

CLEAR LAKE CITY WATER AUTHORITY

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2009

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2009

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

Independent Auditor's Report

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, 2009, which collectively comprise the Authority's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted as promulgated within 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Clear Lake City Water Authority

The Management's Discussion and Analysis on pages 3 through 8 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

February 11, 2010

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Our 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, 2009. Please read it in conjunction with the Authority's financial statements, which begin on page 9.

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 Assets 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 Assets. This information is found in the Statement of Net Assets column on pages 9 through 12. The Statement of Net Assets 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 assets. Over time, increases or decreases in net assets 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 14 and 15 reports how the Authority's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources accumulated for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources segregated for acquisition or construction of facilities and related costs.

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 Assets on page 13 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 16 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 basic 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 17 through 41 in this report.

OTHER INFORMATION

In addition to the basic 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.

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$53,268,418 as of September 30, 2009. This compares with assets exceeding liabilities by \$47,093,590 as of September 30, 2008.

A portion of the Authority's net assets reflects its investments in capital assets (e.g. 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 and wastewater services.

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

	<u>Summary of Changes in the Statement of Net Assets</u>		
	2009	2008	Change Positive (Negative)
Current and Other Assets	\$ 22,472,421	\$ 24,854,922	\$ (2,382,501)
Capital Assets (Net of Accumulated Depreciation)	<u>100,071,461</u>	<u>96,445,029</u>	<u>3,626,432</u>
Total Assets	<u>\$ 122,543,882</u>	<u>\$ 121,299,951</u>	<u>\$ 1,243,931</u>
Long-Term Liabilities	\$ 59,820,000	\$ 65,005,000	\$ 5,185,000
Other Liabilities	<u>9,455,464</u>	<u>9,201,361</u>	<u>(254,103)</u>
Total Liabilities	<u>\$ 69,275,464</u>	<u>\$ 74,206,361</u>	<u>\$ 4,930,897</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 38,610,573	\$ 35,944,769	\$ 2,665,804
Restricted	9,047,115	5,808,841	3,238,274
Unrestricted	<u>5,610,730</u>	<u>5,339,980</u>	<u>270,750</u>
Total Net Assets	<u>\$ 53,268,418</u>	<u>\$ 47,093,590</u>	<u>\$ 6,174,828</u>

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the Authority's operations for the years ended September 30, 2009, and September 30, 2008. The Authority's net assets increased by \$6,174,828 accounting for a 13.1% growth in net assets. This compares with an increase of \$5,031,503 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		
	2009	2008	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 13,471,085	\$ 12,088,328	\$ 1,382,757
Charges for Services	8,318,016	7,653,546	664,470
Other Revenues	<u>426,091</u>	<u>841,089</u>	<u>(414,998)</u>
Total Revenues	\$ 22,215,192	\$ 20,582,963	\$ 1,632,229
Expenses for Services	<u>16,040,364</u>	<u>15,551,460</u>	<u>(488,904)</u>
Change in Net Assets	\$ 6,174,828	\$ 5,031,503	\$ 1,143,325
Net Assets, Beginning of Year	<u>47,093,590</u>	<u>42,062,087</u>	<u>5,031,503</u>
Net Assets, End of Year	<u>\$ 53,268,418</u>	<u>\$ 47,093,590</u>	<u>\$ 6,174,828</u>

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUNDS

The Authority's combined fund balances as of September 30, 2009, were \$17,720,233, a decrease of \$2,399,221 from the prior year.

The General Fund fund balance increased by \$239,864, primarily due to service and tax revenues exceeding the cost of operating and maintaining the Authority's facilities.

The Debt Service Fund fund balance increased by \$2,975,056, primarily due to the structure of the Authority's outstanding debt.

The Capital Projects Fund fund balance decreased by \$5,614,141, primarily due to the use of bond proceeds received in prior years to fund current year construction costs.

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$176,088 more than budgeted revenues and actual expenditures were \$327,037 more than budgeted expenditures. See the budget to actual comparison on page 43.

CAPITAL ASSETS

The Authority's investment in capital assets as of September 30, 2009, amounts to \$100,071,461 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment as well as the water, sanitary sewer and drainage systems. Major capital asset activity during the current fiscal year included the following:

- Screen grinder at STP
- Administration building HVAC renovation
- Water plant no. 4 booster pump addition
- SCADA system
- Water, sewer and drainage system rehabilitation

Capital Assets At Year-End, Net of Accumulated Depreciation

	2009	2008
Capital Assets Not Being Depreciated		
Land and Land Improvements	\$ 345,757	\$ 345,757
Sanitary Sewer Laterals and Trunk Lines (Subject to Modified Approach)	38,177,763	34,802,463
Construction in Progress	973,862	1,465,598
Capital Assets Net of Accumulated Depreciation		
Buildings	515,693	21,256
Water System	25,890,171	26,065,753
Sanitary Sewer System	9,094,267	8,981,725
Drainage System	24,772,861	24,477,361
Equipment	<u>301,087</u>	<u>285,116</u>
Total Net Capital Assets	<u>\$ 100,071,461</u>	<u>\$ 96,445,029</u>

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 on pages 31 and 32 of this report.

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

LONG-TERM DEBT ACTIVITY

As of September 30, 2009, the Authority had total bond debt payable of \$65,005,000. The changes in the debt position of the Authority during the fiscal year ended September 30, 2009, are summarized as follows:

Bond Debt Payable, October 1, 2008	\$ 70,000,000
Add: Bonds Issued - Series 2009 Refunding	11,645,000
Less: Bond Principal Paid	4,995,000
Less: Bonds Refunded	<u>11,645,000</u>
Bond Debt Payable, September 30, 2009	<u>\$ 65,005,000</u>

Standard & Poor's has assigned an underlying of "AA-" to the Authority's debt. The Series 2003-A Refunding, 2003-B Refunding, 2006 Refunding and 2008 bonds carry an insured rating of "AAA" by virtue of bond insurance issued by either Financial Security Assurance Inc. or Assured Guaranty. The Series 1997 and 2006 bonds carry an insured rating of "A" by Standard & Poor's by virtue of bond insurance issued by MBIA (reinsured by National Public Finance Guaranty Corporation). The Series 2002 Refunding, Series 2000 and Series 2005 bonds carry an insured rating of "CC" by virtue of bond insurance issued by Ambac. The Series 1998, Refunding bonds carry an insured rating of "Baa1" by Moody's by virtue of bond insurance issued by MBIA (reinsured by National Public Finance Guaranty Corporation). The Series 1999, 2001 and 2009 Refunding bonds have no insured ratings. The above ratings reflect all changes through September 30, 2009.

CONTACTING THE AUTHORITY'S FINANCIAL 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 ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2009

	General Fund	Debt Service Fund
ASSETS		
Cash, Note 5	\$ 541,477	\$ 40,558
Investments, Note 5	5,447,626	7,420,309
Receivables:		
Property Taxes	67,143	318,382
Penalty and Interest on Delinquent Taxes		101,000
Service Accounts (Net of Allowance for Doubtful Accounts of \$-0-)	760,332	
Other	3,640	
Due from Other Funds, Note 2	253,984	
Inventory, Note 2	88,954	
Prepaid Costs	35,874	
Unamortized Bond Issuance Costs		
Land, Note 6		
Construction in Progress, Note 6		
Sanitary Sewer Laterals and Trunks, Note 6		
Capital Assets (Net of Accumulated Depreciation), Note 6		
TOTAL ASSETS	\$ 7,199,030	\$ 7,880,249

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

Capital Projects Fund	Total	Adjustments	Statement of Net Assets
\$ 23,623	\$ 605,658	\$	\$ 605,658
5,816,945	18,684,880		18,684,880
	385,525		385,525
	101,000		101,000
	760,332		760,332
36,973	40,613		40,613
	253,984	(253,984)	
	88,954		88,954
	35,874		35,874
		1,769,585	1,769,585
		345,757	345,757
		973,862	973,862
		38,177,763	38,177,763
		<u>60,574,079</u>	<u>60,574,079</u>
<u>\$ 5,877,541</u>	<u>\$ 20,956,820</u>	<u>\$101,587,062</u>	<u>\$ 122,543,882</u>

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

CLEAR LAKE CITY WATER AUTHORITY
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2009

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 957,067	\$ 42,252
Accrued Interest Payable		
Due to Other Funds, Note 2		235,609
Security Deposits	631,233	
Deferred Tax Revenue	67,143	318,382
Deferred Penalty and Interest on Delinquent Taxes		101,000
Unamortized Bond Premium		
Long-Term Liabilities:		
Due Within One Year, Note 3		
Accrued Interest Payable on Premium Compound		
Interest Bonds, Note 3		
Due After One Year, Note 3		
	<u>\$ 1,655,443</u>	<u>\$ 697,243</u>
TOTAL LIABILITIES		
FUND BALANCES/NET ASSETS		
FUND BALANCES:		
Reserved for Authorized Construction:		
Bond Proceeds	\$	\$
Net Investment Revenues		
Reserved For Future Debt Service		7,183,006
Reserved for Prepaid Costs	35,874	
Reserved for Inventory, Note 2	88,954	
Reserved for Sick Leave Obligations, Note 9	618,451	
Reserved for Unbudgeted Major Repairs of Facilities	250,000	
Reserved for Emergencies	820,000	
Unreserved -- Undesignated	3,730,308	
	<u>\$ 5,543,587</u>	<u>\$ 7,183,006</u>
TOTAL FUND BALANCES		
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,199,030</u>	<u>\$ 7,880,249</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Restricted for:		
Capital Projects		
Debt Service		
Unrestricted		
TOTAL NET ASSETS		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Assets
\$ 865,526	\$ 1,864,845	\$	\$ 1,864,845
		211,148	211,148
18,375	253,984	(253,984)	
	631,233		631,233
	385,525	(385,525)	
	101,000	(101,000)	
		775,474	775,474
		5,185,000	5,185,000
		787,764	787,764
		<u>59,820,000</u>	<u>59,820,000</u>
<u>\$ 883,901</u>	<u>\$ 3,236,587</u>	<u>\$ 66,038,877</u>	<u>\$ 69,275,464</u>
\$ 3,337,765	\$ 3,337,765	\$ (3,337,765)	\$
1,655,875	1,655,875	(1,655,875)	
	7,183,006	(7,183,006)	
	35,874	(35,874)	
	88,954	(88,954)	
	618,451	(618,451)	
	250,000	(250,000)	
	820,000	(820,000)	
	<u>3,730,308</u>	<u>(3,730,308)</u>	
<u>\$ 4,993,640</u>	<u>\$ 17,720,233</u>	<u>\$(17,720,233)</u>	<u>\$ -0-</u>
<u>\$ 5,877,541</u>	<u>\$ 20,956,820</u>		
		\$ 38,610,573	\$ 38,610,573
		1,655,875	1,655,875
		7,391,240	7,391,240
		<u>5,610,730</u>	<u>5,610,730</u>
		<u>\$ 53,268,418</u>	<u>\$ 53,268,418</u>

