,775,078</u>
UTILITIES:	
Electricity	\$ 827,372
Gas	2,345
Telephone	<u>61,924</u>
TOTAL UTILITIES	<u>\$ 891,641</u>
REPAIRS AND MAINTENANCE	<u>\$ 382,678</u>
ADMINISTRATIVE EXPENDITURES:	
Billing Costs	\$ 35,432
Director Fees	16,575
Dues	2,842
Insurance	157,502
Legal Notices	26,007
Office Supplies and Postage	65,918
Regulatory Assessment	45,544
Travel and Meetings	18,032
Municipal Payment	577,077
Other	<u>73,650</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 1,018,579</u>
CAPITAL OUTLAY:	
Capitalized Assets	\$ 2,702,685
Expenditures Not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY:	<u>\$ 2,702,685</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

OTHER EXPENDITURES:	
Air Conditioner	\$ 16,938
Bad Debts	12,467
Chemicals	135,006
Computers	45,196
Equipment Rental	2,262
Generator Lease	262,799
Heavy Equipment	14,149
Inspection and Permit Fees	102,492
Internet and Webpage	4,347
Janitorial Service	7,957
Laboratory Fees	66,377
Parts and Supplies	353,564
Radio Base and Mobile	22,849
Sludge Hauling	152,805
Uniforms	22,189
Vehicle Supplies and Maintenance	125,882
Water Conservation	25,392
Other	<u>11,928</u>
TOTAL OTHER EXPENDITURES	<u>\$ 1,384,599</u>
TOTAL EXPENDITURES	<u>\$ 12,870,994</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
INVESTMENTS
SEPTEMBER 30, 2014

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 8,373,759	\$
TexPool	XXXX0003	Varies	Daily	<u>679,847</u>	<u> </u>
TOTAL GENERAL FUND				<u>\$ 9,053,606</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0004	Varies	Daily	\$ 8,494,150	\$
TexPool	XXXX0009	Varies	Daily	<u>115,061</u>	<u> </u>
TOTAL DEBT SERVICE FUND				<u>\$ 8,609,211</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0014	Varies	Daily	\$ 17,275	\$
TexPool	XXXX0028	Varies	Daily	54,747	
TexPool	XXXX0032	Varies	Daily	215,607	
TexPool	XXXX0033	Varies	Daily	37,276	
TexPool	XXXX0034	Varies	Daily	42,122	
TexPool	XXXX0039	Varies	Daily	15,621,286	
TexPool	XXXX0037	Varies	Daily	1,332,172	
TexPool	XXXX0038	Varies	Daily	<u>3,984,352</u>	<u> </u>
TOTAL CAPITAL PROJECTS FUND				<u>\$ 21,304,837</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 38,967,654</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, 2014

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2013	\$	28,009	\$	134,295
Adjustments to Beginning				
Balance		<u>(6,279)</u>	\$	<u>105,437</u>
2013 Adjusted Tax Roll		<u>2,193,010</u>		<u>10,211,550</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 2,214,740		\$ 10,316,987
 TAX COLLECTIONS:				
Prior Years	\$	883	\$	2,517
Current Year		<u>2,178,314</u>		<u>10,144,793</u>
		<u>2,179,197</u>		<u>10,147,310</u>
 TAXES RECEIVABLE -				
SEPTEMBER 30, 2014		<u>\$ 35,543</u>		<u>\$ 169,677</u>
 TAXES RECEIVABLE BY				
YEAR:				
2013	\$	14,037	\$	66,757
2012		2,664		12,256
2011		1,487		6,843
2010		2,508		11,536
2009		2,616		12,032
2008		2,296		10,561
2007		885		4,072
2006		1,335		6,141
2005		1,456		6,989
2004		1,518		7,288
2003		1,071		5,140
2002		1,209		6,283
2001		1,227		6,868
2000		540		3,024
1999		567		3,180
1998		<u>127</u>		<u>707</u>
 TOTAL		<u>\$ 35,543</u>		<u>\$ 169,677</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Clear Lake City Water Authority:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
PROPERTY VALUATIONS:				
Land	\$ 1,374,001,801	\$ 1,276,690,479	\$ 1,224,416,809	\$ 1,209,762,801
Improvements	3,997,927,372	3,898,939,242	3,949,669,854	3,953,847,347
Personal Property	515,740,290	456,819,399	625,640,254	629,426,649
Exemptions	<u>(1,555,412,325)</u>	<u>(1,471,397,108)</u>	<u>(1,434,137,383)</u>	<u>(1,408,511,555)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 4,332,257,138</u>	<u>\$ 4,161,052,012</u>	<u>\$ 4,365,589,534</u>	<u>\$ 4,384,525,242</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23
Maintenance	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>
ADJUSTED TAX LEVY*	<u>\$ 12,130,320</u>	<u>\$ 11,650,947</u>	<u>\$ 12,223,650</u>	<u>\$ 12,276,672</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.37 %</u>	<u>99.88 %</u>	<u>99.93 %</u>	<u>99.89 %</u>

