

CLEAR LAKE CITY WATER AUTHORITY

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2022

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ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Clear Lake City Water Authority (the "Authority") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Board of Directors
Clear Lake City Water Authority

Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

February 9, 2023

CLEAR LAKE CITY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Management's discussion and analysis of the financial performance of Clear Lake City Water Authority (the "Authority") provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the Authority's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes the Authority's assets, liabilities and, if applicable, deferred inflows and outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Evaluation of the overall health of the Authority would extend to other non-financial factors.

The Statement of Activities reports how the Authority's assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

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

CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities by \$131,668,769 as of September 30, 2022. This compares with assets and deferred outflows of resources exceeding liabilities by \$125,436,839 as of September 30, 2021. A portion of the Authority's assets reflects its net investment in capital assets (buildings and equipment as well as the water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 67,088,319	\$ 59,775,753	\$ 7,312,566
Capital and Right-to-Use Assets (Net of Accumulated Depreciation)	<u>196,005,453</u>	<u>184,297,586</u>	<u>11,707,867</u>
Total Assets	<u>\$ 263,093,772</u>	<u>\$ 244,073,339</u>	<u>\$ 19,020,433</u>
Deferred Outflows of Resources	<u>\$ 1,124,021</u>	<u>\$ 324,808</u>	<u>\$ 799,213</u>
Lease Payable	\$ 1,403,703	\$ 1,622,200	\$ 218,497
Bonds Payable	121,375,003	109,570,308	(11,804,695)
Other Liabilities	<u>9,770,318</u>	<u>7,768,800</u>	<u>(2,001,518)</u>
Total Liabilities	<u>\$ 132,549,024</u>	<u>\$ 118,961,308</u>	<u>\$ (13,587,716)</u>
Net Position:			
Net Investment in Capital Assets	\$ 110,715,364	\$ 104,668,974	\$ 6,046,390
Restricted	11,391,476	10,344,444	1,047,032
Unrestricted	<u>9,561,929</u>	<u>10,423,421</u>	<u>(861,492)</u>
Total Net Position	<u>\$ 131,668,769</u>	<u>\$ 125,436,839</u>	<u>\$ 6,231,930</u>

The following table provides a summary of the Authority's operations for the years ended September 30, 2022, and September 30, 2021. The Authority's net position increased by \$6,231,930. Summary information from the Statement of Activities is as follows:

	Summary of Changes in the Statement of Activities		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 16,583,494	\$ 15,890,319	\$ 693,175
Charges for Services	11,850,423	11,372,282	478,141
Other Revenues	<u>2,065,471</u>	<u>1,793,562</u>	<u>271,909</u>
Total Revenues	<u>\$ 30,499,388</u>	<u>\$ 29,056,163</u>	<u>\$ 1,443,225</u>
Expenses for Services	<u>24,267,458</u>	<u>23,008,927</u>	<u>(1,258,531)</u>
Change in Net Position	\$ 6,231,930	\$ 6,047,236	\$ 184,694
Net Position, Beginning of Year	<u>125,436,839</u>	<u>119,389,603</u>	<u>6,047,236</u>
Net Position, End of Year	<u>\$ 131,668,769</u>	<u>\$ 125,436,839</u>	<u>\$ 6,231,930</u>

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUNDS

The Authority's combined fund balances as of September 30, 2022, were \$57,313,402, an increase of \$5,778,502 from the prior year.

The General Fund fund balance decreased by \$391,056, primarily due to operating and capital expenditures exceeding service revenues, property tax revenues, and other revenues.

The Debt Service Fund fund balance increased by \$1,044,050, primarily due to the structure of the Authority's outstanding debt and the sale of Series 2021 Refunding bonds.

The Capital Projects Fund fund balance increased by \$5,125,508, primarily due to capital expenditures paid in the current year from bond proceeds received and bond proceeds received from the Series 2022 bond sale.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$506,671 less than budgeted revenues and actual expenditures were \$1,574,867 less than budgeted expenditures, and a transfer of \$78,062 from the Debt Service Fund which resulted in a positive budget variance of \$1,146,258 for the current fiscal year. See the budget to actual comparison for more information.

CAPITAL ASSETS

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

The Authority's capital assets as of September 30, 2022, total \$194,105,841 (net of accumulated depreciation). Capital asset activity during the current fiscal year included the following:

- Water, sewer and drainage system rehabilitation and improvements
- Exploration Green Detention Facility Phase 4
- Authority's share of SEWPP rehabilitation and improvements
- Vehicles, pumps, motors, electrical upgrades and various other equipment

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 6,908,827	\$ 6,908,827	\$
Sanitary Sewer Laterals and Trunks	68,705,089	66,926,508	1,778,581
Construction in Progress	22,233,939	23,851,824	(1,617,885)
Capital Assets, Net of Accumulated Depreciation:			
Buildings	1,024,825	1,052,952	(28,127)
Water System	33,485,286	31,330,900	2,154,386
Sanitary Sewer System	8,336,342	8,723,259	(386,917)
Drainage System	52,541,536	42,720,557	9,820,979
Equipment	869,997	1,160,559	(290,562)
 Total Net Capital Assets	 <u>\$ 194,105,841</u>	 <u>\$ 182,675,386</u>	 <u>\$ 11,430,455</u>

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

LONG-TERM DEBT ACTIVITY

The Authority has total bond debt payable of \$117,475,000. The changes to bonds payable during the current fiscal year is summarized in the following table:

Bond Debt Payable, October 1, 2021	\$ 108,375,000
Add: Bond Issued - Series 2021 Refunding	19,160,000
Add: Bond Issued - Series 2022	19,130,000
Less: Bond Principal Paid and Refunded	<u>29,190,000</u>
Bond Debt Payable, September 30, 2022	<u>\$ 117,475,000</u>

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

**CLEAR LAKE CITY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

LONG-TERM DEBT ACTIVITY (Continued)

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

CONTACTING THE AUTHORITY'S MANAGEMENT

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

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CLEAR LAKE CITY WATER AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2022

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 661,728	\$ 333,573
Investments	7,614,502	13,797,114
Receivables:		
Property Taxes	47,733	206,805
Penalty and Interest on Delinquent Taxes		
Service Accounts	1,361,677	
Other	164,940	47,981
Due from Other Funds	2,934,307	
Inventory	106,464	
Prepaid Costs	51,667	
Due from Other Governmental Units	603,080	
Land		
Sanitary Sewer Laterals and Trunks		
Construction in Progress		
Right-of-Use Asset (Net of Accumulated Amortization)		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 13,546,098	\$ 14,385,473
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 13,546,098	\$ 14,385,473

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

Capital Projects Fund	Total	Adjustments*	Statement of Net Position
\$ 4,436,703	\$ 5,432,004	\$	\$ 5,432,004
36,885,141	58,296,757		58,296,757
	254,538		254,538
	1,361,677	82,609	82,609
	212,921		1,361,677
53,632	2,987,939	(2,987,939)	212,921
	106,464		106,464
	51,667		51,667
686,602	1,289,682		1,289,682
		6,908,827	6,908,827
		68,705,089	68,705,089
		22,233,939	22,233,939
		1,899,612	1,899,612
		96,257,986	96,257,986
<u>\$ 42,062,078</u>	<u>\$ 69,993,649</u>	<u>\$ 193,100,123</u>	<u>\$ 263,093,772</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 1,124,021</u>	<u>\$ 1,124,021</u>
<u>\$ 42,062,078</u>	<u>\$ 69,993,649</u>	<u>\$ 194,224,144</u>	<u>\$ 264,217,793</u>