The accompanying notes to basic 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 ASSETS
SEPTEMBER 30, 2009**

Total Fund Balances – Governmental Funds		\$ 17,720,233
Amounts reported for governmental activities in the Statements of Net Assets are different because:		
Land used in governmental activities is not a financial resource and therefore is not reported as an asset in governmental funds.		345,757
Construction in progress used in governmental activities is not a financial resource and therefore is not reported as an asset in governmental funds.		973,862
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		60,574,079
Sanitary sewer system laterals and trunks used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		38,177,763
Unamortized bond issuance costs are not financial resources and therefore are not reported as assets in governmental funds.		1,769,585
Unamortized bond premiums are not current liabilities and therefore are not reported as liabilities in governmental funds.		(775,474)
Deferred tax revenues for the 2008 and prior tax levies became part of recognized revenue in the governmental activities of the Authority.		385,525
Deferred penalty and interest revenues for the 2008 and prior tax levies became part of recognized revenue in the governmental activities of the Authority.		101,000
Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(211,148)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Accrued Interest on Premium Interest Bonds	\$ (787,764)	
Bonds Payable Within One Year	(5,185,000)	
Bonds Payable After One Year	<u>(59,820,000)</u>	<u>(65,792,764)</u>
Total Net Assets – Governmental Activities		<u>\$ 53,268,418</u>

The accompanying notes to basic 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, 2009

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 2,347,941	\$ 10,946,767
Water Service	5,370,624	
Wastewater Service	2,723,388	
Penalty and Interest	74,342	108,467
Tap Connection and Inspection Fees	24,345	
Investment Revenues	23,969	58,195
Miscellaneous Revenues	<u>251,332</u>	<u>17,346</u>
TOTAL REVENUES	<u>\$ 10,815,941</u>	<u>\$ 11,130,775</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Bulk Water Purchases	\$ 2,341,119	\$
Payroll	3,151,612	186,329
Utilities	1,253,342	
Repairs and Maintenance	636,122	8,758
Professional Fees	1,290,186	313,182
Contracted Services		26,930
Depreciation, Note 6		
Other	1,775,716	38,289
Capital Outlay	127,980	4,058
Debt Service:		
Bond Principal		4,995,000
Bond Interest		2,563,183
Payment to Refunded Bond Escrow Agent		33,000
Bond Issuance Costs		<u>61,575</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 10,576,077</u>	<u>\$ 8,230,304</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 239,864</u>	<u>\$ 2,900,471</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from Bond Sale, Note 13	\$	\$ 11,645,000
Bond Premium		547,778
Payment to Refunded Bond Escrow Agent, Note 13		(11,876,602)
Bond Discount		<u>(241,591)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ 74,585</u>
NET CHANGE IN FUND BALANCES	\$ 239,864	\$ 2,975,056
CHANGE IN NET ASSETS		
FUND BALANCES/NET ASSETS -- OCTOBER 1, 2008	<u>5,303,723</u>	<u>4,207,950</u>
FUND BALANCES/NET ASSETS -- SEPTEMBER 30, 2009	<u>\$ 5,543,587</u>	<u>\$ 7,183,006</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 13,294,708	\$ 176,377	\$ 13,471,085
	5,370,624		5,370,624
	2,723,388		2,723,388
	182,809	16,850	199,659
	24,345		24,345
75,249	157,413		157,413
	<u>268,678</u>		<u>268,678</u>
\$ 75,249	\$ 22,021,965	\$ 193,227	\$ 22,215,192
\$	\$ 2,341,119	\$	\$ 2,341,119
	3,337,941		3,337,941
	1,253,342		1,253,342
	644,880		644,880
	1,603,368		1,603,368
	26,930		26,930
		2,194,424	2,194,424
	1,814,005		1,814,005
5,689,390	5,821,428	(5,821,428)	
	4,995,000	(4,995,000)	
	2,563,183	261,172	2,824,355
	33,000	(33,000)	
	<u>61,575</u>	<u>(61,575)</u>	
\$ 5,689,390	\$ 24,495,771	\$ (8,455,407)	\$ 16,040,364
\$ (5,614,141)	\$ (2,473,806)	\$ 8,648,634	\$ 6,174,828
\$	\$ 11,645,000	\$ (11,645,000)	\$
	547,778	(547,778)	
	(11,876,602)	11,876,602	
	<u>(241,591)</u>	<u>241,591</u>	
\$ -0-	\$ 74,585	\$ (74,585)	\$ -0-
\$ (5,614,141)	\$ (2,399,221)	\$ 2,399,221	\$
		6,174,828	6,174,828
<u>10,607,781</u>	<u>20,119,454</u>	<u>26,974,136</u>	<u>47,093,590</u>
\$ 4,993,640	\$ 17,720,233	\$ 35,548,185	\$ 53,268,418

The accompanying notes to basic 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, 2009

Net Change in Fund Balances - Governmental Funds	\$ (2,399,221)
Amounts reported for governmental activities in the Statements of Activities are different because:	
Governmental funds report bond proceeds as other financing sources. In the Statement of Net Assets, proceeds from a bond sale are recorded as a liability.	(11,645,000)
Governmental funds report costs of issuance as an expenditure and the bond premium and bond discount as other financing sources and uses. However, in the Statement of Net Assets, these costs are amortized over the life of the bonds.	(211,612)
Payments to the refunding bond escrow agent are recorded as an other financing use in the governmental funds and reduce the corresponding long-term liability in the Statement of Net Assets.	11,876,602
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Assets, bond principal payments are reported as decreases in long-term liabilities.	4,995,000
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Assets, capital assets are increased by new purchases and the Statement of Activities is not affected.	5,821,428
Governmental funds report interest expenditures on bonds as expenditures in the year paid. However, in the Statement of Net Assets, interest is accrued on bonds through the fiscal year end.	(261,172)
Governmental funds do not account for depreciation. However, in the Statement of Net Assets, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(2,194,424)
Governmental funds report tax revenues when collected. However, in the Statement of Activities, tax revenue is recorded in the accounting period in which the taxes were levied.	176,377
Governmental funds report penalty and interest revenues on delinquent taxes when collected. However, in the Statement of Activities, revenue is recorded when the penalties are assessed.	<u>16,850</u>
Change in Net Assets - Governmental Activities	<u>\$ 6,174,828</u>

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1. CREATION OF DISTRICT

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 basic 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. 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 Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The Authority was created as an independent municipality. The Authority does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the Authority's basic financial statements.

Financial Statement Presentation

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34-Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

GASB Statement No. 34 established standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components: Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

- Invested in Capital Assets, Net of Related Debt – This component of net assets 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 Assets – This component of net assets consists of external constraints placed on the use of net assets 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 Assets – This component of net assets consists of net assets that do not meet the definition of “Restricted” or “Invested in Capital Assets, Net of Related Debt.”

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 Assets and the Statement of Activities display information about the Authority as a whole. The Authority’s Statement of Net Assets 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 Assets 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 Assets.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The Authority has three major governmental funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources accumulated for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources segregated 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 sixty (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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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, 2009, the Authority had interfund liabilities of \$253,984 consisting of \$235,609 due to the General Fund from the Debt Service Fund for operating expenses and \$18,375 due to the General Fund from the Capital Projects Fund for engineering 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 assets. The Authority manages its system of sanitary sewer laterals and trunks using a condition assessment methodology and accounts for this system using the modified approach. The remaining capital assets are recorded at historical cost and depreciated over their estimated useful lives unless they are inexhaustible, such as land. Depreciation is not recorded on items classified as construction in progress. Depreciation expense is reported in the government-wide Statement of Activities. In implementing GASB Statement No. 34, the Authority estimated historical cost of infrastructure assets beginning with the creation of the Authority. The Authority uses a capitalization threshold of \$5,000. Assets are depreciated on the straight-line method. Depreciation is calculated using the following estimated useful lines:

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is recorded at 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, 2009, was \$88,954.

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 Assets 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 assets, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net assets.

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 are included on the Balance Sheet as follows:

Reserved:

To indicate fund equity which is legally segregated for a specific future use.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Unreserved:

Designated - To indicate fund equity for which the Authority has made tentative plans.

Undesignated - To indicate fund equity which is available for use in future periods.

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.

NOTE 3. BONDS PAYABLE

	Series 1997	Harris County Water Control and Improvement District No. 75 Series 1998-B	Refunding Series 1998
Amounts Outstanding - September 30, 2009	\$ 930,000	\$ 1,515,000	\$ 465,000
Interest Rates	4.50% - 4.90%	4.25% - 5.50%	4.60%
Maturity Dates – Serially Beginning/Ending	September 1, 2010/2011 and 2022	March 1, 2010/2016	March 1, 2010
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2007*	March 1, 2007**	March 1, 2007**

* Or any interest date thereafter, at a price of par plus accrued interest to the date fixed for redemption. From proceeds of the Series 2003-A Refunding, Series 2006 Refunding and Series 2009 Refunding Bonds certain maturities were refunded. See also Note 13.