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

Maintenance Tax – Maximum Tax Rate of \$0.05 per \$100 of assessed valuation approved by voters on August 14, 1982.

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
PROPERTY VALUATIONS:				
Land	\$ 22,957,659	\$ 21,304,043	\$ 21,137,647	\$ 21,285,662
Improvements	31,820,305	31,749,208	33,012,030	31,265,843
Personal Property	623,081	327,466	416,150	430,488
Exemptions	<u>(1,628,503)</u>	<u>(470,723)</u>	<u>(477,196)</u>	<u>(1,001,004)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 53,772,542</u>	<u>\$ 52,909,994</u>	<u>\$ 54,088,631</u>	<u>\$ 51,980,989</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.46	\$ 0.47	\$ 0.50	\$ 0.50
Maintenance	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.51</u>	<u>\$ 0.52</u>	<u>\$ 0.55</u>	<u>\$ 0.55</u>
ADJUSTED TAX LEVY*	<u>\$ 274,240</u>	<u>\$ 275,130</u>	<u>\$ 297,487</u>	<u>\$ 285,896</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.23 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014

HARRIS COUNTY WATER
CONTROL AND IMPROVEMENT
DISTRICT NO. 75
SERIES - \$2,160,000 - 1998 - B

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2015	\$ 240,000	\$ 21,175	\$ 261,175
2016	265,000	7,287	272,287
2017			
2018			
2019			
2020			
2021			
2022			
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2038			
	<u>\$ 505,000</u>	<u>\$ 28,462</u>	<u>\$ 533,462</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2015	\$ 595,000	\$ 189,070	\$ 784,070
2016	625,000	169,089	794,089
2017	660,000	147,886	807,886
2018	690,000	125,266	815,266
2019	730,000	100,761	830,761
2020	765,000	74,216	839,216
2021	805,000	45,855	850,855
2022	845,000	15,632	860,632
2023			
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2038			
	<u>\$ 5,715,000</u>	<u>\$ 867,775</u>	<u>\$ 6,582,775</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014

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

Due During Fiscal Years Ending September 30	Principal Due March 1*	Interest Due March 1/ September 1	Total
2015	\$ 1,550,000	\$ 218,400	\$ 1,768,400
2016	1,620,000	155,000	1,775,000
2017	665,000	109,300	774,300
2018	975,000	76,500	1,051,500
2019	325,000	50,500	375,500
2020	345,000	37,100	382,100
2021	755,000	22,900	777,900
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2038			
	<u>\$ 6,235,000</u>	<u>\$ 669,700</u>	<u>\$ 6,904,700</u>