* See Reconciliation on page 14 and Note 2

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

CLEAR LAKE CITY WATER AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2022

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 1,429,893	\$ 142,136
Accrued Interest Payable		
Due to Other Governmental Units	1,005,270	
Due to Other Funds	53,632	2,601,922
Security Deposits	1,495,374	
Long-term Liabilities:		
Lease Payable, Due Within One Year		
Lease Payable, Due After One Year		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 3,984,169	\$ 2,744,058
DEFERRED INFLOWS OF RESOURCES		
Property Tax Revenues	\$ 47,733	\$ 206,805
FUND BALANCES		
Nonspendable:		
Inventory	\$ 106,464	\$
Prepaid Costs	51,667	
Restricted for Authorized Construction		
Restricted for Debt Service		11,434,610
Committed for Sick Leave Obligation	339,433	
Committed for Unbudgeted Major Repairs of Facilities	250,000	
Committed for Emergencies	1,597,709	
Unassigned	7,168,923	
TOTAL FUND BALANCES	\$ 9,514,196	\$ 11,434,610
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 13,546,098	\$ 14,385,473
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments*	Statement of Net Position
\$ 3,842,697	\$ 5,414,726	\$	\$ 5,414,726
		332,548	332,548
1,522,400	2,527,670		2,527,670
332,385	2,987,939	(2,987,939)	
	1,495,374		1,495,374
		139,854	139,854
		1,263,849	1,263,849
		6,230,000	6,230,000
		115,145,003	115,145,003
<u>\$ 5,697,482</u>	<u>\$ 12,425,709</u>	<u>\$ 120,123,315</u>	<u>\$ 132,549,024</u>
<u>\$ - 0 -</u>	<u>\$ 254,538</u>	<u>\$ (254,538)</u>	<u>\$ - 0 -</u>
\$	\$ 106,464	\$ (106,464)	\$
	51,667	(51,667)	
36,364,596	36,364,596	(36,364,596)	
	11,434,610	(11,434,610)	
	339,433	(339,433)	
	250,000	(250,000)	
	1,597,709	(1,597,709)	
	7,168,923	(7,168,923)	
<u>\$ 36,364,596</u>	<u>\$ 57,313,402</u>	<u>\$ (57,313,402)</u>	<u>\$ - 0 -</u>
<u>\$ 42,062,078</u>	<u>\$ 69,993,649</u>		
		\$ 110,715,364	\$ 110,715,364
		11,391,476	11,391,476
		9,561,929	9,561,929
		<u>\$ 131,668,769</u>	<u>\$ 131,668,769</u>

* See Reconciliation on page 14 and Note 2

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

**CLEAR LAKE CITY WATER AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Total Fund Balances - Governmental Funds \$ 57,313,402

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

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 1,124,021

Capital assets and right-of-use assets in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 196,005,453

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2021 and prior tax levies became part of recognized revenue in the governmental activities of the Authority. 337,147

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (332,548)	
Lease Payable	(1,403,703)	
Bonds Payable	<u>(121,375,003)</u>	<u>(123,111,254)</u>

Total Net Position - Governmental Activities \$ 131,668,769

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

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CLEAR LAKE CITY WATER AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

REVENUES	<u>General Fund</u>	<u>Debt Service Fund</u>
Property Taxes	\$ 3,184,016	\$ 13,368,238
Water Service	7,066,657	
Wastewater Service	4,518,275	
Penalty and Interest	103,267	121,678
Tap Connection and Inspection Fees	40,858	
Impact Fees		
Insurance, FEMA and Grant Revenues	494,105	
Service Agreements and Lease Income	530,699	
Exclusion Contract Payments		420,905
Investment and Miscellaneous Revenues	83,090	132,565
TOTAL REVENUES	<u>\$ 16,020,967</u>	<u>\$ 14,043,386</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Bulk Water Purchases	\$ 2,833,566	\$ 285,811
Payroll	6,560,599	
Utilities	1,076,438	
Repairs and Maintenance	1,257,454	5,387
Professional Fees	762,654	189,327
Depreciation and Amortization		
Other	2,553,990	175,971
Capital Outlay	1,153,044	
Debt Service:		
Lease Principal	218,497	
Lease Interest	28,647	
Payment to Refunding Bond Escrow Agent		230,000
Bond Issuance Costs	45,196	368,294
Bond Principal		8,805,000
Bond Interest		3,298,339
TOTAL EXPENDITURES/EXPENSES	<u>\$ 16,490,085</u>	<u>\$ 13,358,129</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ (469,118)</u>	<u>\$ 685,257</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 78,062	\$ (78,062)
Proceeds from Issuance of Long-Term Debt		19,160,000
Payment to Refunding Bond Escrow Agent		(20,602,921)
Bond Discount		
Bond Premium		1,879,776
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 78,062</u>	<u>\$ 358,793</u>
NET CHANGE IN FUND BALANCES	\$ (391,056)	\$ 1,044,050
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2021	<u>9,905,252</u>	<u>10,390,560</u>
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2022	<u>\$ 9,514,196</u>	<u>\$ 11,434,610</u>

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

Capital Projects Fund	Total	Adjustments*	Statement of Activities
\$	\$ 16,552,254	\$ 31,240	\$ 16,583,494
	7,066,657		7,066,657
	4,518,275		4,518,275
	224,945	(312)	224,633
	40,858		40,858
118,101	118,101		118,101
	494,105		494,105
	530,699		530,699
	420,905		420,905
286,006	501,661		501,661
<u>\$ 404,107</u>	<u>\$ 30,468,460</u>	<u>\$ 30,928</u>	<u>\$ 30,499,388</u>
\$	\$ 2,833,566	\$	\$ 2,833,566
	6,846,410		6,846,410
	1,076,438		1,076,438
	1,262,841	405,978	1,668,819
	951,981		951,981
	2,729,961	4,166,770	4,166,770
14,650,969	15,804,013	(15,804,013)	2,729,961
	218,497	(218,497)	
	28,647		28,647
	230,000	(230,000)	
423,539	837,029		837,029
	8,805,000	(8,805,000)	
	3,298,339	(170,502)	3,127,837
<u>\$ 15,074,508</u>	<u>\$ 44,922,722</u>	<u>\$ (20,655,264)</u>	<u>\$ 24,267,458</u>
<u>\$ (14,670,401)</u>	<u>\$ (14,454,262)</u>	<u>\$ 20,686,192</u>	<u>\$ 6,231,930</u>
\$	\$	\$	\$
19,130,000	38,290,000	(38,290,000)	
	(20,602,921)	20,602,921	
(18,281)	(18,281)	18,281	
684,190	2,563,966	(2,563,966)	
<u>\$ 19,795,909</u>	<u>\$ 20,232,764</u>	<u>\$ (20,232,764)</u>	<u>\$ - 0 -</u>
\$ 5,125,508	\$ 5,778,502	\$ (5,778,502)	\$
		6,231,930	6,231,930
31,239,088	51,534,900	73,901,939	125,436,839
<u>\$ 36,364,596</u>	<u>\$ 57,313,402</u>	<u>\$ 74,355,367</u>	<u>\$ 131,668,769</u>

* See Reconciliation on page 17 and Note 2

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

CLEAR LAKE CITY WATER AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Net Change in Fund Balances - Governmental Funds	\$ 5,778,502
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	31,240
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	(312)
depreciation expense of capital assets and right-of-use assets is recorded in the Statement of Activities.	(4,166,770)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	15,398,035
Governmental funds report bond premiums and discounts as other financing sources and uses. However, in the Statement of Net Position, bond premiums and bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(2,545,685)
Governmental funds report the repayment of leases as expenditures. However, in the Statement of Net Position, lease principal payments decrease the related long-term liability.	218,497
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	8,805,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	170,502
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(38,290,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	20,832,921
Change in Net Position - Governmental Activities	<u>\$ 6,231,930</u>

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1. CREATION OF AUTHORITY

The Clear Lake City Water Authority was created May 6, 1963, by Statute 8280-280, 58th Legislature of the State of Texas. Pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code, among other powers, the Authority is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service and storm sewer drainage. Although the Authority is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the Authority and to provide irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the Authority, to date it has chosen not to exercise any of these powers. The Authority comprises approximately 15,650 acres in Harris County, Texas, located in the area of NASA's Johnson Space Center and owns approximately two acres in Houston County, Texas. The Authority is under the oversight of the Texas Commission on Environmental Quality (the "Commission").

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The Authority uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2022, the Debt Service Fund owed the General Fund \$736,668 for operating expenses, \$1,851,994 for maintenance tax revenues, and \$13,260 for bond related costs; the Capital Projects Fund owed the General Fund \$332,385 for construction costs; and the General Fund owed the Capital Projects Fund \$53,632 for construction related costs. The Debt Service Fund transferred \$78,062 to the General Fund to reimburse for bond issuance costs paid in the prior fiscal year.

Capital Assets

The accounting treatment of capital assets depends on whether the assets are reported in the government-wide or fund financial statements. Capital assets are not reported as assets in governmental funds but are reported as assets in the government-wide Statement of Net Position. The Authority manages its system of sanitary sewer laterals and trunks using a condition assessment methodology and accounts for this system using the modified approach. The remaining capital assets are recorded at historical cost and depreciated over their estimated useful lives unless they are inexhaustible, such as land. Depreciation is not recorded on items classified as construction in progress. Depreciation expense is reported in the government-wide Statement of Activities. In implementing GASB Statement No. 34, the Authority estimated historical cost of infrastructure assets beginning with the creation of the Authority. The Authority uses a capitalization threshold of \$5,000. Assets are depreciated using the straight-line method over the estimated useful lives ranging from 3 to 45 years.