** Callable in whole or in part, at a price equal to the principal amount of the Current Interest Bonds or a portion thereof called for redemption, plus accrued interest to the date of redemption. Certain Series 1998 Refunding Bonds were refunded with the Series 2009 Refunding bonds issued in the current fiscal year. See also Note 13.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 3. BONDS PAYABLE (Continued)

	Series 1999	Series 2000	Series 2001
Amounts Outstanding – September 30, 2009	\$ 4,090,000	\$ 3,075,000	\$ 3,840,000
Interest Rates	3.45% - 4.10%	3.85% - 4.60%	4.86% - 5.61%
Maturity Dates – Serially Beginning/Ending	March 1, 2010/2014	March 1, 2010/2021	March 1, 2010/2018
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2009*	March 1, 2011*	March 1, 2013**
	Refunding Series 2002	Refunding Series 2003-A	Refunding Series 2003-B
Amounts Outstanding – September 30, 2009	\$ 4,685,000	\$ 3,435,000	\$ 4,500,000
Interest Rates	4.00% - 4.50%	3.00% - 4.00%	3.00% - 3.70%
Maturity Dates – Serially Beginning/Ending	March 1, 2010/2017	March 1, 2010/2014 and 2018	March 1, 2010/2015
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2010*	March 1, 2011*	March 1, 2011*

* Or any interest payment date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the Authority. For the Series 1999 Bonds, the bonds are callable in whole or in part, in inverse order of maturity, for a price equal to the principal amount of the bonds, to be redeemed plus accrued interest to the date fixed for redemption. Refunding Series 2002 bonds maturing in 2017 are term bonds and are subject to mandatory redemption on each March 1, beginning in 2016.

** Or any interest or principal date thereafter, as a whole or from time to time in part, in inverse order of maturity, in integral multiples of \$5,000 upon payment of a redemption price equal to the principal amount and any interest accrued from the most recent payment date to the redemption date, at the option of the Authority. For the 2001 bond issue, \$1,745,000 of the bonds maturing in 2019 through 2021 have been refunded. See Note 13.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 3. BONDS PAYABLE (Continued)

	<u>Series 2005</u>	<u>Series 2006</u>	<u>Series 2008</u>
Amounts Outstanding - September 30, 2009	\$ 9,310,000	\$ 4,985,000	\$ 8,290,000
Interest Rates	3.50% - 3.80%	3.75% - 4.00%	3.00% - 3.70%
Maturity Dates – Serially Beginning/Ending	March 1, 2010/2018	March 1, 2010/2022	March 1, 2010/2022
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2013*	March 1, 2014*	March 1, 2016*
		<u>Refunding Series 2006</u>	
		<u>Current Interest Bonds</u>	<u>Premium Compound Interest Bonds</u>
Amounts Outstanding – September 30, 2009		\$ 4,215,000	\$ 25,000
Interest Rates		4.00%	3.95% - 4.07%
Maturity Dates – Serially Beginning/Ending		March 1, 2011/2013 and 2015/2021	March 1, 2010, 2014
Interest Payment Dates		March 1/ September 1	
Callable Dates		March 1, 2014**	Non-Callable***

* Or any date thereafter, callable at par, plus accrued interest in whole or in part, at the option of the Authority. Series 2006 bonds maturing March 1, 2018, 2020 and 2022 are term bonds and are subject to mandatory redemption on March 1, 2017, 2019 and 2021, respectively.

** Callable in whole or in part, at a price equal to the principal amount of the Current Interest Bonds or a portion thereof called for redemption, plus accrued interest to the date of redemption.

*** The Premium Compound Interest Bonds are non-callable. The par value of these bonds is \$25,000 and the maturity value is \$440,000. Interest on these bonds will be paid at maturity. At September 30, 2009, the accreted value of these bonds is approximately \$377,105. Accrued interest of \$352,105 has been recorded in the Statement of Net Assets.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 3. BONDS PAYABLE (Continued)

	Refunding Series 2009	
	Current Interest Bonds	Premium Compound Interest Bonds
Amounts Outstanding -- September 30, 2009	\$ 11,640,000	\$ 5,000
Interest Rates	2.00%-4.00%	2.60%
Maturity Dates – Serially Beginning/Ending	March 1, 2010/2021 and September 1, 2021	March 1, 2012
Interest Payment Dates	March 1/ September 1	
Callable Dates	March 1, 2019*	Non-Callable*

* The Series 2009 Premium Compound Interest Bonds are non-callable. The par value of these bonds is \$5,000 and the maturity value is \$470,000. Interest on these bonds will be paid at maturity. At September 30, 2009, the accreted value of these bonds is approximately \$440,659. Accrued interest of \$435,659 has been recorded as a liability in the Statement of Net Assets.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2009:

Bond Debt Payable – October 1, 2008	\$ 70,000,000
Add: Bonds Issued – Series 2009 Refunding	11,645,000
Less: Bonds Refunded:	
Series 1997	\$ 2,955,000
Series 1998 Refunding	7,815,000
Series 1998	<u>875,000</u>
	11,645,000
Less: Bond Principal Paid:	
Series 1997	\$ 215,000
Refunding Series 1998-B	170,000
Refunding Series 1998	440,000
Series 1998	260,000
Series 1999	330,000
Series 2000	200,000
Series 2001	330,000
Series 2002	475,000
Refunding Series 2003-A	1,120,000

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 3. BONDS PAYABLE (Continued)

Refunding Series 2003-B	455,000	
Series 2005	290,000	
Series 2006	265,000	
Refunding Series 2006	5,000	
Series 2008	<u>440,000</u>	<u>4,995,000</u>
Bond Debt Payable - September 30, 2009		<u>\$ 65,005,000</u>
Bond Debt Payable -		
Due Within One Year		\$ 5,185,000
Due After One Year		<u>59,820,000</u>
Bond Debt Payable - September 30, 2009		<u>\$ 65,005,000</u>
Original Bonds Voted		<u>\$ 161,420,000</u>
Bonds Approved		<u>\$ 158,160,000</u>
Original Bonds Issued		<u>\$ 152,890,000</u>
Remaining Voted Bonds to be Issued		<u>\$ 8,530,000</u>
Refunding Bonds Voted		<u>\$ 29,360,000</u>
Voted Refunding Bonds Issued		<u>\$ 27,105,000</u>

As of September 30, 2009, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2010	\$ 5,185,000	\$ 2,451,780	\$ 7,636,780
2011	5,590,000	2,197,894	7,787,894
2012	5,105,000	2,465,367	7,570,367
2013	6,015,000	1,809,005	7,824,005
2014	5,890,000	1,957,318	7,847,318
2015-2019	29,985,000	4,139,129	34,124,129
2020-2022	<u>7,235,000</u>	<u>418,037</u>	<u>7,653,037</u>
	<u>\$ 65,005,000</u>	<u>\$ 15,438,530</u>	<u>\$ 80,443,530</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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 3. BONDS PAYABLE (Continued)

the operation of the Authority's waterworks and sanitary sewer system. The 1998-B bonds of Harris County Water Control and Improvement District No. 75 are payable from proceeds of an ad valorem tax levied upon all property subject to taxation within the respective district's geographic area.

During the year ended September 30, 2009, the Authority levied an ad valorem debt service tax and maintenance tax as follows:

	2008 Appraised <u>Valuation</u>	Debt Service Tax Rate Per \$100 Of <u>Valuation</u>	Debt Service <u>Tax Levy</u>
Clear Lake City Water Authority Harris County Water Control and Improvement District No. 75	\$ 4,694,893,455	\$0.23	\$ 10,798,261
	\$ 55,403,580	\$0.50	<u>277,018</u>
Total Debt Service Tax Levy			<u>\$ 11,075,279</u>
		Maintenance Tax Rate Per \$100 of <u>Valuation</u>	Maintenance <u>Tax Levy</u>
Clear Lake City Water Authority Harris County Water Control and Improvement District No. 75		\$0.05	\$ 2,347,441
		\$0.05	<u>27,702</u>
Total Maintenance Tax Levy			<u>\$ 2,375,143</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 and sanitary sewer system.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 3. BONDS PAYABLE (Continued)

The Authority's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. The bond orders state that any profits realized from or interest accruing on investments shall belong to the fund from which the monies for such investments were taken; provided, however, that at the discretion of the Board of Directors, the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.
- B. The bond orders state that so long as any of the bonds or coupons remain outstanding, the Authority covenants that it will at all times keep insured such parts of the system as are customarily insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risks, accidents or casualties against which and to the extent insurance is customarily carried by such municipal corporations and political subdivisions; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefore, the Authority shall not be required to carry such insurance. The Authority has property coverage of \$37,207,417, boiler and machinery coverage of \$25,000,000, general liability coverage with a maximum limit of \$1,000,000, errors and omissions coverage with a maximum limit of \$5,000,000 and automobile liability coverage with a maximum limit of \$2,000,000.
- 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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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 \$605,658 and the bank balance was \$992,095. Of the bank balance, \$310,533 was covered by federal depository insurance and the remainder was collateralized with securities held in a third party depository in the Authority's name.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at September 30, 2009, as listed below:

GENERAL FUND	\$ 541,477
DEBT SERVICE FUND	40,558
CAPITAL PROJECTS FUND	<u>23,623</u>
TOTAL DEPOSITS	<u>\$ 605,658</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.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the Authority and its authority to purchase investments as defined in the Public Funds Investment Act. 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 or its agencies and instrumentalities, (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 bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The Authority invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors 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, 2009, 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	\$ 5,447,626	\$ 5,447,626	\$	\$	\$
<u>DEBT SERVICE FUND -</u> TexPool	7,420,309	7,420,309			
<u>CAPITAL PROJECTS</u> <u>FUND -</u> TexPool	5,816,945	5,816,945			
Total Investments	<u>\$18,684,880</u>	<u>\$18,684,880</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2009, the Authority's investment in TexPool was rated AAAM by Standard and Poor's.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009:

	<u>October 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2009</u>
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 345,757	\$	\$	\$ 345,757
Sanitary Sewer Laterals and Trunks	34,802,463	3,375,300		38,177,763
Construction in Progress	<u>1,465,598</u>	<u>5,688,818</u>	<u>6,180,554</u>	<u>973,862</u>
Total Capital Assets Not Being Depreciated	<u>\$ 36,613,818</u>	<u>\$ 9,064,118</u>	<u>\$ 6,180,554</u>	<u>\$ 39,497,382</u>
Capital Assets at Historical Costs Subject to Depreciation				
Buildings	\$ 26,239	\$ 496,927	\$	\$ 523,166
Water System	44,953,537	789,285		45,742,822
Sanitary Sewer System	15,734,114	447,113		16,181,227
Drainage System	43,957,926	1,098,983		45,056,909
Equipment	<u>868,532</u>	<u>104,984</u>	<u>10,765</u>	<u>962,751</u>
Total Capital Assets at Historical Costs Subject to Depreciation	<u>\$105,540,348</u>	<u>\$ 2,937,292</u>	<u>\$ 10,765</u>	<u>\$108,466,875</u>