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

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014

SERIES - \$5,270,000 - 2 0 0 9

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2015	\$ 400,000	\$ 117,381	\$ 517,381
2016	420,000	105,081	525,081
2017	445,000	92,106	537,106
2018	465,000	78,457	543,457
2019	490,000	63,519	553,519
2020	515,000	46,866	561,866
2021	540,000	29,062	569,062
2022	570,000	9,975	579,975
2023			
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2037			
2038			
	<u>\$ 3,845,000</u>	<u>\$ 542,447</u>	<u>\$ 4,387,447</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2015	\$ 1,290,000	\$ 171,476	\$ 1,461,476
2016	1,325,000	125,625	1,450,625
2017	1,385,000	71,425	1,456,425
2018	255,000	38,626	293,626
2019	260,000	27,999	287,999
2020	270,000	16,737	286,737
2021	275,000	5,500	280,500
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2038			
	<u>\$ 5,060,000</u>	<u>\$ 457,388</u>	<u>\$ 5,517,388</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014

S E R I E S - \$7,620,000 - 2 0 1 1

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2015	\$ 195,000	\$ 286,495	\$ 481,495
2016	205,000	281,495	486,495
2017	215,000	275,707	490,707
2018	230,000	269,032	499,032
2019	240,000	261,982	501,982
2020	250,000	254,632	504,632
2021	265,000	246,245	511,245
2022	280,000	236,008	516,008
2023	290,000	224,608	514,608
2024	305,000	212,708	517,708
2025	325,000	200,108	525,108
2026	340,000	186,808	526,808
2027	355,000	172,464	527,464
2028	375,000	156,951	531,951
2029	395,000	140,292	535,292
2030	415,000	122,265	537,265
2031	435,000	103,140	538,140
2032	460,000	82,657	542,657
2033	480,000	60,562	540,562
2034	505,000	37,169	542,169
2035	530,000	12,588	542,588
2036			
2037			
2038			
	<u>\$ 7,090,000</u>	<u>\$ 3,823,916</u>	<u>\$ 10,913,916</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014

S E R I E S - \$ 7,130,000 - 2 0 1 1 A

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2015	\$ 185,000	\$ 260,037	\$ 445,037
2016	195,000	254,800	449,800
2017	205,000	248,800	453,800
2018	215,000	242,500	457,500
2019	225,000	235,900	460,900
2020	235,000	229,000	464,000
2021	245,000	221,494	466,494
2022	260,000	213,125	473,125
2023	275,000	203,925	478,925
2024	290,000	193,856	483,856
2025	300,000	182,975	482,975
2026	320,000	170,950	490,950
2027	335,000	157,850	492,850
2028	350,000	143,931	493,931
2029	370,000	128,850	498,850
2030	390,000	112,700	502,700
2031	410,000	95,444	505,444
2032	430,000	76,800	506,800
2033	450,000	56,719	506,719
2034	475,000	35,031	510,031
2035	500,000	11,875	511,875
2036			
2037			
2038			
	<u>\$ 6,660,000</u>	<u>\$ 3,476,562</u>	<u>\$ 10,136,562</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2015	\$ 1,610,000	\$ 338,850	\$ 1,948,850
2016	2,070,000	273,300	2,343,300
2017	2,910,000	188,250	3,098,250
2018	3,075,000	83,100	3,158,100
2019	350,000	16,350	366,350
2020	370,000	5,550	375,550
2021			
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2023			
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2037			
2038			
	<u>\$ 10,385,000</u>	<u>\$ 905,400</u>	<u>\$ 11,290,400</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2015	\$ 185,000	\$ 182,582	\$ 367,582
2016	190,000	178,830	368,830
2017	200,000	174,931	374,931
2018	210,000	169,781	379,781
2019	215,000	163,406	378,406
2020	225,000	156,806	381,806
2021	235,000	149,906	384,906
2022	245,000	142,706	387,706
2023	255,000	135,206	390,206
2024	265,000	127,406	392,406
2025	275,000	119,307	394,307
2026	285,000	110,907	395,907
2027	300,000	101,944	401,944
2028	310,000	92,413	402,413
2029	325,000	82,287	407,287
2030	335,000	71,562	406,562
2031	350,000	60,212	410,212
2032	365,000	48,147	413,147
2033	380,000	35,338	415,338
2034	395,000	21,775	416,775
2035	410,000	7,431	417,431
2036			
2037			
2038			
	<u>\$ 5,955,000</u>	<u>\$ 2,332,883</u>	<u>\$ 8,287,883</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2015	\$ 125,000	\$ 125,500	\$ 250,500
2016	130,000	122,950	252,950
2017	135,000	120,300	255,300
2018	140,000	116,850	256,850
2019	150,000	112,500	262,500
2020	155,000	107,925	262,925
2021	160,000	103,200	263,200
2022	165,000	98,325	263,325
2023	175,000	93,225	268,225
2024	180,000	87,900	267,900
2025	190,000	82,350	272,350
2026	195,000	76,575	271,575
2027	205,000	70,447	275,447
2028	215,000	63,884	278,884
2029	220,000	56,950	276,950
2030	230,000	49,637	279,637
2031	240,000	41,850	281,850
2032	250,000	33,581	283,581
2033	260,000	24,650	284,650
2034	270,000	15,044	285,044
2035	280,000	5,075	285,075
2036			
2037			
2038			
	<u>\$ 4,070,000</u>	<u>\$ 1,608,718</u>	<u>\$ 5,678,718</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014