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is recorded on the average cost basis. Average cost is calculated on the average cost of each specific item during the fiscal year. The Authority's inventory balance as of September 30, 2022, was \$106,464.

Budgeting

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

Pensions

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

Measurement Focus

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

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the Authority. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The Board has committed the year-end General Fund fund balance as follows - \$250,000 for unbudgeted major repairs of facilities, and \$1,597,709 for emergencies. See also Note 8 for information related to the sick leave fund balance commitment.

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3. LONG-TERM DEBT

	<u>Series 2017</u>	<u>Series 2017A</u>	<u>Series 2018</u>
Amounts Outstanding – September 30, 2022	\$ 9,555,000	\$ 11,225,000	\$ 13,665,000
Interest Rates	2.00% - 3.375%	3.00% - 3.125%	3.00% - 5.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2023/2038	March 1, 2023/2038	March 1, 2023/2038
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2025*	March 1, 2025*	March 1, 2023*

	<u>Series 2019</u>	<u>Refunding Series 2019</u>	<u>Refunding Series 2019A</u>
Amounts Outstanding – September 30, 2022	\$ 21,695,000	\$ 4,370,000	\$ 6,925,000
Interest Rates	2.00% - 4.00%	4.00% - 4.25%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2023/2038	March 1, 2023/2029	March 1, 2023/2035
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2024*	Non-Callable	March 1, 2029*

* Or any date thereafter, as a whole or from time to time in part, at a price equal to the par value thereof, plus accrued interest to the date fixed for redemption. Series 2019 term bonds due March 1, 2035, are subject to mandatory redemption beginning on March 1, 2034.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2020	Refunding Series 2021	Series 2022
Amounts Outstanding – September 30, 2022	\$ 11,750,000	\$ 19,160,000	\$ 19,130,000
Interest Rates	2.00% - 4.00%	3.00% - 4.00%	4.00% - 5.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2023/2038	March 1, 2023/2037	March 1, 2023/2038
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2028*	March 1, 2029*	March 1, 2029*

* Or any date thereafter, as a whole or from time to time in part, at a price equal to the par value thereof, plus accrued interest to the date fixed for redemption.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2022:

	October 1, 2021	Additions	Retirements	September 30, 2022
Bonds Payable	\$ 108,375,000	\$ 38,290,000	\$ 29,190,000	\$ 117,475,000
Unamortized Discounts	(590,967)	(18,281)	(478,063)	(131,185)
Unamortized Premiums	1,786,275	2,563,966	319,053	4,031,188
Bonds Payable, Net	<u>\$ 109,570,308</u>	<u>\$ 40,835,685</u>	<u>\$ 29,030,990</u>	<u>\$ 121,375,003</u>
		Amount Due Within One Year		\$ 6,230,000
		Amount Due After One Year		<u>115,145,003</u>
		Bonds Payable, Net		<u>\$ 121,375,003</u>

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3. LONG-TERM DEBT (Continued)

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

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

Fiscal Year	Principal	Interest	Total
2023	\$ 6,230,000	\$ 3,873,967	\$ 10,103,967
2024	6,445,000	3,633,957	10,078,957
2025	6,675,000	3,385,706	10,060,706
2026	6,905,000	3,144,332	10,049,332
2027	7,160,000	2,896,982	10,056,982
2028-2032	36,970,000	10,632,671	47,602,671
2033-2037	40,195,000	4,454,905	44,649,905
2038	6,895,000	117,228	7,012,228
	<u>\$ 117,475,000</u>	<u>\$ 32,139,748</u>	<u>\$ 149,614,748</u>

During the year ended September 30, 2022, the Authority levied an ad valorem debt service tax and maintenance tax as follows:

	2021 Appraised Valuation	Tax Rates Per \$100 Of Valuation	Tax Levy
Debt Service Tax Levy		\$0.21	\$ 13,599,935
Maintenance Tax Levy		<u>\$0.05</u>	<u>3,238,080</u>
Totals	<u>\$ 6,476,159,694</u>	<u>\$0.26</u>	<u>\$ 16,838,015</u>

On August 14, 1982, the voters of the Authority approved the levy and collection of a maintenance tax not to exceed \$0.05 per \$100 of assessed valuation of taxable property within the Authority. A maintenance tax is to be used by the General Fund to pay expenditures of operating and maintaining the Authority's waterworks, sanitary sewer, and drainage system. District No. 75 has paid off the bonds that existed prior to the merger with Clear Lake City Water Authority.

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The Authority is required to provide to certain information repositories continuing disclosure of annual financial information and operating data with respect to the Authority. The information is of the general type included in the annual financial report and must be filed within six months after the end of each fiscal year of the Authority.

The bond orders state that so long as any of the bonds or coupons remain outstanding, the Authority covenants that it will at all times keep insured such parts of the system as are customarily insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risks, accidents or casualties against which and to the extent insurance is customarily carried by such municipal corporations and political subdivisions.

The Authority has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The minimum requirement for determination of the rebatable amount is on each five-year anniversary of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

At fiscal year end, the carrying amount of the Authority's deposits was \$5,432,004 and the bank balance was \$5,829,103. Of the bank balance, the Authority had \$1,584,795 exposed to custodial credit risk at year-end.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2022, as listed below:

	Cash
GENERAL FUND	\$ 661,728
DEBT SERVICE FUND	333,573
CAPITAL PROJECTS FUND	4,436,703
TOTAL DEPOSITS	\$ 5,432,004

Investments

Under Texas law, the Authority is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all Authority funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the Authority’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The Authority’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest Authority funds without express written authority from the Board of Directors. Texas statutes include specifications for and limitations applicable to the Authority and its authority to purchase investments as defined in the Public Funds Investment Act. The Authority has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The Authority’s investment policy may be more restrictive than the Public Funds Investment Act.

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2022, the Authority had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 7,614,502	\$ 7,614,502
<u>DEBT SERVICE FUND</u>		
TexPool	13,797,114	13,797,114
<u>CAPITAL PROJECTS FUND</u>		
TexPool	36,885,141	36,885,141
TOTAL INVESTMENTS	\$ 58,296,757	\$ 58,296,757

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2022, the Authority's investment in TexPool was rated AAAM by Standard and Poor's.

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

Restrictions

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 is as follows:

	October 1, 2021	Increases	Decreases	September 30, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 6,908,827	\$	\$	\$ 6,908,827
Sanitary Sewer Laterals and Trunks	66,926,508	1,778,581		68,705,089
Construction in Progress	<u>23,851,824</u>	<u>15,398,035</u>	<u>17,015,920</u>	<u>22,233,939</u>
Total Capital Assets Not Being Depreciated	<u>\$ 97,687,159</u>	<u>\$ 17,176,616</u>	<u>\$ 17,015,920</u>	<u>\$ 97,847,855</u>
Capital Assets Subject to Depreciation				
Buildings	\$ 1,415,566	\$ 42,207	\$	\$ 1,457,773
Water System	65,761,595	3,850,024		69,611,619
Sanitary Sewer System	20,280,582			20,280,582
Drainage System	74,266,966	11,192,742		85,459,708
Equipment	<u>4,729,916</u>	<u>152,366</u>		<u>4,882,282</u>
Total Capital Assets Subject to Depreciation	<u>\$ 166,454,625</u>	<u>\$ 15,237,339</u>	<u>\$ - 0 -</u>	<u>\$ 181,691,964</u>
Less Accumulated Depreciation				
Buildings	\$ 362,614	\$ 70,334	\$	\$ 432,948
Water System	34,430,695	1,695,638		36,126,333
Sanitary Sewer System	11,557,323	386,917		11,944,240
Drainage System	31,546,409	1,371,763		32,918,172
Equipment	<u>3,569,357</u>	<u>442,928</u>		<u>4,012,285</u>
Total Accumulated Depreciation	<u>\$ 81,466,398</u>	<u>\$ 3,967,580</u>	<u>\$ - 0 -</u>	<u>\$ 85,433,978</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 84,988,227</u>	<u>\$ 11,269,759</u>	<u>\$ - 0 -</u>	<u>\$ 96,257,986</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 182,675,386</u>	<u>\$ 28,446,375</u>	<u>\$ 17,015,920</u>	<u>\$ 194,105,841</u>