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 6. CAPITAL ASSETS (Continued)

	October 1, 2008	Increases	Decreases	September 30, 2009
Less Accumulated Depreciation				
Buildings	\$ 4,983	\$ 2,490	\$	\$ 7,473
Water System	18,887,784	964,867		19,852,651
Sanitary Sewer System	6,752,389	334,571		7,086,960
Drainage System	19,480,565	803,483		20,284,048
Equipment	<u>583,416</u>	<u>89,013</u>	<u>10,765</u>	<u>661,664</u>
Total Accumulated Depreciation	<u>\$ 45,709,137</u>	<u>\$ 2,194,424</u>	<u>\$ 10,765</u>	<u>\$ 47,892,796</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 59,831,211</u>	<u>\$ 742,868</u>	<u>\$ -0-</u>	<u>\$ 60,574,079</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 96,445,029</u>	<u>\$ 9,806,986</u>	<u>\$ 6,180,554</u>	<u>\$100,071,461</u>

The sanitary sewer laterals and trunk lines are accounted for using the modified approach. The following is a summary of the condition levels of the individual subdivision sanitary sewer laterals and trunks as of September 30, 2009:

	Condition	Sewer Laterals and Trunks in Linear Feet
1.00-1.99	New Condition	487,940
2.00-2.99	Minor Deficiencies	536,193
3.00-3.99	Serious Deficiency	-0-
4.00-4.99	Very Serious Deficiency	-0-
5.00	Severe Deficiency	<u>-0-</u>
TOTAL		<u><u>1,024,133</u></u>

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 6. CAPITAL ASSETS (Continued)

Comparison of Estimated to Actual Maintenance/Preservation Costs

	Estimated		Actual
2009	\$ 5,246,648	\$	4,923,644
2008	\$ 2,128,667	\$	2,362,165
2007	\$ 2,667,818	\$	2,244,100
2006	\$ 4,929,183	\$	5,105,590
2005	\$ 732,386	\$	715,677

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, 2009, September 30, 2008, and September 30, 2007, were 2.16, 2.33 and 2.37, respectively.

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, completion of one year of service and attainment of the age of 20. The Plan requires the Authority to contribute, on behalf of each employee, 7.0% of the employee's earnings, as defined in the Plan agreement. During the current fiscal year, the Authority recorded \$146,024 as its contribution to the Plan.

NOTE 8. PENDING LITIGATION

The Water Authority is currently the defendant in four separate lawsuits that grow out of its September 2004 bond election; these are: (1) No. 2006-63998; *Friendswood Development Company, Ltd. vs. Clear Lake Water Authority*; In the 281st Judicial District Court of Harris County, Texas; (2) No. 2005-17524; *Kirby Lake Development, Ltd., Miter Development Company, LLC, and Taylor Lake, Ltd. vs. Clear Lake Water Authority*; In the 113th Judicial District Court of Harris County, Texas; (3) No. 866299; *Kirby Lake Development, Ltd., Miter Development Company, LLC, and Taylor Lake, Ltd. vs. Clear Lake Water Authority*; In the County Civil Court at Law No. 1, Harris County, Texas; and (4) Cause No. 2007-10488; *MCR Corporation v. Clear Lake City Water Authority*; In the 333rd Judicial District Court of Harris County, Texas.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 8. PENDING LITIGATION (Continued)

Although the contracts in each of these four cases differ somewhat, the underlying facts are essentially the same: During the 1990s, various developers, including the plaintiffs in each of these cases, entered into written contracts in which the Authority conditionally agreed to purchase water, sewer, and drainage facilities installed by the developers on their properties. The Authority's obligation to purchase the facilities, however, is expressly subject to voter approval of bond funds to pay the purchase price. The contracts provide for a perpetual lease for the Authority so that it may use the facilities in the event voters do not approve bonds to fund the purchase. The parties in each of these contracts have expressly stipulated that "[t]he Authority shall have no obligation . . . to obtain approval from the voters."

The Authority has held four bond elections since the contracts were entered. In three of those elections (March 1998, October 1998, and November 2006), the Authority submitted bond propositions to finance the purchase of the developers' facilities, and each such proposition was resoundingly defeated. In the September 11, 2004 bond election, the Authority submitted no proposition to approve bonds to finance the purchase of the developers' facilities, but instead bond funding for other Water Authority projects. That bond proposition passed.

In the *Friendswood* (No. 2006-63998), *Kirby Lake* (No. 2005-17524), and *MCR* (No. 2007-10488) cases, the plaintiff developers have sued for breach of contract, alleging that the Authority's refusal to include their claims as part of the bond-approval proposition to the voters in September 2004 breached the contract. In the second *Kirby Lake* case (No. 866299), the plaintiff developers alleged that the Authority's use of their facilities without paying for them is a compensable taking under the Texas Constitution, Art. I, Section 17.

In the *Friendswood* case, on February 12, 2007, the trial judge granted a final summary judgment for the developer in that case, Friendswood Development Company, in the amount of \$1,120,235.99, plus prejudgment interest on the principal amount running at 6% per annum from September 11, 2004, and post judgment interest on both the principal and prejudgment interest, compounded annually at 8.25%, running from the date of judgment. On December 9, 2008, the Houston 14th Court of Appeals reversed and rendered judgment for the Authority that the plaintiff take nothing. The developer sought discretionary review from the Texas Supreme Court, which was granted. Oral arguments were heard on January 19, 2010.

In the *Kirby Lake* contract case, on September 5, 2006, the trial judge granted a final summary judgment for the developers in that case, Kirby Lake Development, Ltd. (\$713,141.00). Taylor Lake Ltd. (\$514,783.00), and Miter Development Co. (\$80,032.00), plus prejudgment interest on the principal amounts running at 6% per annum from September 11, 2004, and post judgment interest on both the principal and prejudgment interest, compounded annually at 8.25%, running from the date of judgment. On August 7, 2008, the Houston 14th Court of Appeals reversed and

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 8. PENDING LITIGATION (Continued)

rendered judgment for the Authority that the plaintiffs take nothing. This case was consolidated with the *Friendswood* case for argument before the Texas Supreme Court.

In the *Kirby Lake* takings case, the trial judge, in September 2006, dismissed the developers' claims on the face of the pleadings. The Houston 14th court of appeals affirmed that ruling. This case was consolidated with the *Friendswood* case for argument before the Texas Supreme Court.

In the *MCR* case, the developer, MCR Development Company, seeks contract damages in the amount of approximately \$715,000, plus interest. In November 2008, the trial court denied the Authority's plea to the jurisdiction, and an interlocutory appeal from that ruling is now pending. The Authority will vigorously defend against that suit.

Clear Lake City Water Authority v. Clear Lake Country Club, L.P. and Plainfield Offshore Holdings XI, Inc., No. 890,796, in the County Court at Law No. 1 of Harris County, Texas, is a condemnation suit. The Defendant Clear Lake Country Club ("CLCC") owns a 178-acre tract (hereinafter, the Property), and the Defendant Plainfield Offshore Holdings, Inc. ("Plainfield") is a lienholder on the Property. The Authority has sought to acquire the Property for flood control purposes. The case was tried to a jury in October and November 2008. On November 14, the jury returned its verdict. One portion of the verdict found that the Authority did not act properly when the Authority resolved to condemn the Property in 2005. The other portion of the verdict found the current fair market value of the Property to be \$5.1 million, substantially below the \$15.81 amount claimed by CLCC. On December 12, 2008, the court signed its final judgment. The Court ordered that if the Authority did not go forward with acquisition of the Property, the Authority would be ordered to pay CLCC \$1,430,000, plus post-judgment interest at the rate of 5% per annum, compounded annually, such sum purporting to represent CLCC's reasonable attorney's fees, appraiser's fees, and other expenses. The Authority has appealed the judgment and briefing is pending.

At this time, counsel for the Authority is unable to project or assess what the ultimate final judgment in any of these causes might be.

NOTE 9. 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, \$618,451 of the General Fund fund balance has been reserved for this future obligation.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 10. 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"). On October 16, 2000, the First Amendment to the Service Agreement was executed. 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 forty (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.

<u>Year</u>	<u>Allocable Debt</u>
2010	\$ 3,143
2011	3,159
2012	3,184
2013	3,212
2014	2,838
2015	2,649
2016	2,320
2017	1,867
2018	1,880
2019	608
2020	296
2021	301
2022	<u>308</u>
TOTAL	<u>\$ 25,765</u>

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 10. EXCLUSION CONTRACT AND SERVICE AGREEMENT (Continued)

The Service Agreement has a term of forty (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 11. COST SHARING WATER PROJECT CONTRACT

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

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

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

On April 28, 1998 the Authority executed a Water Capacity Purchase and Sale Agreement with the Gulf Coast Water Authority and the City of Galveston, Texas. In accordance with the terms of the agreement the City of Galveston's 16 mgpd of demand allocation per day capacity in the Plant was allocated to various parties, including the Authority, with the Authority's share being five (5) mgpd. With this allocation the Authority's total capacity was 13.7 mgpd of demand allocation or 17.125% of the total capacity. The City of Galveston's pumping allocation was 18.4 mgpd. The Authority obtained 5.75 mgpd of this capacity, giving the Authority 20.75 mgpd of the pumping allocation of the Plant or 9.25% of the total pumping capacity.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 11. COST SHARING WATER PROJECT CONTRACT (Continued)

The City of Houston subsequently expanded the Plant. The overall expansion was 40 mgpd with the total demand allocation being 120 mgpd. The Authority's allocation of this expanded capacity is 6.45 mgpd. In addition, the Authority acquired 1.0 mgpd capacity in the Plant from the La Porte Area Water Authority and also acquired 0.5 mgpd capacity in the Plant from Harris County Municipal Utility District No. 55. With these acquisitions, the Authority owns a total demand capacity of 22.05 mgpd in the Plant, which includes demand capacity of 1.60 mgpd for the Johnson Space Center, along with additional allocations for pumping and distribution. In the current fiscal year, the District incurred an expenditure of \$2,258,300 for water supplied from the Plant.