SERIES - \$4,380,000 - 2013

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2015	\$ 110,000	\$ 154,844	\$ 264,844
2016	115,000	152,594	267,594
2017	120,000	150,244	270,244
2018	120,000	147,844	267,844
2019	125,000	144,769	269,769
2020	135,000	140,869	275,869
2021	140,000	136,744	276,744
2022	145,000	132,469	277,469
2023	150,000	128,044	278,044
2024	155,000	123,275	278,275
2025	160,000	118,156	278,156
2026	170,000	112,156	282,156
2027	175,000	105,256	280,256
2028	185,000	98,056	283,056
2029	190,000	90,556	280,556
2030	200,000	82,756	282,756
2031	205,000	74,656	279,656
2032	215,000	66,256	281,256
2033	225,000	57,456	282,456
2034	235,000	48,109	283,109
2035	240,000	38,312	278,312
2036	250,000	28,050	278,050
2037	260,000	17,213	277,213
2038	275,000	5,844	280,844
	<u>\$ 4,300,000</u>	<u>\$ 2,354,528</u>	<u>\$ 6,654,528</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014

SERIES - \$21,000,000 - 2013 - A

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2015	\$	\$ 944,138	\$ 944,138
2016		944,138	944,138
2017		944,138	944,138
2018		944,138	944,138
2019		944,138	944,138
2020		944,138	944,138
2021		944,138	944,138
2022		944,138	944,138
2023	915,000	920,119	1,835,119
2024	960,000	870,900	1,830,900
2025	1,005,000	820,575	1,825,575
2026	1,050,000	769,200	1,819,200
2027	1,095,000	715,575	1,810,575
2028	1,150,000	659,450	1,809,450
2029	1,200,000	600,700	1,800,700
2030	1,255,000	539,325	1,794,325
2031	1,315,000	475,075	1,790,075
2032	1,375,000	414,700	1,789,700
2033	1,435,000	358,500	1,793,500
2034	1,505,000	299,700	1,804,700
2035	1,575,000	238,100	1,813,100
2036	1,645,000	173,700	1,818,700
2037	1,720,000	106,400	1,826,400
2038	1,800,000	36,000	1,836,000
	<u>\$ 21,000,000</u>	<u>\$ 15,551,123</u>	<u>\$ 36,551,123</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2015	\$ 735,000	\$ 177,601	\$ 912,601
2016	375,000	160,950	535,950
2017	655,000	142,225	797,225
2018	405,000	121,025	526,025
2019	970,000	93,525	1,063,525
2020	565,000	67,063	632,063
2021	1,065,000	44,025	1,109,025
2022	935,000	14,025	949,025
2023			
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	<u>\$ 5,705,000</u>	<u>\$ 820,439</u>	<u>\$ 6,525,439</u>

See accompanying independent auditor's report.