The sanitary sewer laterals and trunk lines are accounted for using the modified approach. The condition of the Authority's sanitary sewer lateral and trunk system is determined using a condition assessment methodology. The Authority uses a numerical condition scale ranging from 1.00 (new) to 5.00 (severe deficiency with no useful life remaining). It is the Authority's policy to keep 75% of the system in level 3.00 or better condition. The condition assessments as of September 30, 2022, September 30, 2021, and September 30, 2020, were 2.38, 2.29, and 2.26, respectively.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 6. CAPITAL ASSETS (Continued)

The following is a summary of the condition levels of the individual subdivision sanitary sewer laterals and trunks as of September 30, 2022:

	<u>Condition</u>	<u>Sewer Laterals and Trunks in Linear Feet</u>
1.00-1.99	New Condition	462,193
2.00-2.99	Minor Deficiencies	359,840
3.00-3.99	Serious Deficiencies	126,680
4.00-4.99	Very Serious Deficiencies	45,633
5.00	Severe Deficiencies	<u>45,730</u>
TOTAL		<u><u>1,040,076</u></u>

Comparison of Estimated to Actual Maintenance/Preservation Costs

	<u>Estimated</u>	<u>Actual</u>
2022	\$ 1,441,263	\$ 2,250,972
2021	\$ 1,120,849	\$ 2,366,899
2020	\$ 1,001,044	\$ 1,783,869
2019	\$ 1,624,853	\$ 1,698,168
2018	\$ 1,498,022	\$ 2,127,225

NOTE 7. PENSION PLAN

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

NOTE 8. SICK LEAVE

The Authority has a sick leave policy whereby sick leave accrues at the rate of one day per month for each employee. Retiring employees and those terminated without cause may be paid for their unused sick leave upon termination of employment. The Authority has designated an investment account to cover the potential cost of this benefit to its employees; therefore, no liability has been recorded in the financial statements. Sick leave is recorded as an expenditure only when paid. As of the balance sheet date, \$339,433 of the General Fund fund balance has been committed for this future obligation.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9. EXCLUSION CONTRACTS AND SERVICE AGREEMENTS

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

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9. EXCLUSION CONTRACTS AND SERVICE AGREEMENTS (Continued)

On December 24, 2014, the Authority executed two contracts, an Exclusion Contract and a Service Agreement, both with Harris County Water Control & Improvement District No. 161 (“District No. 161”). On November 4, 2014, District No. 161 held elections confirming creation of District No. 161 and authorizing the Exclusion Contract. The Exclusion Contract provides for the exclusion of approximately 411 acres of land from the Authority and for the payment of a pro rata share of the Authority’s debt service on the excluded land. The term of the Exclusion Contract is 40 years. The agreement calls for District No. 161 to account for monies derived from taxes and investment earnings in an account titled the Exclusion Contract Fund. The Authority further agreed to provide water and sanitary sewer utility service to District No. 161 at a cost not to exceed one and a half times the cost charged to customers in the Authority. On or before March 1 each year, District No. 161 is to pay the Authority from its tax proceeds based upon the following schedule unless altered by later refundings as provided for in the Exclusion Contract.

<u>Year</u>	<u>Allocable Debt</u>
2023	\$ 3,683
2024	3,689
2025	3,696
2026	3,704
2027	3,706
2028	3,717
2029	3,717
2030	3,720
2031	3,722
2032	3,734
2033	3,740
2034	3,758
2035	3,764
2036	2,051
2037	2,058
2038	<u>2,070</u>
TOTAL	<u>\$ 54,529</u>

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

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9. EXCLUSION CONTRACTS AND SERVICE AGREEMENTS (Continued)

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

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

NOTE 10. WATER SUPPLY CONTRACT

The Authority and the City of Houston entered into a Cost Sharing Water Project Contract (the "Contract") wherein the Authority, certain other municipal utility districts, the Galveston County Water District and the Cities of Nassau Bay, Pasadena, Webster, Friendswood, La Porte, and Houston agreed to jointly finance the construction and operation of the Southeast Water Treatment Plant to be constructed and operated by the City of Houston. Under the terms of the Contract, the Authority purchased an additional 12.95 MGD peak daily capacity for a total of 20.45 MGD capacity in the Southeast Water Treatment Plant. The Southeast Water Treatment Plant is the primary source of potable water for the Authority, and the Authority has the right to purchase additional capacity in future plant expansions or unused capacity from other participants. Other municipalities and governmental entities have entered into similar contracts to participate in the financing of the construction and operation of the Southeast Water Treatment Plant. It is agreed in the Contract that up to 20.45 MGD of potable water will be delivered by the Southeast Water Treatment Plant to the Authority at the current rate of \$0.7369 per 1,000 gallons. This rate may be annually adjusted based upon changes in the operation and maintenance.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11. RISK MANAGEMENT

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

NOTE 12. DRAINAGE PARTICIPATION AGREEMENT

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

In return for the Authority's maintenance, operation and improvement of that portion of the drainage facilities it owns and which it normally and historically has maintained, operated, or controlled, the City agrees that it will neither bill nor collect the annual drainage revenue for so long as the Authority's annual allocable costs, calculated on the basis of the anticipated allocable costs for the ensuing billing year, or averaged over a five-year period, beginning in billing year 2012-2013 and calculated for each successive billing year thereafter, offset the annual drainage revenue for the same year. The term of this agreement is ten years from the effective date. Effective May 8, 2022, this agreement was extended for ten more years.

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 13. GENERATOR LEASE

The Authority executed an agreement with NRG Energy Services LLC (“NRG”) dated November 10, 2011, for the lease of nine generators. Originally the lease payments were treated as an operating lease. In the current fiscal year, the Authority implemented GASB Statement No. 87 to account for the current and future lease payments, right-of-use assets, and lease liability. At the time the agreement was executed, the Authority elected to make a buy down payment of \$800,000 to reduce the monthly lease payments. This amount, plus the beginning of period right-of-use assets of \$1,622,200, are included in the right-of-use assets in the schedule below and being amortized over 20 years. Right-of-use assets, current year amortization expense, and accumulated amortization is summarized below:

	October 1, 2021	Increases	Decreases	September 30, 2022
Right-of-use Asset Subject to Amortization				
Generators	\$ 2,422,200	\$ - 0 -	\$ - 0 -	\$ 2,422,200
Less Accumulated Amortization				
Generators	\$ 323,398	\$ 199,190	\$ - 0 -	\$ 522,588
Right-of-use Asset, Net of Accumulated Amortization	<u>\$ 2,098,802</u>	<u>\$ (199,190)</u>	<u>\$ - 0 -</u>	<u>\$ 1,899,612</u>

Monthly service fees for the 1st, 2nd, 3rd, and 4th five-year terms of the agreement are \$20,880, \$18,630, \$14,130 and \$11,880, respectively. The lease accrues interest at a rate of 4.25% and had a beginning of period balance of \$1,622,200 after implementation of GASB Statement No. 87. The Authority made 12 lease payments during the current fiscal year which totaled \$247,144, of which \$218,497 applied to principal and \$28,647 applied to interest. The changes in lease liability during the current fiscal year are summarized as follows:

Lease Payable, October 1, 2021	\$ 1,622,200
Less: Lease Principal Paid	<u>218,497</u>
Lease Payable, September 30, 2022	<u>\$ 1,403,703</u>

Future lease payments, are summarized in the following table:

Fiscal Year	Principal	Interest	Total
2023	\$ 139,854	\$ 29,706	\$ 169,560
2024	145,915	23,645	169,560
2025	152,239	17,321	169,560
2026	158,837	10,723	169,560
2027	165,720	3,840	169,560
2028-2032	<u>641,138</u>	<u>71,662</u>	<u>712,800</u>
	<u>\$ 1,403,703</u>	<u>\$ 156,897</u>	<u>\$ 1,560,600</u>

CLEAR LAKE CITY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 14. INTERLOCAL AGREEMENTS

The Authority entered into an agreement with the Texas Parks and Wildlife Department (“TPWD”) for development of Exploration Green, Phase 3, to include the following facilities: pedestrian trail, benches, wetland plantings, native landscaping and irrigation. Under the agreement, the TPWD will fund up to \$500,000 over the term of the agreement, which began September 24, 2018 and ended January 24, 2022. In the current fiscal year, the TPWD funded \$423,607 in relation to this project.

The Authority entered into an agreement with Harris County (the “County”) to jointly accomplish the construction of the Exploration Green, Phases 2, 3A and 4 Trail Systems. In the current fiscal year, the County funded \$423,604 in relation to this project.