NOTE 12. 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. During the current fiscal year the Authority contributed \$162,401 to the fund for this insurance coverage. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 13. ADVANCE REFUNDING BOND ISSUES

On April 27, 2006, the District issued \$4,255,000 of Series 2006 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, with interest rates of 3.75% to 4.07%, to advance refund \$270,000 of Series 1997 bonds, \$2,240,000 of Series 1998 bonds and \$1,745,000 of Series 2001 bonds. The net proceeds of \$4,530,577 (after payment of bond insurance, an underwriter's discount and other issuance costs and the receipt of a bond premium of \$467,672) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1997, Series 1998, and Series 2001 refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets. The District refunded the following bonds to restructure its outstanding debt. The effect of the refunding was to decrease its total debt service requirement over fifteen (15) years by \$223,094 and at the same time obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$202,445.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 13. ADVANCE REFUNDING BOND ISSUES (Continued)

REFUNDED BONDS

<u>Issue</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Callable Date</u>	<u>Outstanding at September 30, 2009</u>
1997	5.00%	2016	09/01/07	\$ -0-
1998	5.59%-5.74%	2013-2018	12/01/08	-0-
2001	5.66%-5.71%	2019-2021	03/01/12	<u>1,745,000</u>
			TOTAL	<u>\$ 1,745,000</u>

On July 28, 2009, the District issued \$11,645,000 of Series 2009 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, with interest rates of 2.00% to 4.00%, to advance refund \$2,955,000 of Series 1997 Bonds, \$7,815,000 of Series 1998 Refunding Bonds and \$875,000 of Series 1998 bonds. The net proceeds of \$11,876,602 was deposited into an escrow account to provide for the retirement of the Series 1997, Series 1998 Refunding, and Series 1998 refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The District refunded the following bonds to restructure its outstanding debt. The effect of the refunding was to decrease its total debt service requirement over twelve (12) years by \$519,748 and at the same time obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$467,343.

REFUNDED BONDS

<u>Issue</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Callable Date</u>	<u>Outstanding at September 30, 2009</u>
1997	4.50%-4.90%	2012-2015, 2017-2021	09/01/07	\$ -0-
1998R	4.625%-5.00%	2011-2018	03/01/07	-0-
1998	5.34%-5.54%	2010-2012	12/01/08	<u>-0-</u>
			TOTAL	<u>\$ -0-</u>

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 14. ESCROW REQUIREMENTS

The Authority was required by the Commission to escrow \$7,702,966 of the \$9,600,000 Series 2005 bond proceeds for various projects including the construction and engineering costs to upgrade the SCADA system, re-coating multiple water tanks, water and wastewater extensions along Space Center Boulevard, rehabilitate the sanitary sewer collection system and fund the Authority's share of the City of Houston's Southeast Water Purification Plant (Plant) upgrades. In prior fiscal years, the Commission approved the release from escrow of \$5,295,230 for various projects. On December 4, 2007, the Commission approved the release of \$225,663 from escrow for wastewater collection system inspection and rehabilitation costs. On March 6, 2008, the Commission approved the release of \$1,423,320 from escrow to fund a portion of the Authority's share of the Plant upgrades. On May 19, 2008, the Commission approved the release of \$453,686 from escrow to fund additional costs related to Plant upgrades as well as storm sewer rehabilitation phase 6 costs. On September 30, 2008, the Commission approved a change of project scope and the release of \$160,000 from escrow for the La Avenida water line replacement project. As of September 30, 2009, \$145,067 of Series 2005 bond proceeds are required to be escrowed.

The Authority was required by the Commission to escrow \$4,184,730 of the \$5,500,000 Series 2006 bond proceeds for various projects including wastewater collection system inspections and rehabilitation, storm sewer system inspections and rehabilitation, lift station nos. 9 and 11 modifications, water plant no. 4 phase 1 improvements and elevated storage tank nos. 2 and 5 interior and exterior re-coating. In prior fiscal years, the Commission approved the release from escrow of \$1,150,864 for various projects. On October 23, 2007, the Commission approved the release of \$935,000 from escrow for the wastewater treatment plant lift station rehabilitation phase 28. On February 7, 2008, the Commission approved the release of \$1,243,716 from escrow for the wastewater collection system and rehabilitation for lift station no. 8, phase 30 rehabilitation, phase 33 TV surveys, phase 34 smoke testing and storm sewer inspection and rehabilitation for phase 7 emergency rehabilitation. On March 18, 2008, the Commission approved the release of \$80,000 from escrow for the wastewater treatment plant power factor correction. On October 7, 2008, the Commission approved a change of project scope and release of \$174,800 from escrow to fund portions of the wastewater collection system inspections and rehabilitation, rehabilitation for lift station nos. 9 and 11, and the Authority's administrative office HVAC system renovations. On October 23, 2008, the Commission approved the release from escrow of \$64,678 for the storm sewer, phase 8, inspection and rehabilitation. On January 23, 2009, the Commission approved the release of the remaining \$535,672 to fund portions of the wastewater collection system inspections and rehabilitation, rehabilitation for lift station nos. 9 and 11, and the Authority's administrative office HVAC system renovations. As of September 30, 2009, no Series 2006 bond proceeds remain escrowed.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 15. SUBSEQUENT EVENT - BOND SALE

On October 8, 2009, subsequent to year-end, the Authority issued \$5,270,000 of Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2009. The proceeds are to be used to fund engineering and construction costs on the following Authority items: interior and exterior recoating of ground storage tank nos. 1 and 2 at water plant no. 2; replacement of the ground storage tank at water well no. 7; water distribution system rehabilitation; televising of the wastewater collection system, phases 40 and 43; wastewater collection system rehabilitation, phases 41, 42 and 44; and inspection and rehabilitation of drainage system, phases 17 and 18. The proceeds were also used to pay for bond issuance costs.

NOTE 16. SUBSEQUENT EVENT - BOND ELECTION

On November 3, 2009, at a bond election held within the Authority, the voters of the Authority authorized the issuance of bonds in the maximum amount of \$57,975,400 for the purposes of repairing, rehabilitating and making capital improvements to the Authority's existing water, wastewater, drainage and storm sewer systems. The voters also authorized the issuance of refunding bonds in an amount not to exceed one and one-half times the amount of future bonds issued.

CLEAR LAKE CITY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2009

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, 2009

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 2,240,888	\$ 2,347,941	\$ 107,053
Water Service	5,077,500	5,370,624	293,124
Wastewater Service	2,699,500	2,723,388	23,888
Penalty and Interest	93,000	74,342	(18,658)
Tap Connection and Inspection Fees	238,775	24,345	(214,430)
Investment Revenues	132,000	23,969	(108,031)
Miscellaneous Revenues	<u>158,190</u>	<u>251,332</u>	<u>93,142</u>
TOTAL REVENUES	<u>\$ 10,639,853</u>	<u>\$ 10,815,941</u>	<u>\$ 176,088</u>
EXPENDITURES			
Service Operations:			
Bulk Water Purchases	\$ 2,240,000	\$ 2,341,119	\$ (101,119)
Payroll	3,399,999	3,151,612	248,387
Utilities	1,287,530	1,253,342	34,188
Repairs and Maintenance	525,015	636,122	(111,107)
Professional Fees	609,575	1,290,186	(680,611)
Capital Outlay	181,035	127,980	53,055
Other	<u>2,005,886</u>	<u>1,775,716</u>	<u>230,170</u>
TOTAL EXPENDITURES	<u>\$ 10,249,040</u>	<u>\$ 10,576,077</u>	<u>\$ (327,037)</u>
NET CHANGE IN FUND BALANCE	\$ 390,813	\$ 239,864	\$ (150,949)
FUND BALANCE – OCTOBER 1, 2008	<u>5,303,723</u>	<u>5,303,723</u>	<u> </u>
FUND BALANCE – SEPTEMBER 30, 2009	<u>\$ 5,694,536</u>	<u>\$ 5,543,587</u>	<u>\$ (150,949)</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2009

CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

1. SERVICES PROVIDED BY THE DISTRICT 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 approved December 13, 2007.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons</u>
WATER:	\$ 4.50	5,000	N	\$ 1.70
WASTEWATER:	\$ 4.50	5,000	N	\$ 1.08**
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: \$17.00 Wastewater: \$8.52* Surcharge \$-0-

* Includes a \$1.50 charge for each sewer connection to the Authority's sewer system.

** 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, 2009**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	10,830	10,757	x 1.0	10,757
1"	6,238	6,220	x 2.5	15,550
1½"	268	260	x 5.0	1,300
2"	427	417	x 8.0	3,336
3"	41	41	x 15.0	615
4"	29	28	x 25.0	700
6"	3	3	x 50.0	150
8"	5	5	x 80.0	400
10"	1	1	x 115.0	115
Total Water Connections	<u>17,842</u>	<u>17,732</u>		<u>32,923</u>
Total Wastewater Connections	<u>17,365</u>	<u>17,277</u>	x 1.0	<u>17,277</u>

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

Gallons pumped into system:	3,430,397,000	Water Accountability Ratio: (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	2,824,831,000	<u>84.55%</u>
Gallons purchased:	4,097,043,000	From: <u>City of Houston, Texas</u>
Gallons sold:	75,695,000	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, 2009

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 DISTRICT:

Is the Authority located entirely within one county?

Yes No

County or Counties in which Authority is located:

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

Is the Authority located within a city?