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CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal Interest Due
2015	\$ 7,220,000	\$ 3,187,549	\$ 10,407,549
2016	7,535,000	2,931,139	10,466,139
2017	7,595,000	2,665,312	10,260,312
2018	6,780,000	2,413,119	9,193,119
2019	4,080,000	2,215,349	6,295,349
2020	3,830,000	2,080,902	5,910,902
2021	4,485,000	1,949,069	6,434,069
2022	3,445,000	1,806,403	5,251,403
2023	2,060,000	1,705,127	3,765,127
2024	2,155,000	1,616,045	3,771,045
2025	2,255,000	1,523,471	3,778,471
2026	2,360,000	1,426,596	3,786,596
2027	2,465,000	1,323,536	3,788,536
2028	2,585,000	1,214,685	3,799,685
2029	2,700,000	1,099,635	3,799,635
2030	2,825,000	978,245	3,803,245
2031	2,955,000	850,377	3,805,377
2032	3,095,000	722,141	3,817,141
2033	3,230,000	593,225	3,823,225
2034	3,385,000	456,828	3,841,828
2035	3,535,000	313,381	3,848,381
2036	1,895,000	201,750	2,096,750
2037	1,980,000	123,613	2,103,613
2038	2,075,000	41,844	2,116,844
	<u>\$ 86,525,000</u>	<u>\$ 33,439,341</u>	<u>\$ 119,964,341</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Description	Original Bonds Issued	Bonds Outstanding October 1, 2013
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 1997	\$ 5,705,000	\$ 460,000
Clear Lake City Water Authority Consolidated Area (Harris County Water Control and Improvement District No. 75) Unlimited Tax Refunding Bonds - Series 1998-B	2,160,000	735,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2005	9,600,000	820,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2006	5,500,000	1,695,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2006	4,255,000	4,060,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2008	8,730,000	6,280,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2009	11,645,000	7,730,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2009	5,270,000	4,230,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2010	8,815,000	6,305,000

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding September 30, 2014	Paying Agent
	Principal	Interest		
\$	\$ 460,000	\$	\$ -0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	230,000	34,042	505,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	820,000	14,862	- 0 -	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,695,000	360,000	- 0 -	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	4,060,000	6,800	- 0 -	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	565,000	207,919	5,715,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,495,000	269,956	6,235,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	385,000	129,156	3,845,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,245,000	209,501	5,060,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Description	Original Bonds Issued	Bonds Outstanding October 1, 2013
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011	\$ 7,620,000	\$ 7,275,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011A	7,130,000	6,835,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012	11,105,000	11,105,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2012	6,300,000	6,130,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012A	4,305,000	4,190,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013	4,380,000	4,380,000
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 Revenue Bonds - Series 2014	<u>5,705,000</u>	<u> </u>
TOTAL	<u><u>\$ 129,225,000</u></u>	<u><u>\$ 93,230,000</u></u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2014</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 185,000	\$ 291,245	\$ 7,090,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	175,000	264,537	6,660,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	720,000	373,800	10,385,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	175,000	186,181	5,955,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	120,000	127,950	4,070,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	80,000	178,625	4,300,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		946,760	21,000,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>5,705,000</u>		<u>114,749</u>	<u>5,705,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 5,705,000</u>	<u>\$ 12,410,000</u>	<u>\$ 3,716,083</u>	<u>\$ 86,525,000</u>	

See accompanying independent auditor's report.

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CLEAR LAKE CITY WATER AUTHORITY
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

RECONCILIATION OF BONDS ISSUED:

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

Entity	Bond Issue	Amount
Harris County Municipal Utility District No. 181	Series 1983	\$ 1,300,000
Harris County Municipal Utility District No. 181	Series 1986	440,000
Harris County Water Control & Improvement District No. 75	Series 1992	3,005,000
Clear Lake City Water Authority	Series 1963	5,400,000
Clear Lake City Water Authority	Series 1967	3,025,000
Clear Lake City Water Authority	Series 1968	1,965,000
Clear Lake City Water Authority	Series 1969	1,450,000
Clear Lake City Water Authority	Series 1971	2,850,000
Clear Lake City Water Authority	Series 1975	1,000,000
Clear Lake City Water Authority	Series 1976	1,780,000
Clear Lake City Water Authority	Series 1977	1,080,000
Clear Lake City Water Authority	Series 1978	1,900,000
Clear Lake City Water Authority	Series 1980	1,450,000
Clear Lake City Water Authority	Series 1986	5,910,000
Clear Lake City Water Authority	Series 1987	9,535,000
Clear Lake City Water Authority	Series 1988	4,700,000
Clear Lake City Water Authority	Refunding Series 1990	1,440,000
Clear Lake City Water Authority	Series 1977-A	2,100,000
Clear Lake City Water Authority	Series 1989	3,350,000
Clear Lake City Water Authority	Series 1987-A	7,000,000
Clear Lake City Water Authority	Series 1990	6,400,000
Clear Lake City Water Authority	Series 1991	8,090,000
Clear Lake City Water Authority	Refunding Series 1992	5,520,000
Clear Lake City Water Authority	Series 1993	8,345,000
Clear Lake City Water Authority	Series 1993-A	7,000,000
Clear Lake City Water Authority	Series 1993-B	9,600,000
Clear Lake City Water Authority	Refunding Series 1994	18,840,000
Clear Lake City Water Authority	Refunding Series 1999	6,065,000
Clear Lake City Water Authority	Series 1998-A	1,305,000
Clear Lake City Water Authority	Series 1998	5,410,000
Clear Lake City Water Authority	Refunding Series 1998	10,655,000
Clear Lake City Water Authority	Series 1999	6,900,000
Clear Lake City Water Authority	Series 2000	4,485,000
Clear Lake City Water Authority	Refunding Series 2002	11,405,000
Clear Lake City Water Authority	Series 2001	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
TOTAL BOND ISSUES RETIRED IN PREVIOUS FISCAL YEARS		\$ 194,865,000
Original Bonds as listed on pages 64-67		<u>129,225,000</u>
TOTAL BONDS ISSUED		<u>\$ 324,090,000</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Tax Bonds		
	Clear Lake City Water Authority	HC MUD No. 181	HC WCID No. 75
Bond Authority:			
Amount Authorized by Voters	\$ 211,390,400	\$ 5,000,000	\$ 3,005,000
Amount Issued	<u>199,845,000</u>	<u>1,740,000</u>	<u>3,005,000</u>
Remaining to be Issued	<u>\$ 11,545,400</u>	<u>\$ 3,260,000</u>	<u>\$ -0-</u>
Debt Service Fund cash and investment balances as of September 30, 2014:			<u>\$ 8,709,633</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 4,998,514</u>

See accompanying independent auditor's report.

Refunding Bonds			
Total	Clear Lake City Water Authority	HC MUD No. 181	Total
\$ 219,395,400	\$ 111,323,100	\$ 5,000,000	\$116,323,100
<u>204,590,000</u>	<u>49,741,508</u>	<u>2,745,000</u>	<u>52,486,508</u>
<u>\$ 14,805,400</u>	<u>\$ 61,581,592</u>	<u>\$ 2,255,000</u>	<u>\$ 63,836,592</u>

See accompanying independent auditor's report.

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

	Amount		
	2014	2013	2012
REVENUES			
Property Taxes	\$ 2,178,090	\$ 2,110,164	\$ 2,214,100
Water Service	6,137,415	6,614,667	6,189,253
Wastewater Service	4,315,069	4,182,587	3,931,335
Penalty and Interest	112,760	121,072	107,843
Tap Connection and Inspection Fees	87,029	32,121	20,024
Groundwater Credits	9,363	90,358	162,770
Investment Revenues	3,065	7,266	6,254
Miscellaneous Revenues	204,923	202,030	198,012
TOTAL REVENUES	\$ 13,047,714	\$ 13,360,265	\$ 12,829,591
EXPENDITURES			
Payroll	\$ 3,947,077	\$ 3,634,919	\$ 3,867,603
Bulk Water Purchases	1,775,078	2,259,030	2,485,940
Professional Fees	768,657	668,172	585,670
Utilities	891,641	816,942	890,346
Repairs and Maintenance	382,678	862,402	1,032,029
Other	2,403,178	2,237,004	2,155,000
Capital Outlay	2,702,685	720,739	131,867
TOTAL EXPENDITURES	\$ 12,870,994	\$ 11,199,208	\$ 11,148,455
NET CHANGE IN FUND BALANCE	\$ 176,720	\$ 2,161,057	\$ 1,681,136
BEGINNING FUND BALANCE	9,518,382	7,357,325	5,676,189
ENDING FUND BALANCE	\$ 9,695,102	\$ 9,518,382	\$ 7,357,325