NOTE 15. REFUNDING BOND SALE AND BOND SALE

On December 9, 2021, the Authority closed on the sale of its \$19,160,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2021. Proceeds were used to refund: \$1,185,000 of the Series 2013 Bonds with interest rates of 3.00% to 4.00%, maturity dates of 2023 through 2029 and redemption date of December 9, 2021; and \$19,200,000 of the Series 2013A Bonds with interest rates of 4.00% to 5.25%, maturity dates of 2023 through 2037 and redemption date of March 1, 2022. The refunding resulted in gross debt service savings of \$3,705,882 and net present value savings of \$3,127,152.

On June 16, 2022, the Authority issued its \$19,130,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2022. The proceeds are being used to pay for: improvements to the Authority’s water supply, wastewater, and drainage systems; contingencies; and engineering fees. Additional proceeds were used to pay issuance costs of the bonds.

CLEAR LAKE CITY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

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, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 3,277,346	\$ 3,184,016	\$ (93,330)
Water Service	6,838,000	7,066,657	228,657
Wastewater Service	4,559,300	4,518,275	(41,025)
Penalty and Interest	70,000	103,267	33,267
Tap Connection and Inspection Fees	160,400	40,858	(119,542)
Insurance, FEMA and Grant Revenues	905,000	494,105	(410,895)
Service Agreements and Lease Income	586,692	530,699	(55,993)
Investment and Miscellaneous Revenues	<u>130,900</u>	<u>83,090</u>	<u>(47,810)</u>
TOTAL REVENUES	<u>\$ 16,527,638</u>	<u>\$ 16,020,967</u>	<u>\$ (506,671)</u>
EXPENDITURES			
Service Operations:			
Bulk Water Purchases	\$ 2,186,220	\$ 2,833,566	\$ (647,346)
Payroll	6,904,028	6,560,599	343,429
Utilities	892,204	1,076,438	(184,234)
Repairs and Maintenance	2,078,104	1,302,650	775,454
Professional Fees	1,143,375	762,654	380,721
Other	2,623,102	2,553,990	69,112
Capital Outlay	2,057,374	1,153,044	904,330
Lease Principal and Interest	<u>180,545</u>	<u>247,144</u>	<u>(66,599)</u>
TOTAL EXPENDITURES	<u>\$ 18,064,952</u>	<u>\$ 16,490,085</u>	<u>\$ 1,574,867</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,537,314)</u>	<u>\$ (469,118)</u>	<u>\$ 1,068,196</u>
OTHER FINANCING SOURCES(USES)			
Transfers In	<u>\$ -0-</u>	<u>\$ 78,062</u>	<u>\$ 78,062</u>
NET CHANGE IN FUND BALANCE	\$ (1,537,314)	\$ (391,056)	\$ 1,146,258
FUND BALANCE - OCTOBER 1, 2021	<u>9,905,252</u>	<u>9,905,252</u>	
FUND BALANCE - SEPTEMBER 30, 2022	<u>\$ 8,367,938</u>	<u>\$ 9,514,196</u>	<u>\$ 1,146,258</u>

See accompanying independent auditor's report.

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CLEAR LAKE CITY WATER AUTHORITY
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2022

CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective October 31, 2011.

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

Authority employs winter averaging for wastewater usage? X
Yes No

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

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

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

CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	<u>2</u>	<u>2</u>	x 1.0	<u>2</u>
≤ ³ / ₄ "	<u>10,870</u>	<u>10,797</u>	x 1.0	<u>10,797</u>
1"	<u>6,249</u>	<u>6,224</u>	x 2.5	<u>15,560</u>
1½"	<u>295</u>	<u>292</u>	x 5.0	<u>1,460</u>
2"	<u>459</u>	<u>447</u>	x 8.0	<u>3,576</u>
3"	<u>50</u>	<u>46</u>	x 15.0	<u>690</u>
4"	<u>29</u>	<u>29</u>	x 25.0	<u>725</u>
6"	<u>7</u>	<u>7</u>	x 50.0	<u>350</u>
8"	<u>10</u>	<u>10</u>	x 80.0	<u>800</u>
10"	<u>7</u>	<u>7</u>	x 115.0	<u>805</u>
Total Water Connections	<u><u>17,978</u></u>	<u><u>17,861</u></u>		<u><u>34,765</u></u>
Total Wastewater Connections	<u><u>17,604</u></u>	<u><u>17,366</u></u>	x 1.0	<u><u>17,366</u></u>

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

Gallons pumped into system:	3,003,899,000	Water Accountability Ratio: 88.9% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	2,478,639,000	
Gallons purchased:	3,530,416,000	From: <u>City of Houston, Texas and City of Pasadena, Texas</u>
Gallons sold:	191,374,000	To: <u>Harris County Water Control and Improvement District No. 156 and Harris County Water Control and Improvement District No. 161</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

Does the Authority have Debt Service standby fees? Yes No

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

5. LOCATION OF AUTHORITY:

Is the Authority located entirely within one county?

Yes No

Counties in which Authority is located:

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

Is the Authority located within a city?

Entirely Partly Not at all

Cities in which Authority is located:

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

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

Entirely Partly Not at all

ETJ's in which Authority is located:

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

Are Board Members appointed by an office outside the Authority?

Yes No

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>6,560,599</u>
PROFESSIONAL FEES:	
Auditing	\$ 35,325
Engineering	555,038
Legal	82,339
Other Professional Fees	<u>89,952</u>
TOTAL PROFESSIONAL FEES	\$ <u>762,654</u>
BULK WATER PURCHASES	\$ <u>2,833,566</u>
UTILITIES:	
Electricity	\$ 668,297
Gas	3,068
Telephone	<u>405,073</u>
TOTAL UTILITIES	\$ <u>1,076,438</u>
REPAIRS AND MAINTENANCE	\$ <u>1,257,454</u>
ADMINISTRATIVE EXPENDITURES:	
Bank Charges	\$ 21,921
Billing Costs	53,717
Director Fees	18,975
Dues	2,742
Election Costs	39,046
Insurance	315,240
Office Supplies and Postage	101,598
Payroll Service	19,079
Regulatory Assessment	43,827
Travel and Meetings	29,116
Municipal Payment	819,998
Other	<u>96,138</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>1,561,397</u>
CAPITAL OUTLAY	\$ <u>1,153,044</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

OTHER EXPENDITURES:	
Chemicals	\$ 129,201
Inspection and Permit Fees	118,438
Laboratory Fees	86,545
Parts, Supplies and Uniforms	190,413
Sludge Hauling	305,949
Vehicle Supplies and Maintenance	<u>162,047</u>
TOTAL OTHER EXPENDITURES	<u>\$ 992,593</u>
DEBT SERVICE:	
Bond Issuance Costs	\$ 45,196
Lease Principal	218,497
Lease Interest	<u>28,647</u>
TOTAL DEBT SERVICE	<u>\$ 292,340</u>
TOTAL EXPENDITURES	<u><u>\$ 16,490,085</u></u>

Number of persons employed by Authority 71 Full-Time -0- Part-Time

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
INVESTMENTS
SEPTEMBER 30, 2022

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 6,888,730	\$
TexPool	XXXX0003	Varies	Daily	<u>725,772</u>	<u> </u>
TOTAL GENERAL FUND				<u>\$ 7,614,502</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0004	Varies	Daily	\$ 13,797,113	\$
TexPool	XXXX0005	Varies	Daily	<u>1</u>	<u> </u>
TOTAL DEBT SERVICE FUND				<u>\$ 13,797,114</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0014	Varies	Daily	\$ 20,960	\$
TexPool	XXXX0040	Varies	Daily	17,820	
TexPool	XXXX0041	Varies	Daily	2,677,961	
TexPool	XXXX0042	Varies	Daily	1,091,777	
TexPool	XXXX0043	Varies	Daily	2,412,252	
TexPool	XXXX0044	Varies	Daily	8,692,088	
TexPool	XXXX0045	Varies	Daily	4,130,604	
TexPool	XXXX0046	Varies	Daily	<u>17,841,679</u>	<u> </u>
TOTAL CAPITAL PROJECTS FUND				<u>\$ 36,885,141</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 58,296,757</u></u>	<u><u>\$ - 0 -</u></u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Maintenance Taxes	Debt Service Taxes
TAXES RECEIVABLE -		
OCTOBER 1, 2021	\$ 41,567	\$ 181,731
Adjustments to prior tax levies	(47,898)	(206,623)
2021 Tax Levy	3,238,080	13,599,935
Tax Collections for current and prior tax levies	(3,184,016)	(13,368,238)
TAXES RECEIVABLE -		
SEPTEMBER 30, 2022	\$ 47,733	\$ 206,805
 TAXES RECEIVABLE BY YEAR:		
2021	\$ 20,666	\$ 86,799
2020	6,138	25,781
2019	4,268	18,779
2018	2,976	13,095
2017	2,303	10,132
2016	1,530	6,733
2015	985	4,334
2014	973	4,475
2013	871	4,004
2012	859	3,953
2011 and prior	6,164	28,720
TOTAL	\$ 47,733	\$ 206,805