Entirely Partly Not at all

City or Cities in which Authority is located:

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

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

5. LOCATION OF DISTRICT: (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, 2009

PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 3,151,612</u>
PROFESSIONAL FEES:	
Auditing	\$ 30,713
Engineering	335,382
Legal	<u>924,091</u>
TOTAL PROFESSIONAL FEES	<u>\$ 1,290,186</u>
PURCHASED SERVICES FOR RESALE:	
Bulk Water Purchases	<u>\$ 2,341,119</u>
CONTRACTED SERVICES:	<u>\$ -0-</u>
UTILITIES:	
Electricity	\$ 1,196,767
Gas	7,462
Internet	1,930
Telephone	<u>47,183</u>
TOTAL UTILITIES	<u>\$ 1,253,342</u>
REPAIRS AND MAINTENANCE	<u>\$ 636,122</u>
ADMINISTRATIVE EXPENDITURES:	
Appraisal	\$ 49,275
Director Fees	17,925
Dues	3,553
Insurance	145,317
Office Supplies and Postage	92,490
Billing Costs	31,781
Water and Sewer Rebate	637,158
Regulatory Assessment	35,318
Travel And Per Diem	18,273
Other	<u>3,719</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 1,034,809</u>
CAPITAL OUTLAY:	
Purchase of Capital Assets	<u>\$ 127,980</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

TAP CONNECTION EXPENDITURES	\$ <u>-0-</u>
SOLID WASTE DISPOSAL	\$ <u>-0-</u>
FIRE FIGHTING	\$ <u>-0-</u>
PARKS AND RECREATION	\$ <u>-0-</u>
SECURITY	\$ <u>-0-</u>
OTHER EXPENDITURES:	
Bad Debts	\$ 18,380
Chemicals	165,226
Laboratory Fees	51,037
Inspection and Permit Fees	53,369
Parts and Supplies	105,602
Drainage Study	37,500
Water Conservation	28,293
Vehicle Supplies and Maintenance	85,928
Sludge Hauling	173,979
Equipment Rental	5,569
Uniforms	<u>16,024</u>
TOTAL OTHER EXPENDITURES	\$ <u>740,907</u>
TOTAL EXPENDITURES	\$ <u>10,576,077</u>
Number of persons employed by the Authority	<u>54</u> Full-Time <u>0</u> Part-Time

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
INVESTMENTS
SEPTEMBER 30, 2009

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at end of Year</u>	<u>Accrued Interest Receivable at Year End</u>
<u>GENERAL FUND</u>					
Local Government					
Investment Pool:					
TexPool	1	Varies	Daily	\$ 4,771,611	\$
TexPool	3	Varies	Daily	<u>676,015</u>	<u> </u>
TOTAL GENERAL FUND				\$ 5,447,626	\$ -0-
<u>DEBT SERVICE FUND</u>					
Local Government					
Investment Pool:					
TexPool	4	Varies	Daily	\$ 7,283,752	\$
TexPool	9	Varies	Daily	<u>136,557</u>	<u> </u>
TOTAL DEBT SERVICE FUND				\$ 7,420,309	\$ -0-
<u>CAPITAL PROJECTS FUND</u>					
Local Government					
Investment Pool:					
TexPool	14	Varies	Daily	\$ 18,782	\$
TexPool	19	Varies	Daily	37,338	
TexPool	21	Varies	Daily	29	
TexPool	25	Varies	Daily	722,627	
TexPool	26	Varies	Daily	18,386	
TexPool	28	Varies	Daily	983,580	
TexPool	31	Varies	Daily	<u>4,036,203</u>	<u> </u>
TOTAL CAPITAL PROJECTS FUND				\$ 5,816,945	\$ -0-
TOTAL ALL FUNDS				\$ 18,684,880	\$ -0-

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Maintenance Tax		Debt Service Tax	
TAXES RECEIVABLE –				
OCTOBER 1, 2008	\$ 36,257		\$ 172,891	
Adjustments to Beginning Balance	3,684	\$ 39,941	16,979	\$ 189,870
Original 2008 Tax Levy	\$ 2,137,859		\$ 9,974,549	
Adjustments to 2008 Tax Levy	237,284	2,375,143	1,100,730	11,075,279
TOTAL TO BE ACCOUNTED FOR		\$ 2,415,084		\$ 11,265,149
TAX COLLECTIONS:				
Prior Years	\$ 10,909		\$ 49,869	
Current Year	2,337,032	2,347,941	10,896,898	10,946,767
TAXES RECEIVABLE –				
SEPTEMBER 30, 2009		\$ 67,143		\$ 318,382
TAXES RECEIVABLE BY YEAR:				
2008		\$ 38,111		\$ 178,381
2007		9,951		47,604
2006		6,776		30,022
2005		5,403		26,448
2004		1,725		8,284
2003		1,279		6,139
2002		1,264		6,559
2001		1,304		7,303
2000		542		3,223
1999		575		3,254
1998		129		722
1997		3		15
1996		42		238
1995		39		190
TOTAL TAXES RECEIVABLE BY YEAR		\$ 67,143		\$ 318,382

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Clear Lake City Water Authority:

PROPERTY VALUATIONS	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Land	\$ 1,132,733,689	\$ 1,007,857,513	\$ 1,015,460,520	\$ 981,524,240
Improvements	4,225,723,369	3,719,411,760	3,606,784,766	3,420,934,584
Personal Property	798,822,694	728,040,736	732,338,451	577,044,260
Exemptions	<u>(1,462,386,297)</u>	<u>(1,286,307,772)</u>	<u>(1,293,034,308)</u>	<u>(1,178,903,505)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 4,694,893,455</u>	<u>\$ 4,169,002,237</u>	<u>\$ 4,061,549,429</u>	<u>\$ 3,800,599,579</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.24
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>\$ 0.29</u>
ADJUSTED TAX LEVY*	<u>\$ 13,145,702</u>	<u>\$ 11,673,208</u>	<u>\$ 11,372,338</u>	<u>\$ 11,021,739</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>98.41%</u>	<u>99.55%</u>	<u>99.69%</u>	<u>99.72%</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, 2009**

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

**PROPERTY
VALUATIONS**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Land	\$ 23,573,633	\$ 15,151,085	\$ 15,119,203	\$ 14,956,482
Improvements	33,830,688	39,390,100	37,938,066	32,425,715
Personal Property	348,114	377,238	369,930	363,180
Exemptions	<u>(2,348,855)</u>	<u>(1,139,237)</u>	<u>(2,269,243)</u>	<u>(262,340)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 55,403,580</u>	<u>\$ 53,779,186</u>	<u>\$ 51,157,956</u>	<u>\$ 47,483,037</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.50	\$ 0.50	\$ 0.53	\$ 0.56
Maintenance	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.55</u>	<u>\$ 0.55</u>	<u>\$ 0.58</u>	<u>\$ 0.61</u>
ADJUSTED TAX LEVY*	<u>\$ 304,720</u>	<u>\$ 295,786</u>	<u>\$ 296,716</u>	<u>\$ 289,647</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>97.74%</u>	<u>98.62%</u>	<u>99.54%</u>	<u>99.55%</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
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Harris County Municipal Utility District No. 181:

**PROPERTY
VALUATIONS**

	<u>2008**</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Land	\$	\$ 12,599,788	\$ 12,439,090	\$ 12,358,580
Improvements		36,982,672	35,863,688	34,490,211
Personal Property		898,872	926,582	739,670
Exemptions		<u>(5,034,872)</u>	<u>(4,186,698)</u>	<u>(4,893,300)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ N/A</u>	<u>\$ 45,446,460</u>	<u>\$ 45,042,662</u>	<u>\$ 42,695,161</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$	\$ 0.25	\$ 0.36	\$ 0.40
Maintenance		<u>0.05</u>	<u>0.05</u>	<u>0.05</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ N/A</u>	<u>\$ 0.30</u>	<u>\$ 0.41</u>	<u>\$ 0.45</u>
ADJUSTED TAX LEVY*	<u>\$ N/A</u>	<u>\$ 136,339</u>	<u>\$ 184,675</u>	<u>\$ 192,128</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>N/A</u> %	<u>99.53</u> %	<u>99.99</u> %	<u>99.99</u> %

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

** The long-term debt for District No. 181 has been retired and its billing incorporated into the Authority's; thus no current year tax was levied.

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2009

SERIES - \$5,705,000 - 1 9 9 7

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2010	\$ 230,000	\$ 43,615	\$ 273,615
2011	240,000	32,460	272,460
2012		20,700	20,700
2013		20,700	20,700
2014		20,700	20,700
2015		20,700	20,700
2016		20,700	20,700
2017		20,700	20,700
2018		20,700	20,700
2019		20,700	20,700
2020		20,700	20,700
2021		20,700	20,700
2022	<u>460,000</u>	<u>20,700</u>	<u>480,700</u>
TOTAL	<u>\$ 930,000</u>	<u>\$ 303,775</u>	<u>\$ 1,233,775</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2009

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
2010	\$ 175,000	\$ 77,284	\$ 252,284
2011	190,000	67,655	257,655
2012	200,000	57,270	257,270
2013	215,000	46,115	261,115
2014	230,000	34,042	264,042
2015	240,000	21,175	261,175
2016	265,000	7,287	272,287
2017			
2018			
2019			
2020			
2021			
2022			
TOTAL	<u>\$ 1,515,000</u>	<u>\$ 310,828</u>	<u>\$ 1,825,828</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2009

REFUNDING SERIES - \$10,655,000 - 1998

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1/ September 1</u>	<u>Total</u>
2010	\$ 465,000	\$ 10,695	\$ 475,695
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
TOTAL	<u>\$ 465,000</u>	<u>\$ 10,695</u>	<u>\$ 475,698</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2009

SERIES - \$6,900,000 - 1999

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	\$ 345,000	\$ 151,849	\$ 496,849
2011	355,000	139,597	494,597
2012	370,000	126,542	496,542
2013	385,000	112,571	497,571
2014	400,000	97,752	497,752
2015	415,000	82,060	497,060
2016	430,000	65,368	495,368
2017	445,000	47,756	492,756
2018	465,000	29,212	494,212
2019	480,000	9,840	489,840
2020			
2021			
2022			
TOTAL	<u>\$ 4,090,000</u>	<u>\$ 862,547</u>	<u>\$ 4,952,547</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2009

SERIES - \$4,485,000 - 2000

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	\$ 205,000	\$ 128,656	\$ 333,656
2011	215,000	120,464	335,464
2012	225,000	111,661	336,661
2013	230,000	102,333	332,333
2014	240,000	92,460	332,460
2015	250,000	81,985	331,985
2016	260,000	70,955	330,955
2017	270,000	59,360	329,360
2018	280,000	47,190	327,190
2019	290,000	34,435	324,435
2020	300,000	21,085	321,085
2021	310,000	7,130	317,130
2022			
TOTAL	<u>\$ 3,075,000</u>	<u>\$ 877,714</u>	<u>\$ 3,952,714</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2009