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2011	2010	2014	2013	2012	2011	2010
\$ 2,196,954	\$ 2,294,895	16.6 %	15.8 %	17.4 %	18.8 %	22.7 %
6,232,870	4,802,760	47.0	49.5	48.2	53.3	47.2
2,916,287	2,585,387	33.1	31.3	30.6	25.0	25.4
88,762	99,016	0.9	0.9	0.8	0.8	1.0
63,691	207,831	0.7	0.2	0.2	0.5	2.0
		0.1	0.7	1.3		
6,113	10,276		0.1		0.1	0.1
178,410	166,142	1.6	1.5	1.5	1.5	1.6
<u>\$ 11,683,087</u>	<u>\$ 10,166,307</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 3,672,231	\$ 3,359,592	30.3 %	27.2 %	30.1 %	31.4 %	33.0 %
3,298,902	2,219,656	13.6	16.9	19.4	28.2	21.8
661,269	801,138	5.9	5.0	4.6	5.7	7.9
1,419,908	1,434,313	6.8	6.1	6.9	12.2	14.1
600,437	488,673	2.9	6.5	8.0	5.1	4.8
1,821,389	1,763,504	18.4	16.7	16.9	15.7	17.3
41,239	134,541	20.7	5.4	1.0	0.4	1.3
<u>\$ 11,515,375</u>	<u>\$ 10,201,417</u>	<u>98.6 %</u>	<u>83.8 %</u>	<u>86.9 %</u>	<u>98.7 %</u>	<u>100.2 %</u>
\$ 167,712	\$ (35,110)	1.4 %	16.2 %	13.1 %	1.3 %	(0.2) %
<u>5,508,477</u>	<u>5,543,587</u>					
<u>\$ 5,676,189</u>	<u>\$ 5,508,477</u>					

See accompanying independent auditor's report.

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

	Amount		
	2014	2013	2012
REVENUES			
Property Taxes	\$ 10,142,276	\$ 9,835,022	\$ 10,333,288
Penalty and Interest	106,146	87,685	86,463
Investment Revenues	4,092	11,235	12,593
Miscellaneous Revenues	3,999	5,341	4,187
TOTAL REVENUES	\$ 10,256,513	\$ 9,939,283	\$ 10,436,531
EXPENDITURES			
Payroll	\$ 267,475	\$ 256,819	\$ 256,443
Debt Service Principal	6,555,000	6,625,000	5,790,000
Debt Service Interest and Fees	3,908,548	2,748,706	3,197,169
Tax Collection Expenditures	99,965	95,091	52,335
Transfer to Refunding Bonds Escrow Agent	70,000		
Bond Issuance Costs	129,950		189,521
TOTAL EXPENDITURES	\$ 11,030,938	\$ 9,725,616	\$ 9,485,468
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (774,425)	\$ 213,667	\$ 951,063
OTHER FINANCING SOURCES (USES)			
Transfer Out	\$	\$	\$ (4,052,786)
Long-Term Debt Issued-Refunding	5,705,000		15,410,000
Premium on Bonds Issued	343,836		1,061,191
Payment to Refunding Bonds Escrow Agent	(5,899,649)		(12,007,810)
Bond Discount			(113,956)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 149,187	\$ - 0 -	\$ 296,639
NET CHANGE IN FUND BALANCE	\$ (625,238)	\$ 213,667	\$ 1,247,702
BEGINNING FUND BALANCE	8,962,948	8,749,281	7,501,579
ENDING FUND BALANCE	\$ 8,337,710	\$ 8,962,948	\$ 8,749,281
TOTAL ACTIVE RETAIL WATER CONNECTIONS	17,684	17,655	17,719
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	17,228	17,193	17,273