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2021	2020	2019	2018
PROPERTY VALUATIONS:				
Land	\$ 2,244,978,022	\$ 2,159,207,739	\$ 1,954,332,607	\$ 1,808,047,005
Improvements	5,860,943,970	5,508,332,785	5,364,692,022	5,209,944,738
Personal Property	584,337,519	612,858,159	557,504,628	600,853,556
Exemptions	<u>(2,214,099,817)</u>	<u>(2,150,326,999)</u>	<u>(2,087,185,078)</u>	<u>(1,957,654,345)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 6,476,159,694</u>	<u>\$ 6,130,071,684</u>	<u>\$ 5,789,344,179</u>	<u>\$ 5,661,190,954</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.21	\$ 0.21	\$ 0.22	\$ 0.22
Maintenance	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.26</u>	<u>\$ 0.26</u>	<u>\$ 0.27</u>	<u>\$ 0.27</u>
ADJUSTED TAX LEVY*	<u>\$ 16,838,015</u>	<u>\$ 15,938,187</u>	<u>\$ 15,631,229</u>	<u>\$ 15,285,216</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.36 %</u>	<u>99.80 %</u>	<u>99.85 %</u>	<u>99.89 %</u>

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

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

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 445,000	\$ 284,081	\$ 729,081
2024	460,000	275,031	735,031
2025	480,000	263,231	743,231
2026	495,000	248,607	743,607
2027	515,000	233,456	748,456
2028	535,000	217,706	752,706
2029	555,000	201,356	756,356
2030	580,000	184,331	764,331
2031	600,000	166,632	766,632
2032	625,000	148,256	773,256
2033	645,000	128,804	773,804
2034	670,000	108,256	778,256
2035	695,000	86,494	781,494
2036	725,000	63,419	788,419
2037	750,000	38,981	788,981
2038	780,000	13,163	793,163
	<u>\$ 9,555,000</u>	<u>\$ 2,661,804</u>	<u>\$ 12,216,804</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 545,000	\$ 330,750	\$ 875,750
2024	560,000	314,175	874,175
2025	580,000	297,075	877,075
2026	600,000	279,375	879,375
2027	620,000	261,075	881,075
2028	640,000	242,175	882,175
2029	660,000	222,675	882,675
2030	685,000	202,500	887,500
2031	705,000	181,650	886,650
2032	730,000	160,125	890,125
2033	750,000	137,925	887,925
2034	775,000	115,050	890,050
2035	805,000	91,350	896,350
2036	830,000	66,825	896,825
2037	855,000	41,016	896,016
2038	885,000	13,828	898,828
	<u>\$ 11,225,000</u>	<u>\$ 2,957,569</u>	<u>\$ 14,182,569</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 635,000	\$ 501,487	\$ 1,136,487
2024	660,000	472,288	1,132,288
2025	685,000	438,662	1,123,662
2026	710,000	410,888	1,120,888
2027	740,000	385,438	1,125,438
2028	765,000	355,337	1,120,337
2029	795,000	328,113	1,123,113
2030	825,000	302,781	1,127,781
2031	855,000	274,947	1,129,947
2032	890,000	244,943	1,134,943
2033	925,000	212,603	1,137,603
2034	960,000	178,438	1,138,438
2035	995,000	142,381	1,137,381
2036	1,035,000	104,319	1,139,319
2037	1,075,000	64,756	1,139,756
2038	1,115,000	22,300	1,137,300
	<u>\$ 13,665,000</u>	<u>\$ 4,439,681</u>	<u>\$ 18,104,681</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 1,010,000	\$ 600,012	\$ 1,610,012
2024	1,045,000	558,913	1,603,913
2025	1,085,000	521,738	1,606,738
2026	1,130,000	494,162	1,624,162
2027	1,170,000	471,163	1,641,163
2028	1,215,000	447,313	1,662,313
2029	1,265,000	420,931	1,685,931
2030	1,310,000	390,325	1,700,325
2031	1,360,000	353,550	1,713,550
2032	1,415,000	311,925	1,726,925
2033	1,470,000	268,650	1,738,650
2034	1,525,000	223,725	1,748,725
2035	1,580,000	177,150	1,757,150
2036	1,640,000	128,850	1,768,850
2037	1,705,000	78,675	1,783,675
2038	1,770,000	26,550	1,796,550
	<u>\$ 21,695,000</u>	<u>\$ 5,473,632</u>	<u>\$ 27,168,632</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 530,000	\$ 164,862	\$ 694,862
2024	560,000	142,400	702,400
2025	590,000	119,400	709,400
2026	625,000	95,100	720,100
2027	655,000	69,500	724,500
2028	685,000	42,700	727,700
2029	725,000	14,500	739,500
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
	<u>\$ 4,370,000</u>	<u>\$ 648,462</u>	<u>\$ 5,018,462</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 395,000	\$ 237,750	\$ 632,750
2024	415,000	221,550	636,550
2025	440,000	204,450	644,450
2026	455,000	186,550	641,550
2027	485,000	167,750	652,750
2028	510,000	147,850	657,850
2029	535,000	126,950	661,950
2030	555,000	105,150	660,150
2031	585,000	85,275	670,275
2032	605,000	67,425	672,425
2033	625,000	48,975	673,975
2034	650,000	29,850	679,850
2035	670,000	10,050	680,050
2036			
2037			
2038			
	<u>\$ 6,925,000</u>	<u>\$ 1,639,575</u>	<u>\$ 8,564,575</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 735,000	\$ 323,100	\$ 1,058,100
2024	735,000	293,700	1,028,700
2025	735,000	264,300	999,300
2026	730,000	235,000	965,000
2027	735,000	205,700	940,700
2028	735,000	176,300	911,300
2029	735,000	154,250	889,250
2030	735,000	139,550	874,550
2031	730,000	124,900	854,900
2032	735,000	110,250	845,250
2033	735,000	94,631	829,631
2034	735,000	78,094	813,094
2035	735,000	61,556	796,556
2036	735,000	45,019	780,019
2037	735,000	27,563	762,563
2038	735,000	9,187	744,187
	<u>\$ 11,750,000</u>	<u>\$ 2,343,100</u>	<u>\$ 14,093,100</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 1,115,000	\$ 608,525	\$ 1,723,525
2024	1,145,000	574,625	1,719,625
2025	1,175,000	539,825	1,714,825
2026	1,205,000	504,125	1,709,125
2027	1,240,000	461,250	1,701,250
2028	1,290,000	410,650	1,700,650
2029	1,330,000	358,250	1,688,250
2030	1,185,000	307,950	1,492,950
2031	1,220,000	265,950	1,485,950
2032	1,255,000	228,825	1,483,825
2033	1,300,000	190,500	1,490,500
2034	1,350,000	150,750	1,500,750
2035	1,400,000	109,500	1,509,500
2036	1,450,000	66,750	1,516,750
2037	1,500,000	22,500	1,522,500
2038			
	<u>\$ 19,160,000</u>	<u>\$ 4,799,975</u>	<u>\$ 23,959,975</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 820,000	\$ 823,400	\$ 1,643,400
2024	865,000	781,275	1,646,275
2025	905,000	737,025	1,642,025
2026	955,000	690,525	1,645,525
2027	1,000,000	641,650	1,641,650
2028	1,055,000	590,275	1,645,275
2029	1,105,000	536,275	1,641,275
2030	1,165,000	479,525	1,644,525
2031	1,220,000	426,000	1,646,000
2032	1,265,000	376,300	1,641,300
2033	1,320,000	324,600	1,644,600
2034	1,375,000	270,700	1,645,700
2035	1,430,000	214,600	1,644,600
2036	1,490,000	156,200	1,646,200
2037	1,550,000	95,400	1,645,400
2038	1,610,000	32,200	1,642,200
	<u>\$ 19,130,000</u>	<u>\$ 7,175,950</u>	<u>\$ 26,305,950</u>

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal Interest Due
2023	\$ 6,230,000	\$ 3,873,967	\$ 10,103,967
2024	6,445,000	3,633,957	10,078,957
2025	6,675,000	3,385,706	10,060,706
2026	6,905,000	3,144,332	10,049,332
2027	7,160,000	2,896,982	10,056,982
2028	7,430,000	2,630,306	10,060,306
2029	7,705,000	2,363,300	10,068,300
2030	7,040,000	2,112,112	9,152,112
2031	7,275,000	1,878,904	9,153,904
2032	7,520,000	1,648,049	9,168,049
2033	7,770,000	1,406,688	9,176,688
2034	8,040,000	1,154,863	9,194,863
2035	8,310,000	893,081	9,203,081
2036	7,905,000	631,382	8,536,382
2037	8,170,000	368,891	8,538,891
2038	6,895,000	117,228	7,012,228
	<u>\$ 117,475,000</u>	<u>\$ 32,139,748</u>	<u>\$ 149,614,748</u>

See accompanying independent auditor's report.