SERIES - \$7,885,000 - 2001

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	\$ 345,000	\$ 195,523	\$ 540,523
2011	365,000	178,087	543,087
2012	380,000	159,421	539,421
2013	400,000	139,387	539,387
2014	420,000	117,816	537,816
2015	445,000	94,629	539,629
2016	470,000	69,643	539,643
2017	495,000	42,933	537,933
2018	520,000	14,586	534,586
2019			
2020			
2021			
2022			
TOTAL	<u>\$ 3,840,000</u>	<u>\$ 1,012,025</u>	<u>\$ 4,852,025</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2009

REFUNDING SERIES - \$11,405,000 - 2002

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	\$ 495,000	\$ 184,525	\$ 679,525
2011	520,000	164,875	684,875
2012	540,000	144,729	684,729
2013	565,000	123,034	688,034
2014	595,000	99,241	694,241
2015	625,000	73,307	698,307
2016	655,000	45,460	700,460
2017	690,000	15,525	705,525
2018			
2019			
2020			
2021			
2022			
TOTAL	<u>\$ 4,685,000</u>	<u>\$ 850,696</u>	<u>\$ 5,535,696</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2009

REFUNDING SERIES - \$9,155,000 - 2003 - A

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	\$ 520,000	\$ 110,420	\$ 630,420
2011	540,000	94,183	634,183
2012	570,000	76,197	646,197
2013	605,000	56,365	661,365
2014	480,000	37,440	517,440
2015		28,800	28,800
2016		28,800	28,800
2017		28,800	28,800
2018	720,000	14,400	734,400
2019			
2020			
2021			
2022			
TOTAL	<u>\$ 3,435,000</u>	<u>\$ 475,405</u>	<u>\$ 3,910,405</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2009

REFUNDING SERIES - \$7,125,000 - 2003 - B

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	\$ 1,120,000	\$ 130,740	\$ 1,250,740
2011	1,170,000	95,512	1,265,512
2012	695,000	65,444	760,444
2013	730,000	41,210	771,210
2014	285,000	23,559	308,559
2015	500,000	9,250	509,250
2016			
2017			
2018			
2019			
2020			
2021			
2022			
TOTAL	<u>\$ 4,500,000</u>	<u>\$ 365,715</u>	<u>\$ 4,865,715</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2009

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	\$ 275,000	\$ 343,308	\$ 618,308
2011	260,000	333,621	593,621
2012	235,000	324,339	559,339
2013	205,000	316,089	521,089
2014	820,000	297,383	1,117,383
2015	1,160,000	261,059	1,421,059
2016	1,755,000	206,693	1,961,693
2017	2,575,000	124,862	2,699,862
2018	2,025,000	37,969	2,062,969
2019			
2020			
2021			
2022			
TOTAL	<u>\$ 9,310,000</u>	<u>\$ 2,245,323</u>	<u>\$ 11,555,323</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2009

SERIES - \$5,500,000 - 2006

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	\$ 280,000	\$ 187,050	\$ 467,050
2011	295,000	175,550	470,550
2012	310,000	163,450	473,450
2013	325,000	150,750	475,750
2014	340,000	137,450	477,450
2015	360,000	123,450	483,450
2016	375,000	108,750	483,750
2017	395,000	93,844	488,844
2018	415,000	78,655	493,655
2019	435,000	62,719	497,719
2020	460,000	45,937	505,937
2021	485,000	28,220	513,220
2022	<u>510,000</u>	<u>9,562</u>	<u>519,562</u>
TOTAL	<u>\$ 4,985,000</u>	<u>\$ 1,365,387</u>	<u>\$ 6,350,387</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2009

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	\$ 5,000	\$ 223,600	\$ 228,600
2011	55,000	167,500	222,500
2012	60,000	165,200	225,200
2013	60,000	162,800	222,800
2014	20,000	521,600	541,600
2015	380,000	154,000	534,000
2016	390,000	138,600	528,600
2017	670,000	117,400	787,400
2018	420,000	95,600	515,600
2019	985,000	67,500	1,052,500
2020	585,000	36,100	621,100
2021	610,000	12,200	622,200
2022			
TOTAL	<u>\$ 4,240,000</u>	<u>\$ 1,862,100</u>	<u>\$ 6,102,100</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2009

SERIES - \$8,730,000 - 2008

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	\$ 465,000	\$ 270,427	\$ 735,427
2011	490,000	256,102	746,102
2012	515,000	241,026	756,026
2013	540,000	225,202	765,202
2014	565,000	207,919	772,919
2015	595,000	189,070	784,070
2016	625,000	169,089	794,089
2017	660,000	147,886	807,886
2018	690,000	125,266	815,266
2019	730,000	100,761	830,761
2020	765,000	74,216	839,216
2021	805,000	45,855	850,855
2022	<u>845,000</u>	<u>15,632</u>	<u>860,632</u>
TOTAL	<u>\$ 8,290,000</u>	<u>\$ 2,068,451</u>	<u>\$ 10,358,451</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2009

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2010	\$ 260,000	\$ 394,088	\$ 654,088
2011	895,000	372,288	1,267,288
2012	1,005,000	809,388	1,814,388
2013	1,755,000	312,449	2,067,449
2014	1,495,000	269,956	1,764,956
2015	1,550,000	218,400	1,768,400
2016	1,620,000	155,000	1,775,000
2017	665,000	109,300	774,300
2018	975,000	76,500	1,051,500
2019	325,000	50,500	375,500
2020	345,000	37,100	382,100
2021	755,000	22,900	777,900
2022			
TOTAL	<u>\$ 11,645,000</u>	<u>\$ 2,827,869</u>	<u>\$ 14,472,869</u>

See accompanying independent auditor's report.

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CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2009

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2010	\$ 5,185,000	\$ 2,451,780	\$ 7,636,780
2011	5,590,000	2,197,894	7,787,894
2012	5,105,000	2,465,367	7,570,367
2013	6,015,000	1,809,005	7,824,005
2014	5,890,000	1,957,318	7,847,318
2015	6,520,000	1,357,885	7,877,885
2016	6,845,000	1,086,345	7,931,345
2017	6,865,000	808,366	7,673,366
2018	6,510,000	540,078	7,050,078
2019	3,245,000	346,455	3,591,455
2020	2,455,000	235,138	2,690,138
2021	2,965,000	137,005	3,102,005
2022	<u>1,815,000</u>	<u>45,894</u>	<u>1,860,894</u>
TOTAL	<u>\$ 65,005,000</u>	<u>\$ 15,438,530</u>	<u>\$ 80,443,530</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Description	Original Bonds Issued	Bonds Outstanding October 1, 2008
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1997	\$ 5,705,000	\$ 4,100,000
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	1,685,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1998	10,655,000	8,720,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1998	5,410,000	1,135,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1999	6,900,000	4,420,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2000	4,485,000	3,275,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2001	7,885,000	4,170,000

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, 2009</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 3,170,000	\$ 122,898	\$ 930,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	170,000	86,255	1,515,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	8,255,000	222,104	465,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,135,000	37,441	-0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	330,000	163,327	4,090,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	200,000	136,452	3,075,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	330,000	211,761	3,840,000	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, 2009

Description	Original Bonds Issued	Bonds Outstanding October 1, 2008
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2002	\$ 11,405,000	\$ 5,160,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2003-A	9,155,000	4,555,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2003-B	7,125,000	4,955,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2005	9,600,000	9,600,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds – Series 2006	5,500,000	5,250,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds – Series 2006	4,255,000	4,245,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds – Series 2008	8,730,000	8,730,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds – Series 2009	<u>11,645,000</u>	
TOTAL	<u>\$ 110,615,000</u>	<u>\$ 70,000,000</u>

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

See accompanying independent auditor's report.

Current Year Transactions				Paying Agent
Bonds Sold	Retirements		Bonds Outstanding September 30, 2009	
	Principal	Interest		
\$	\$ 475,000	\$ 203,332	\$ 4,685,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,120,000	135,020	3,435,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	455,000	154,365	4,500,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	290,000	353,195	9,310,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	265,000	197,950	4,985,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	5,000	218,600	4,240,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	440,000	284,002	8,290,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>11,645,000</u>		<u>36,481</u>	<u>11,645,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 11,645,000</u>	<u>\$ 16,640,000</u>	<u>\$ 2,563,183</u>	<u>\$ 65,005,000</u>	

* Includes bonds refunded of \$11,645,000. See Note 13.

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, 2009

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	Series 1994	18,840,000
Clear Lake City Water Authority	Series 1999	6,065,000
Clear Lake City Water Authority	Series 1998-A	<u>1,305,000</u>
TOTAL BOND ISSUES RETIRED		\$ 131,845,000
Total Original Bonds Issued Outstanding as of the fiscal year end September 30, 2009		<u>110,615,000</u>
Totals Bonds Issued		<u>\$ 242,460,000</u>
Total Tax Bonds Issued		\$ 152,890,000
Total Refunding Bonds Issued		27,105,000
Total Dollar for Dollar Refunding Bonds Issued		<u>62,465,000</u>
TOTAL BONDS ISSUED		<u>\$ 242,460,000</u>

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Tax Bonds		
	Clear Lake City Water Authority	HC MUD No. 181	HCWCID No. 75
Bond Authority:			
Amount Authorized by Voters	\$ 153,415,000	\$ 5,000,000	\$ 3,005,000
Amount Issued	<u>148,145,000</u>	<u>1,740,000</u>	<u>3,005,000</u>
Remaining to be Issued	<u>\$ 5,270,000</u>	<u>\$ 3,260,000</u>	<u>\$ -0-</u>
Debt Service Fund Cash and investment balances as of September 30, 2009:			<u>\$ 7,460,867</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 6,187,964</u>

See accompanying independent auditor's report.