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2011	2010	2014	2013	2012	2011	2010
\$ 10,252,299	\$ 10,698,308	99.0 %	98.9 %	99.1 %	99.0 %	98.5 %
83,538	138,909	1.0	0.9	0.8	0.8	1.3
12,234	15,153		0.1	0.1	0.1	0.1
10,887	9,302		0.1		0.1	0.1
<u>\$ 10,358,958</u>	<u>\$ 10,861,672</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 250,715	\$ 226,475	2.6 %	2.6 %	2.5 %	2.4 %	2.1 %
6,055,000	8,880,000	63.9	66.7	55.5	58.5	81.8
2,477,722	2,890,888	38.1	27.7	30.6	23.9	26.6
58,651	157,551	1.0	1.0	0.5	0.6	1.5
		0.7				
		1.3		1.8		
<u>\$ 8,842,088</u>	<u>\$ 12,154,914</u>	<u>107.6 %</u>	<u>98.0 %</u>	<u>90.9 %</u>	<u>85.4 %</u>	<u>112.0 %</u>
\$ 1,516,870	\$ (1,293,242)	(7.6) %	2.0 %	9.1 %	14.6 %	(12.0) %
\$	\$					
	8,815,000					
	381,085					
	(8,929,247)					
	(171,893)					
<u>\$ - 0 -</u>	<u>\$ 94,945</u>					
\$ 1,516,870	\$ (1,198,297)					
<u>5,984,709</u>	<u>7,183,006</u>					
<u>\$ 7,501,579</u>	<u>\$ 5,984,709</u>					
<u>17,648</u>	<u>17,700</u>					
<u>17,202</u>	<u>17,260</u>					

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2014

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

Authority Telephone Number - (281) 488-1164

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2014	Expense Reimbursements for the year ended September 30, 2014	Title
Gayle I. Yoder	05/2012 05/2016 (Elected)	\$ 4,800	\$ -0-	President
John B. Branch	05/2012 05/2016 (Elected)	\$ 2,400	\$ -0-	Vice President/ Investment Officer
Robert T. Savely	05/2012 05/2016 (Elected)	\$ 4,800	\$ -0-	Secretary
Gordon Johnson	05/2014 05/2018 (Elected)	\$ 4,800	\$ -0-	Director
Thomas Morrow	05/2014 05/2018 (Elected)	\$ 1,400	\$ -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 (TWC Sections 36.054 and 49.054 June 6, 2014.

Limit on Fees of Office that a Director may receive during a fiscal year is the maximum allowed by law as set by Board Resolution (TWC Section 49.060) on February 10, 2011. Fees of Office are the amounts actually paid to a Director during the Authority's current fiscal year.

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2014**

Key Administrative Personnel:	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ending September 30, 2014</u>	<u>Title</u>
General Manager/Treasurer	08/29/83	\$ 115,851	General Manager/ Treasurer
Director of Utilities	01/16/86	\$ 84,091	Director of Utilities
Capital Projects Bookkeeper	11/18/77	\$ 100,499	Capital Projects Bookkeeper
Tax Assessor/Collector	10/19/98	\$ 73,169	Tax Assessor/ Collector
Accounts Manager	04/16/07	\$ 61,341	Accounts Manager
Consultants:			
Schweinle & Associates, P.C.	07/17/86	\$ 212,427	Attorney
McCall Gibson Swedlund Barfoot PLLC	07/31/96	\$ 41,500	Auditor
Sanford Kuhl Hagan Kugle Parker Kahn LLP	02/11/10	\$ 58,048	Bond Counsel
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	06/28/01	\$ 33,953	Delinquent Tax Attorney
Lockwood, Andrews & Newnam, Inc.	12/18/97	\$ 2,772,320	Engineer
RBC Capital Markets	11/04/89	\$ 21,719	Financial Advisor

See accompanying independent auditor's report.