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CLEAR LAKE CITY WATER AUTHORITY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Description	Original Bonds Issued	Bonds Outstanding October 1, 2021
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013	\$ 4,380,000	\$ 1,330,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013A	21,000,000	21,000,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2014	5,705,000	935,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2016	5,645,000	1,390,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2017	11,545,000	9,985,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2017A	13,800,000	11,750,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2018	16,150,000	14,275,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2019	24,500,000	22,665,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2019	6,120,000	5,260,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2019A	7,525,000	7,300,000

See accompanying independent auditor's report.

Current Year Transactions				Bonds	
Bonds Sold	Retirements		Outstanding September 30, 2022	Paying Agent	
	Principal	Interest			
\$	\$ 1,330,000	\$ 2,175	\$ -0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	21,000,000	36,000	- 0 -	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	935,000	14,025	- 0 -	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	1,390,000	10,077	- 0 -	Trustmark National Bank Houston, TX	
	430,000	292,831	9,555,000	Branch Banking and Trust Company, Dallas, TX	
	525,000	346,800	11,225,000	Branch Banking and Trust Company, Dallas, TX	
	610,000	526,388	13,665,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	970,000	639,613	21,695,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	890,000	193,925	4,370,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	375,000	253,150	6,925,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Description	Original Bonds Issued	Bonds Outstanding October 1, 2021
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2020	\$ 13,215,000	\$ 12,485,000
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2021	19,160,000	
Clear Lake City Water Authority Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2022	<u>19,130,000</u>	
TOTAL	<u>\$ 167,875,000</u>	<u>\$ 108,375,000</u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2022</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 735,000	\$ 352,500	\$ 11,750,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
19,160,000		455,043	19,160,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>19,130,000</u>		<u>175,812</u>	<u>19,130,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 38,290,000</u>	<u>\$ 29,190,000</u>	<u>\$ 3,298,339</u>	<u>\$ 117,475,000</u>	

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

RECONCILIATION OF BONDS ISSUED:

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

Entity	Bond Issue	Amount
Harris County Municipal Utility District No. 181	Series 1983	\$ 1,300,000
Harris County Municipal Utility District No. 181	Series 1986	440,000
Harris County Water Control & Improvement District No. 75	Series 1992	3,005,000
Clear Lake City Water Authority	Series 1963	5,400,000
Clear Lake City Water Authority	Series 1967	3,025,000
Clear Lake City Water Authority	Series 1968	1,965,000
Clear Lake City Water Authority	Series 1969	1,450,000
Clear Lake City Water Authority	Series 1971	2,850,000
Clear Lake City Water Authority	Series 1975	1,000,000
Clear Lake City Water Authority	Series 1976	1,780,000
Clear Lake City Water Authority	Series 1977	1,080,000
Clear Lake City Water Authority	Series 1977-A	2,100,000
Clear Lake City Water Authority	Series 1978	1,900,000
Clear Lake City Water Authority	Series 1980	1,450,000
Clear Lake City Water Authority	Series 1986	5,910,000
Clear Lake City Water Authority	Series 1987	9,535,000
Clear Lake City Water Authority	Series 1987-A	7,000,000
Clear Lake City Water Authority	Series 1988	4,700,000
Clear Lake City Water Authority	Series 1989	3,350,000
Clear Lake City Water Authority	Refunding Series 1990	1,440,000
Clear Lake City Water Authority	Series 1990	6,400,000
Clear Lake City Water Authority	Series 1991	8,090,000
Clear Lake City Water Authority	Refunding Series 1992	5,520,000
Clear Lake City Water Authority	Series 1993	8,345,000
Clear Lake City Water Authority	Series 1993-A	7,000,000
Clear Lake City Water Authority	Series 1993-B	9,600,000
Clear Lake City Water Authority	Refunding Series 1994	18,840,000
Clear Lake City Water Authority	Series 1997	5,705,000
Clear Lake City Water Authority	Refunding Series 1998-A	1,305,000
Harris County Water Control & Improvement District No. 75	Refunding Series 1998-B	2,160,000
Clear Lake City Water Authority	Series 1998	5,410,000
Clear Lake City Water Authority	Refunding 1998	10,655,000
Clear Lake City Water Authority	Series 1999	6,900,000
Clear Lake City Water Authority	Refunding Series 1999	6,065,000
Clear Lake City Water Authority	Series 2000	4,485,000
Clear Lake City Water Authority	Refunding Series 2002	11,405,000
Clear Lake City Water Authority	Series 2001	7,885,000
Clear Lake City Water Authority	Refunding Series 2003-A	9,155,000
Clear Lake City Water Authority	Refunding Series 2003-B	7,125,000
Clear Lake City Water Authority	Series 2005	9,600,000

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

RECONCILIATION OF BONDS ISSUED: (Continued)

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

Clear Lake City Water Authority	Series 2006	5,500,000
Clear Lake City Water Authority	Refunding Series 2006	4,255,000
Clear Lake City Water Authority	Series 2008	8,730,000
Clear Lake City Water Authority	Series 2009	5,270,000
Clear Lake City Water Authority	Refunding Series 2009	11,645,000
Clear Lake City Water Authority	Refunding Series 2010	8,815,000
Clear Lake City Water Authority	Series 2011	7,620,000
Clear Lake City Water Authority	Series 2011A	7,130,000
Clear Lake City Water Authority	Refunding Series 2012	11,105,000
Clear Lake City Water Authority	Series 2012	6,300,000
Clear Lake City Water Authority	Refunding Series 2012A	4,305,000
		<hr/>
TOTAL BOND ISSUES RETIRED IN PREVIOUS FISCAL YEARS		\$ 293,005,000
Original Bonds as listed on pages 59-62		<hr/> 167,875,000
TOTAL BONDS ISSUED		<hr/> <hr/> \$ 460,880,000

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Tax Bonds		
Bond Authority:	Clear Lake City Water Authority	HC MUD No. 181	HC WCID No. 75
Amount Authorized by Voters	\$ 437,489,128	\$ 5,000,000	\$ 3,005,000
Amount Issued	<u>298,992,503</u>	<u>1,740,000</u>	<u>3,005,000</u>
Remaining to be Issued	<u>\$ 138,496,625</u>	<u>\$ 3,260,000</u>	<u>\$ -0-</u>
Debt Service Fund cash and investment balances as of September 30, 2022:			<u>\$ 14,130,687</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 9,350,922</u>

See accompanying independent auditor's report.

<u>Total</u>	<u>Refunding Bonds</u>		<u>Total</u>
	<u>Clear Lake City Water Authority</u>	<u>HC MUD No. 181</u>	
\$ 445,494,128	\$ 243,323,100	\$ 5,000,000	\$248,323,100
<u>303,737,503</u>	<u>61,000,617</u>	<u>2,745,000</u>	<u>63,745,617</u>
<u>\$ 141,756,625</u>	<u>\$ 182,322,483</u>	<u>\$ 2,255,000</u>	<u>\$ 184,577,483</u>

See accompanying independent auditor's report.