Total	Refunding Bonds		Total
	Clear Lake City Water Authority	HC MUD No. 181	
\$ 161,420,000	\$ 24,360,000	\$ 5,000,000	\$ 29,360,000
<u>152,890,000</u>	<u>24,360,000</u>	<u>2,745,000</u>	<u>27,105,000 (1)</u>
<u>\$ 8,530,000</u>	<u>\$ -0-</u>	<u>\$ 2,255,000</u>	<u>\$ 2,255,000</u>

- (1) Total refunding bonds issued excludes the following bond issues which were refunded dollar for dollar to obtain a lower interest rate.

Clear Lake City Water Authority Bonds Series 1987	\$ 6,065,000
Clear Lake City Water Authority Bonds Series 1991	3,330,000
Clear Lake City Water Authority Bonds Series 1993	7,325,000
District No. 75 Bonds Refunded by Series 1998-B	2,160,000
Clear Lake City Water Authority Refunding Bond Series 2002	11,405,000
Clear Lake City Water Authority Refunding Bond Series 2003-A and 2003-B	16,280,000
Clear Lake City Water Authority Refunding Bond Series 2006	4,255,000
Clear Lake City Water Authority Refunding Bond Series 2009	<u>11,645,000</u>
TOTAL	<u>\$ 62,465,000</u>

See accompanying independent auditor's report.

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

	<u>Amounts</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
REVENUES			
Property Taxes	\$ 2,347,941	\$ 2,129,498	\$ 2,077,589
Water Service	5,370,624	4,829,038	4,186,792
Wastewater Service	2,723,388	2,575,718	2,478,277
Penalty and Interest	74,342	89,539	88,090
Tap Connection and Inspection Fees	24,345	48,930	131,507
Investment Revenues	23,969	165,907	233,543
Miscellaneous Revenues	<u>251,332</u>	<u>163,454</u>	<u>178,477</u>
TOTAL REVENUES	<u>\$ 10,815,941</u>	<u>\$ 10,002,084</u>	<u>\$ 9,374,275</u>
EXPENDITURES			
Payroll	\$ 3,151,612	\$ 3,083,780	\$ 2,954,910
Bulk Water Purchases	2,341,119	2,200,671	1,748,483
Professional Fees	1,290,186	1,120,130	830,169
Utilities	1,253,342	1,211,197	1,046,628
Repairs and Maintenance	636,122	588,574	478,144
Other	1,775,716	1,592,393	1,586,354
Capital Outlay	<u>127,980</u>	<u>80,542</u>	<u>115,467</u>
TOTAL EXPENDITURES	<u>\$ 10,576,077</u>	<u>\$ 9,877,287</u>	<u>\$ 8,760,155</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 239,864</u>	<u>\$ 124,797</u>	<u>\$ 614,120</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ 239,864	\$ 124,797	\$ 614,120
BEGINNING FUND BALANCE	<u>5,303,723</u>	<u>5,178,926</u>	<u>4,564,806</u>
ENDING FUND BALANCE	<u>\$ 5,543,587</u>	<u>\$ 5,303,723</u>	<u>\$ 5,178,926</u>

See accompanying independent auditor's report.

		Percent of Total Revenues					
2006	2005	2009	2008	2007	2006	2005	
\$ 1,925,823	\$ 1,894,451	21.7%	21.3%	22.2%	21.3%	20.8%	
4,349,768	4,393,492	49.7	48.3	44.7	48.0	48.1	
2,296,725	2,313,416	25.2	25.8	26.4	25.3	25.4	
83,743	66,461	0.7	0.9	0.9	0.9	0.7	
75,806	193,190	0.2	0.5	1.4	0.8	2.1	
174,275	114,039	0.2	1.7	2.5	1.9	1.3	
154,419	147,419	2.3	1.5	1.9	1.8	1.6	
<u>\$ 9,060,559</u>	<u>\$ 9,122,468</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	
\$ 3,212,222	\$ 2,977,316	29.1%	30.8%	31.5%	35.5%	32.6%	
2,672,142	2,616,604	21.6	22.0	18.7	29.5	28.7	
459,133	406,635	11.9	11.2	8.9	5.1	4.5	
949,839	798,966	11.6	12.1	11.2	10.5	8.8	
477,848	456,243	5.9	5.9	5.1	5.3	5.0	
1,494,109	1,430,739	16.4	15.9	16.9	16.5	15.7	
508,528	252,874	1.2	0.8	1.2	5.6	2.8	
<u>\$ 9,773,821</u>	<u>\$ 8,939,377</u>	<u>97.7%</u>	<u>98.7%</u>	<u>93.5%</u>	<u>108.0%</u>	<u>98.1%</u>	
\$ (713,262)	\$ 183,091	2.3%	1.3%	6.5%	(8.0)%	1.9%	
\$ 38,188	\$ -0-						
\$ (675,074)	\$ 183,091						
<u>5,239,880</u>	<u>5,056,789</u>						
<u>\$ 4,564,806</u>	<u>\$ 5,239,880</u>						

See accompanying independent auditor's report.

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

	<u>Amounts</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
REVENUES			
Property Taxes	\$ 10,946,767	\$ 9,951,412	\$ 9,773,339
Penalty and Interest	108,467	105,196	105,204
Investment Revenues	58,195	217,150	358,605
Miscellaneous Revenues	<u>17,346</u>	<u>11,224</u>	<u>4,914</u>
TOTAL REVENUES	<u>\$ 11,130,775</u>	<u>\$ 10,284,982</u>	<u>\$ 10,242,062</u>
EXPENDITURES			
Payroll	\$ 186,329	\$ 157,465	\$ 216,669
Debt Service Principal	4,995,000	6,814,172	6,105,000
Debt Service Interest and Fees	2,903,295	3,249,916	3,581,500
Miscellaneous Expenditures	<u>145,680</u>	<u>61,002</u>	<u>54,368</u>
TOTAL EXPENDITURES	<u>\$ 8,230,304</u>	<u>\$ 10,282,555</u>	<u>\$ 9,957,537</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 2,900,471</u>	<u>\$ 2,427</u>	<u>\$ 284,525</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$	\$	\$
Long-Term Debt Issued-Refunding	11,645,000		
Premium on Bonds Issued	547,778		
Payment to Refunded Bond Escrow Agent	(11,876,602)		
Bond Discount	<u>(241,591)</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 74,585</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 2,975,056</u>	<u>\$ 2,427</u>	<u>\$ 284,525</u>
BEGINNING FUND BALANCE	<u>4,207,950</u>	<u>4,205,523</u>	<u>3,920,998</u>
ENDING FUND BALANCE	<u>\$ 7,183,006</u>	<u>\$ 4,207,950</u>	<u>\$ 4,205,523</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>17,732</u>	<u>17,740</u>	<u>17,829</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>17,277</u>	<u>17,264</u>	<u>17,307</u>

See accompanying independent auditor's report.

		Percent of Total Revenues				
2006	2005	2009	2008	2007	2006	2005
\$ 9,460,239	\$ 9,317,664	98.3%	96.8%	95.5%	95.7%	97.4%
87,421	98,622	1.0	1.0	1.0	0.9	1.0
330,851	142,265	0.5	2.1	3.5	3.4	1.5
4,903	4,891	0.2	0.1			0.1
<u>\$ 9,883,414</u>	<u>\$ 9,563,442</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 185,156	\$ 176,419	1.7%	1.5%	2.1%	1.9%	1.8%
4,985,828	5,370,000	44.9	66.2	59.6	50.4	56.2
4,434,113	3,588,652	26.1	31.6	35.0	44.9	37.5
152,297	197,043	1.3	0.6	0.5	1.5	2.1
<u>\$ 9,757,394</u>	<u>\$ 9,332,114</u>	<u>74.0%</u>	<u>99.9%</u>	<u>97.2%</u>	<u>98.7%</u>	<u>97.6%</u>
\$ 126,020	\$ 231,328	26.0%	0.1%	2.8%	1.3%	2.4%
\$ 213,250	\$ 358,270					
4,255,000						
467,672						
(4,530,577)						
(94,241)						
<u>\$ 311,104</u>	<u>\$ 358,270</u>					
\$ 437,124	\$ 589,598					
<u>3,483,874</u>	<u>2,894,276</u>					
<u>\$ 3,920,998</u>	<u>\$ 3,483,874</u>					
<u>17,776</u>	<u>17,634</u>					
<u>17,266</u>	<u>17,265</u>					

See accompanying independent auditor's report.

**CLEAR LAKE CITY WATER AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2009**

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, 2009	Expense Reimbursements for the year ended September 30, 2009	Title
Gayle I. Yoder	05/2008 05/2012 (Elected)	\$ 4,800	\$ -0-	President/ Investment Officer
John B. Branch	05/2008 05/2012 (Elected)	\$ 3,200	\$ -0-	Vice President
Robert T. Savely	05/2008 05/2012 (Elected)	\$ 4,800	\$ -0-	Secretary
Vince Johnson	05/2006 05/2010 (Elected)	\$ 6,100	\$ -0-	Director
John Ferguson	05/2006 05/2010 (Elected)	\$ 5,000	\$ -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 District Registration Form (TWC Sections 36.054 and 49.054): July 9, 2008.

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 September 27, 2001. 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, 2009**

Key Administrative Personnel:	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ending September 30, 2009</u>	<u>Title</u>
[REDACTED]	08/29/83	\$ 99,672	General Manager/ Investment Officer
[REDACTED]	11/18/77	\$ 80,774	Capital Projects Bookkeeper
[REDACTED]	10/19/98	\$ 69,585	Tax Assessor/ Collector
[REDACTED]	04/16/07	\$ 52,375	Accounts Manager
Consultants:			
Schweinle & Parish, P.C. 440 Louisiana, Suite 1400 Houston, TX 77002-1691	07/17/86	\$ 258,188	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	07/31/96	\$ 41,430	Auditor
Coats, Rose, Yale, Ryman & Lee, P.C. 3 E. Greenway Plaza, Suite 2000 Houston, TX 77046	10/22/99	\$ 53,149	Bond Counsel
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, TX 77008	06/28/01	\$ 28,258	Delinquent Tax Attorney
Lockwood, Andrews & Newnam, Inc. 2925 Briarpark Drive Houston, TX 77042	12/18/97	\$ 1,303,370	Engineer
RBC Capital Markets 1001 Fannin, Suite 1200 Houston, TX 77002-6796	11/04/89	\$ 2,318	Financial Advisor

See accompanying independent auditor's report.