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

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 3,184,016	\$ 3,052,567	\$ 2,969,950
Water Service	7,066,657	6,502,209	7,316,197
Wastewater Service	4,518,275	4,472,399	4,507,481
Penalty and Interest	103,267	93,716	56,018
Tap Connection and Inspection Fees	40,858	179,996	263,801
Insurance, FEMA and Grant Revenues	494,105	513,014	180,760
Service Agreements and Lease Income	530,699	579,111	473,602
Investment and Miscellaneous Revenues	83,090	132,551	225,559
TOTAL REVENUES	\$ 16,020,967	\$ 15,525,563	\$ 15,993,368
EXPENDITURES			
Payroll	\$ 6,560,599	\$ 6,176,469	\$ 5,634,914
Bulk Water Purchases	2,833,566	2,641,553	2,651,025
Professional Fees	807,850	831,005	969,967
Utilities	1,076,438	959,572	803,050
Repairs and Maintenance	1,257,454	1,291,523	1,306,257
Other	2,553,990	2,584,757	2,596,121
Capital Outlay	1,153,044	2,910,094	6,003,862
Lease Principal and Interest	247,144	231,558	223,560
TOTAL EXPENDITURES	\$ 16,490,085	\$ 17,626,531	\$ 20,188,756
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (469,118)	\$ (2,100,968)	\$ (4,195,388)
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ 78,062	\$ - 0 -	\$ 177,341
NET CHANGE IN FUND BALANCE	\$ (391,056)	\$ (2,100,968)	\$ (4,018,047)
BEGINNING FUND BALANCE	9,905,252	12,006,220	16,024,267
ENDING FUND BALANCE	\$ 9,514,196	\$ 9,905,252	\$ 12,006,220

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 2,821,041	\$ 2,757,138	19.9 %	19.6 %	18.6 %	17.4 %	17.1 %
6,556,114	6,839,175	44.1	41.9	45.7	40.5	42.1
4,398,995	4,601,452	28.2	28.8	28.2	27.2	28.3
88,182	86,818	0.6	0.6	0.4	0.5	0.5
698,468	804,315	0.3	1.2	1.6	4.3	4.9
800,658	454,819	3.1	3.3	1.1	4.9	2.8
407,792	300,674	3.3	3.7	3.0	2.5	1.8
429,588	412,546	0.5	0.9	1.4	2.7	2.5
<u>\$ 16,200,838</u>	<u>\$ 16,256,937</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 5,216,121	\$ 4,708,596	41.0 %	39.8 %	35.2 %	32.2 %	29.0 %
2,216,560	1,928,777	17.7	17.0	16.6	13.7	11.9
762,329	1,139,488	5.0	5.4	6.1	4.7	7.0
758,827	865,579	6.7	6.2	5.0	4.7	5.3
785,856	867,551	7.8	8.3	8.2	4.9	5.3
2,613,401	2,441,673	15.9	16.6	16.2	16.1	15.0
2,542,292	3,812,522	7.2	18.7	37.5	15.7	23.5
231,431	231,431	1.5	1.5	1.4	1.5	1.4
<u>\$ 15,126,817</u>	<u>\$ 15,995,617</u>	<u>102.8 %</u>	<u>113.5 %</u>	<u>126.2 %</u>	<u>93.5 %</u>	<u>98.4 %</u>
<u>\$ 1,074,021</u>	<u>\$ 261,320</u>	<u>(2.8) %</u>	<u>(13.5) %</u>	<u>(26.2) %</u>	<u>6.5 %</u>	<u>1.6 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 1,074,021	\$ 261,320					
<u>14,950,246</u>	<u>14,688,926</u>					
<u>\$ 16,024,267</u>	<u>\$ 14,950,246</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 13,368,238	\$ 12,867,598	\$ 13,059,183
Penalty and Interest	121,678	119,141	113,759
Exclusion Contract Payments and Other Revenues	<u>553,470</u>	<u>459,719</u>	<u>149,120</u>
TOTAL REVENUES	<u>\$ 14,043,386</u>	<u>\$ 13,446,458</u>	<u>\$ 13,322,062</u>
EXPENDITURES			
Payroll	\$ 285,811	\$ 305,442	\$ 278,362
Debt Service Principal	8,805,000	9,300,000	6,230,000
Debt Service Interest and Fees	3,487,666	4,056,469	3,912,600
Tax Collection Expenditures	181,358	114,282	120,828
Payment to Refunding Bonds Escrow Agent	230,000		
Bond Issuance Costs	<u>368,294</u>		<u>209,968</u>
TOTAL EXPENDITURES	<u>\$ 13,358,129</u>	<u>\$ 13,776,193</u>	<u>\$ 10,751,758</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 685,257</u>	<u>\$ (329,735)</u>	<u>\$ 2,570,304</u>
OTHER FINANCING SOURCES (USES)			
Transfer Out	\$ (78,062)	\$	\$
Proceeds from Issuance of Long-term Debt	19,160,000		7,525,000
Premium on Bonds Issued	1,879,776		594,601
Payment to Refunding Bonds Escrow Agent	<u>(20,602,921)</u>		<u>(7,936,962)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 358,793</u>	<u>\$ - 0 -</u>	<u>\$ 182,639</u>
NET CHANGE IN FUND BALANCE	\$ 1,044,050	\$ (329,735)	\$ 2,752,943
BEGINNING FUND BALANCE	<u>10,390,560</u>	<u>10,720,295</u>	<u>7,967,352</u>
ENDING FUND BALANCE	<u>\$ 11,434,610</u>	<u>\$ 10,390,560</u>	<u>\$ 10,720,295</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>17,861</u>	<u>17,849</u>	<u>17,828</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>17,366</u>	<u>17,353</u>	<u>17,444</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 12,414,590	\$ 12,138,971	95.2 %	95.7 %	98.0 %	97.0 %	98.0 %
104,606	110,811	0.9	0.9	0.9	0.8	0.9
279,054	137,224	3.9	3.4	1.1	2.2	1.1
<u>\$ 12,798,250</u>	<u>\$ 12,387,006</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 286,802	\$ 279,188	2.0 %	2.3 %	2.1 %	2.2 %	2.3 %
5,705,000	13,260,000	62.7	69.2	46.8	44.6	107.0
3,304,535	3,073,628	24.8	30.2	29.4	25.8	24.8
104,412	108,522	1.3	0.8	0.9	0.8	0.9
180,360		1.6		1.6	1.4	
<u>\$ 9,581,109</u>	<u>\$ 16,721,338</u>	<u>95.0 %</u>	<u>102.5 %</u>	<u>80.8 %</u>	<u>74.8 %</u>	<u>135.0 %</u>
\$ 3,217,141	\$ (4,334,332)	5.0 %	(2.5) %	19.2 %	25.2 %	(35.0) %
\$ 6,120,000	\$					
580,216						
<u>(6,488,297)</u>						
<u>\$ 211,919</u>	<u>\$ - 0 -</u>					
\$ 3,429,060	\$ (4,334,332)					
<u>4,538,292</u>	<u>8,872,624</u>					
<u>\$ 7,967,352</u>	<u>\$ 4,538,292</u>					
<u>17,825</u>	<u>17,800</u>					
<u>17,481</u>	<u>17,426</u>					

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022

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

Authority Telephone Number - (281) 488-1164

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2022	Expense Reimbursements for the year ended September 30, 2022	Title
John B. Branch	11/2020 05/2024 (Elected)	\$ 2,400	\$ -0-	President/ Investment Officer
Robert T. Savely	11/2020 05/2024 (Elected)	\$ 4,800	\$ -0-	Vice President
Thomas Morrow	05/2022 05/2026 (Elected)	\$ 7,200	\$ -0-	Secretary
Anthea Guest	05/2022 05/2026 (Elected)	\$ 5,700	\$ -0-	Director
John Graf	11/2020 05/2024 (Elected)	\$ 4,800	\$ -0-	Director

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the Authority, with the Authority’s developers or with any of the Authority’s consultants. Limit on Fees of Office that a Director may receive during a fiscal year is the maximum allowed by law as set by Board Resolution on February 10, 2011. Fees of Office are the amounts actually paid to a Director during the Authority’s current fiscal year.

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

See accompanying independent auditor’s report.

CLEAR LAKE CITY WATER AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022

Key Administrative Personnel:	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ending September 30, 2022</u>	<u>Title</u>
Jennifer Morrow	05/17/98		General Manager/ Treasurer
Curtis Rodgers	01/16/86		Director of Utilities
Yazmin Garay	03/06/17		Tax Assessor/ Collector
Dean McGee	01/01/21		Finance Director
Consultants:			
Coats Rose, P.C.	08/13/15	\$ 71,131	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/31/96	\$ 50,600	Audit and Bond Related
Sanford Kuhl Hagan Kugle Parker Kahn LLP	02/11/10	\$ 82,970	Bond Counsel
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	06/28/01	\$ 35,072	Delinquent Tax Attorney
Lockwood, Andrews & Newman, Inc.	12/18/97	\$ 3,176,771	Engineer
Robert W. Baird & Co.	02/12/15	\$ 315,600	Financial Advisor

See accompanying independent auditor's report.